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CASE MANAGEMENT



May 30, 2018

June 4, 2018
MAY 31 2018
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

VIA FEDERAL EXPRESS

Ira G. Megdal

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Aida Camacho-Welch,
Secretary
NJ Board of Public Utilities
44 South Clinton Ave.
3rd Floor, Suite 314
PO Box 350
Trenton, NJ 08625-0350

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MAY 31 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

**Re: In the Matter of the Petition of Elizabethtown Gas Company for Authorization Through June 30, 2021; (i) to Make, Execute and Issue a Term Loan Agreement to Provide Initial Financing For Elizabethtown Gas Company; (ii) to Make, Execute and Issue a First Mortgage Indenture and Any Appropriate Supplemental Mortgage Indentures; and (iii) to Make, Execute and Issue First Mortgage Bonds or Other Evidences of Indebtedness
BPU Docket No. GF18050512**

Dear Secretary Camacho-Welch:

This firm represents the Petitioner, Elizabethtown Gas Company in the referenced matter. We are enclosing herewith the original and ten (10) copies of an Amended Petition.

Also enclosed are two additional copies marked "File Copy". Please stamp each of these as "Received" and return them in the enclosed self-addressed envelope.

This Amended Petition is being filed because in the original Petition, Petitioner requested authorization to enter into a two year Term Loan Agreement. Petitioner now intends to enter into a 364 day Short-Term Term Loan Agreement. Petitioner also intends to circle (lock-in) an interest rate for first mortgage bonds within three months of issuing the Short-Term Term Loan Agreement, and issuing first mortgage bonds within six months. The first mortgage bonds will be used to repay the Short-Term Term Loan. Thus it will be repaid within six months. As a result, Petitioner no longer seeks approval of a Term Loan Agreement. However, Petitioner continues to seek approval to issue a mortgage indenture, and to issue, *inter alia*, the first mortgage bonds referenced above.

*Case Mgmt
last copy*

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Thomas McKay, III attorney responsible for New Jersey practice.

Thank you for your attention to this matter.

Respectfully,

COZEN O'CONNOR, PC

By:  Ira G. Megdal

IGM/kn

Enclosure

cc: Christine Lin (via Federal Express)
Matthew Kahal (via Federal Express)
Service List (via email)

**In the Matter of the Petition of Elizabethtown Gas Company for Authorization Through June 30, 2021; (i) to Make, Execute and Issue a Term Loan Agreement to Provide Initial Financing For Elizabethtown Gas Company; (ii) to Make, Execute and Issue a First Mortgage Indenture and Any Appropriate Supplemental Mortgage Indentures; and (iii) to Make, Execute and Issue First Mortgage Bonds or Other Evidences of Indebtedness
BPU Docket No. GF18050512**

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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MAIL ROOM

MAY 31 2018

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF : AMENDED PETITION
ELIZABETHTOWN GAS COMPANY FOR :
AUTHORIZATION THROUGH JUNE 30, 2021: (i) TO :
MAKE, EXECUTE AND ISSUE A TERM LOAN :
AGREEMENT TO PROVIDE INITIAL FINANCING :
FOR ELIZABETHTOWN GAS COMPANY; (ii) TO :
MAKE, EXECUTE AND ISSUE A FIRST MORTGAGE : DOCKET NO. GF18050512
INDENTURE AND ANY APPROPRIATE :
SUPPLEMENTAL MORTGAGE INDENTURES; AND :
(iii) TO MAKE, EXECUTE AND ISSUE FIRST :
MORTGAGE BONDS OR OTHER EVIDENCES OF :
INDEBTEDNESS :

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, Elizabethtown Gas Company ("Elizabethtown Gas Company," "Petitioner" or the "Company") hereby petitions this Honorable Board (the "Board") for authorization through June 30, 2021:

(i) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 a First Mortgage Indenture and any appropriate supplemental mortgage indentures providing for the issuance of a mortgage bond or mortgage bonds;

(ii) to issue such first mortgage bond or first mortgage bonds with a maturity or maturities of not more than 40 years from the respective dates of issuance;

(iii) to issue other evidences of indebtedness, such as loan agreements, term loan agreements, and other evidences of indebtedness or similar documents payable more than 12 months from the date or dates thereof; and

(iv) to provide that all such bonds, loan agreements, term loan agreements and other evidences of indebtedness payable in more than 12 months for the date or dates thereof will not exceed the amount of \$800,000,000.

