



Elizabethtown Gas™

An AGL Resources Company

520 Green Lane  
Union, NJ 07083

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www.elizabethtowngas.com



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BOARD OF PUBLIC UTILITIES  
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May 6, 2015

**VIA ELECTRONIC MAIL AND FEDERAL EXPRESS**

Kenneth J. Sheehan, Secretary  
State of New Jersey  
Board of Public Utilities  
44 S. Clinton Avenue  
Trenton, New Jersey 08625

**Re: In the Matter of the Petition of Pivotal Utility Holdings, Inc. d/b/a  
Elizabethtown Gas for Authority to Establish A Neighborhood  
Expansion Project  
BPU Docket No. GR15010038  
OAL Docket No. PUC 02907-2015 N**

Dear Secretary Sheehan:

On January 6, 2014, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition ("January 6 Petition") in the above proceeding that proposed certain tariff amendments necessary to establish a Neighborhood Expansion Program ("NEP"). After filing the January 6 Petition, Elizabethtown obtained updated information concerning the costs of the main, service and meter facilities that could be placed in service through the NEP program. These updated cost projections affect the determination of the proposed NEP charge as well as other elements of the proposed NEP. To reflect this updated information in its proposal, Elizabethtown is submitting an original and ten (10) copies of an Amended Petition. The Amended Petition also reflects updates to the Company's contact information. Enclosed with this filing are the Amended Petition and Summary Sheet in clean and redlined form to show changes from the January 6 Petition.

*Case Mgmt*  
*Service List Copies*

As reflected in the Amended Petition, the Company's projected costs for mains, service lines and meters have been updated as follows:

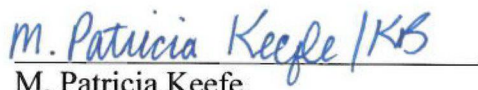
	<b>Original Petition</b>	<b>Amended Petition</b>
Mains	\$44.92/per foot	\$36.30/per foot
Service Lines	\$49.66/first 45 feet \$13.69 per foot thereafter	\$43.83/first 60 feet \$18.01/per foot thereafter
Meters	\$247.87	\$290.14

As a result of these cost updates, the Company is proposing to decrease the proposed NEP Charge from \$72.38 per month to \$52.64 per month. The Company also expects the updated costs to decrease its projected average annual spending for the proposed NEP Facilities from \$3 million to \$2 million per year for a total investment of \$10 million over the proposed five-year term of the NEP. These and other related changes are reflected in the Amended Petition and revised Exhibits C and D.

The Company welcomes the opportunity to meet with Board Staff and the Division of Rate Counsel to discuss the proposed changes reflected in the Amended Petition at the convenience of the parties.

Please contact the undersigned if you have any questions.

Respectfully submitted,

  
M. Patricia Keefe  
Vice President, Regulatory Affairs  
And Business Support

Enclosures

cc:

Honorable Richard McGill – Administrative Law Judge  
Clerk – Office of Administrative Law  
Jerome May, Director, Division of Energy  
Stefanie A. Brand, Director, Rate Counsel  
Parties to BPU Docket No. GR15010038



IN THE MATTER OF THE PETITION OF  
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
TO ESTABLISH A NEIGHBORHOOD EXPANSION PROGRAM  
BPU DOCKET NO. GR15010038

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**In The Matter Of The Petition Of Pivotal Utility :** **BPU Docket No. GR15010038**  
**Holdings, Inc. d/b/a Elizabethtown Gas To :** **OAL Docket No. PUC 02907-2015 N**  
**Establish A Neighborhood Expansion Program :** **AMENDED**  
:  
**SUMMARY SHEET**  
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This Petition presents the request of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Petitioner" or "Company") to establish a pilot Neighborhood Expansion Program ("NEP") that would permit the Company, under certain circumstances, to proceed with investments that would expand its distribution system without requiring an upfront contribution-in-aid-of-construction ("CIAC") or revenue guarantee where the projected Distribution Revenues generated by a proposed system expansion are not sufficient to justify proceeding with the project under the Company's main/service extension rules without a CIAC or revenue guarantee. The Company submits that establishing the pilot NEP at this time is in the public interest because (i) differences in the price of natural gas and alternative fuels are such that potential customers who convert to gas distribution service under the NEP may realize significant savings compared to their alternative fuel costs, (ii) increased investments in new infrastructure will assure continued infrastructure-related employment for Company contractors, and (iii) increased conversions to natural gas will create significant environmental benefits for the State as a result of the substitution of natural gas for alternative fuels such as heating oil or propane.

Under the proposed NEP, the Company would be permitted to designate certain main/service extension projects as NEP Facilities. New customers connecting to such NEP Facilities would be assessed a fixed NEP charge of \$52.64 per month in addition to all other rates



charged by the Company for a ten-year period in lieu of being required to provide an upfront CIAC or revenue guarantee.

The Company's designation of particular expansion facilities as NEP Facilities would depend on its judgment that (i) a sufficient number of customers would interconnect with the NEP Facilities within a five-year period, and (ii) the average NEP costs per NEP customer would not exceed \$4,000. These criteria are designed to limit the possibility that the Company or its existing customers will be required to subsidize NEP customers.

The NEP is being proposed as a five-year pilot program in which the Company estimates that it would spend an average of \$2 million per year for a total investment of \$10 million.

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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In The Matter Of The Petition Of Pivotal Utility	:	<u>BPU Docket No. GR15010038</u>
Holdings, Inc. d/b/a Elizabethtown Gas To	:	<u>OAL Docket No. PUC 02907-2015 N</u>
Establish A Neighborhood Expansion Program	:	<u>AMENDED</u>
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This Petition presents the request of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Petitioner” or “Company”) to establish a pilot Neighborhood Expansion Program (“NEP”) that would permit the Company, under certain circumstances, to proceed with investments that would expand its distribution system without requiring an upfront contribution-in-aid-of-construction (“CIAC”) or revenue guarantee where the projected Distribution Revenues generated by a proposed system expansion are not sufficient to justify proceeding with the project under the Company’s main/service extension rules without a CIAC or revenue guarantee. The Company submits that establishing the pilot NEP at this time is in the public interest because (i) differences in the price of natural gas and alternative fuels are such that potential customers who convert to gas distribution service under the NEP may realize significant savings compared to their alternative fuel costs, (ii) increased investments in new infrastructure will assure continued infrastructure-related employment for Company contractors, and (iii) increased conversions to natural gas will create significant environmental benefits for the State as a result of the substitution of natural gas for alternative fuels such as heating oil or propane.

Under the proposed NEP, the Company would be permitted to