In support thereof, Petitioner states as follows:

1. On December 21, 2017, South Jersey Industries, Inc. ("SJI"), ETG Acquisition Corp. and South Jersey Resources Group, LLC ("SJRG"),¹ together with Pivotal Utility Holdings, Inc. ("Pivotal") ("Joint Petitioners") filed a Verified Joint Petition with the Board requesting approval of the acquisition of control by ETG Acquisition Corp. of Pivotal's New Jersey utility operating division, Elizabethtown Gas, including the sale of substantially all of Elizabethtown Gas' assets ("Acquisition") under N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.A.C. 14:1-5.14 and N.J.A.C. 14:1-5.6.
2. As stated in the Joint Petition, ETG Acquisition Corp. was established to acquire substantially all of the assets of Elizabethtown Gas.
3. ETG Acquisition Corp. will purchase the Elizabethtown assets free of debt.
4. Following the Acquisition closing (the "Acquisition Closing"), Elizabethtown will be a wholly owned subsidiary of SJI Utilities, Inc., a New Jersey corporation that SJI will form as part of the Acquisition.
5. At closing, ETG Acquisition Corp. will change its name to Elizabethtown Gas Company.

¹ ETG Acquisition Corp. and SJRG are wholly owned subsidiaries of SJI.

6. Elizabethtown Gas Company will be engaged in the distribution and sale of natural gas to approximately 288,000 residential, business, and industrial customers in seven counties in two areas of New Jersey: the Union and Northwest Divisions.

7. At the date of the Acquisition Closing, Elizabethtown Gas Company will have no funds to use for working capital, capital investments, or to operate the utility.

8. By an initial Petition filed in this docket on May 8, 2018, Petitioner sought authorization to enter into a term loan agreement in the amount of approximately \$530,000,000 payable in more than 12 months from the date or dates thereof to provide initial financing for Elizabethtown Gas Company. It has since been determined that Petitioner will enter into a term loan agreement which will be payable within 364 days of issuance (the "Short-Term Term Loan"). In fact, it has also been determined that Petitioner will issue first mortgage bonds within six months of the Closing of Acquisition, and will pay off the Short-Term Term Loan at that time. In order to mitigate interest rate risk, Petitioner will circle (lock-in) an interest rate within three months of the Acquisition Closing. Since the term loan will be a Short-Term Term Loan, Petitioner no longer seeks approval of this Board to enter into the Short-Term Term Loan Agreement.

9. Elizabethtown Gas Company seeks authorization by this Petition to engage in a transaction or series of transactions commencing three to six months following the Acquisition Closing which will include the issuance of First Mortgage Bonds discussed above, in the approximate amount of \$530,000,000.

10. If Elizabethtown Gas Company deems the same to be reasonable and prudent given existing market conditions at the time it will enter into interest rate hedges.

11. Elizabethtown Gas Company also seeks authorization to make, issue and execute a First Mortgage Indenture under and pursuant to which Elizabethtown Gas Company will issue the first mortgage bonds discussed above.

12. Once Elizabethtown Gas Company makes, executes and delivers the above stated first mortgage bonds, there will remain approximately \$270,000,000 of additional allowed debt, pursuant to this Petition.

13. Over a three year period, Petitioner proposes that it be authorized to make, execute and issue a supplemental mortgage indenture, or supplemental mortgage indentures; term loan agreements or other evidences of indebtedness; all of which will be used for various purposes, including paying down other short term debt balances which will be incurred by Elizabethtown Gas Company in the ordinary operation of its business.

14. Petitioner proposes to amortize the issuance costs of all evidences of indebtedness entered into pursuant to an Order in this Docket to: Account No. 181000-Unamortized Debt Issuance Costs.

15. The projected cost for such issuance of the first mortgage bonds to be issued within six months of the Acquisition Closing is approximately \$3.9 million.

16. A pro forma capital structure as of July 1, 2018, giving effect to the issuance of the first mortgage bonds contemplated within six months of the Acquisition Closing and the expected use of the proceeds thereof will be provided under separate cover.

17. Relative to timing, it is anticipated that this matter will be on the Board's agenda for its June 20, 2018 Agenda Meeting. It is anticipated that the Acquisition Closing will take place on or about July 1, 2018; it is anticipated that the First Mortgage Indenture will be executed, and recorded approximately simultaneously with the Acquisition Closing.

18. The First Mortgage Indenture will create a first lien upon substantially all of Elizabethtown Gas Company's real and personal property, except certain items such as cash, investments, inventories, accounts receivable and transportation equipment.

19. The bonds and other evidences of indebtedness may be used, *inter alia*, to take out the initial Short-Term Term Loan, to provide additional working capital or retire short term debt if it would be economically advantageous to do so.

20. Petitioner requests authority, as appropriate market opportunities arise, to issue bonds under the First Mortgage Indenture as part of one series, or as part of several series. Bonds may be issued with various terms and specified conditions, such as redemption provisions that vary from series to series and may bear interest at different rates. The terms of the proposed bonds cannot be determined at this time, as they will be dependent upon market and other conditions at the time of issuance and sale. The bonds will be sold at 100% of principal amount, at a discount or at a premium.

21. Any series of bonds may be issued in one or more offerings that will be registered under the Securities Act of 1933, as amended (the "Securities Act") or in one or more offerings that will be exempt from registration under the Securities Act. If a bond offering is registered under the Securities Act, the sale will be made in a manner which, in the judgment of the Company, yields a financially advantageous result for the Company. If a bond offering is not registered under the Securities Act, Elizabethtown Gas Company intends to sell the bonds either to or through one to three agents, in either case to purchasers that will be accredited investors, as defined in rules adopted by the Securities and Exchange Commission ("SEC"), or to other purchasers as may be permitted under applicable SEC rules with respect to the exemption from registration on which the Company relies for such issuance. The successful bidder or bidders

may, in turn, resell the bonds to qualified institutional buyers, pursuant to Rule 144A under the Securities Act, or to any eligible purchasers under an applicable exemption from the Securities Act. This type of sale, in an unregistered offering, will be made to or through the agent or agents whose bid or bids will, in the judgment of the Company, yield a financially advantageous result for the Company. The agent or agents to be utilized by the Company may change from offering to offering.

22. It is anticipated that the interest rates to be borne by the bonds will not exceed ten percent (10%); provided, however, that if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least 14 days before the issuance of any bonds.

23. Petitioner proposes to issue bonds within the following yield spreads over U.S. Treasury securities; provided, however, that if market conditions require a yield spread over U.S. Treasury securities greater than as set forth below, Petitioner will notify the Office of the Economist of the Board at least 7 days before pricing of the bonds. If Petitioner receives no written objection from the Office of the Economist of the Board within 7 days of receipt of notice, the Maturity Yield Spread Table shall be deemed amended as set forth in such notice:

MARKET YIELD SPREAD TABLE

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>
1 Yr. to less than 18 Mos.	217
18 Mos. to less than 2 Yrs.	252
2 Yrs. to less than 3 Yrs.	283
3 Yrs. to less than 4 Yrs.	315
4 Yrs. to less than 5 Yrs.	321

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>
5 Yrs. to less than 7 Yrs.	368
7 Yrs. to less than 10 Yrs.	392
10 Yrs. to less than 15 Yrs.	408
15 Yrs. to less than 20 Yrs.	474
20 Yrs. to 40 Yrs.	485

24. Petitioner also intends to make, execute and deliver other evidences of indebtedness, such as term loan agreements, payable more than 12 months from the date or dates thereof if economically advantageous to Petitioner. All such indebtedness will not exceed \$800,000,000.

25. To allow Petitioner to take advantage of changing money market conditions and advantageously manage its cost of capital and meet competitive conditions, Petitioner requests authority, as appropriate market opportunities arise, to issue and sell bonds in one or more offerings. The terms of the proposed bonds cannot be determined at this time, as they will be dependent upon market and other conditions at the time of issuance and sale. However, Petitioner will select the form of instrument which in the judgment of Petitioner would allow the issuance and sale of bonds in a financially advantageous manner.

26. The timing of each transaction with respect to each issuance of bonds, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices, and the type, terms and conditions of the bonds will be determined from time to time for each issuance of bonds. Such determinations will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, the bonds will have maturities of

up to forty (40) years from their respective dates of issuances. Bonds may include conventional, floating rate, put, call, remarketed, swaps, options or other terms and conditions. Petitioner requests that all bonds be sold without further approval by this Board in accordance with procedures set forth in this Petition.

27. The Company plans to initially finance its general construction program with internally generated funds and short-term debt. Periodically, Elizabethtown Gas Company may pay down short-term debt to prevent balances from becoming too high with the proceeds from the sale of long-term debt, bonds or from equity infusions.

28. Information about Elizabethtown Gas Company's current financial condition, as required by N.J.A.C. 14:1-5.9(a)(9), is not available as the Company does not exist, but will be a new entity as of the Acquisition Closing.

29. The Company will provide the pro forma balance sheet giving effect to the issuance of first mortgage bond to be issued within six months of the Acquisition Closing under separate cover.

30. Under separate cover, Elizabethtown Gas Company will supply a certified copy of the Corporate Resolutions of its Board of Directors authorizing the proposed transactions.

31. No franchise or right is proposed to be capitalized, directly or indirectly, by Elizabethtown Gas Company because of this Petition. Elizabethtown Gas Company intends, in good faith, to use the proceeds of the proposed transactions for the purposes set forth herein.

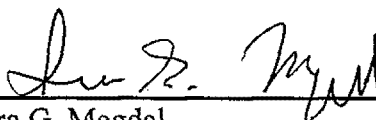
WHEREFORE, Elizabethtown Gas Company respectfully prays that this Honorable Board authorize the Company: (i) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 a First Mortgage Indenture and any appropriate supplemental mortgage indentures providing for

the issuance of a mortgage bond or mortgage bonds; (ii) to issue such first mortgage bond or first mortgage bonds with a maturity or maturities of not more than 40 years from the respective dates of issuance; (iii) to issue other evidences of indebtedness, such as loan agreements, term loan agreements, and other evidences of indebtedness or similar documents payable more than 12 months from the date or dates thereof; and (iv) to provide that all such bonds, loan agreements, term loan agreements and other evidences of indebtedness payable in more than 12 months for the date or dates thereof will not exceed the amount of \$800,000,000; and that the Board issue such other relief as is requested by this Petition; and that the Board issue such other relief as may be just and proper in order to complete the transactions contemplated by this Petition.

Respectfully submitted,

ELIZABETHTOWN GAS COMPANY

By: COZEN O'CONNOR



Ira G. Megdal
Christine Soares

Dated: May 30, 2018

Communications addressed to Petitioner in this case are sent to:


COZEN O'CONNOR

Attn: Ira G. Megdal, Esquire
Christine Soares, Esquire
457 Haddonfield Road, Suite 300
PO Box 5459
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(856) 910-5019

VERIFICATION

I, Dave Robbins, Jr. of full age, being duly sworn according to law, upon my oath, depose and say:

1. I am President of ETG Acquisition Corp., which will change its name to Elizabethtown Gas Company after the Acquisition Closing.
2. I am authorized to make this Verification on behalf of ETG Acquisition Corp.
2. I have reviewed the foregoing petition and the information contained herein is true according to the best of my knowledge, information and belief.

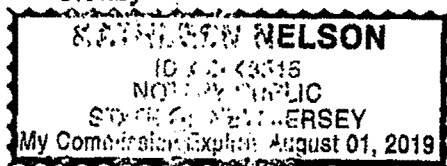


David Robbins, Jr.

Sworn to and subscribed
before me this 30 day
of May, 2018.



Notary Public



This Verification is being submitted in facsimile form because the affiant is not available to sign the Verification. The undersigned attorney, Ira G. Megdal, certifies that the affiant acknowledged the genuineness of the signature and that the Verification or a copy with an original signature affixed will be filed if requested by the Board of Public Utilities or a party to this proceeding.



IRA G. MEGDAL, ESQUIRE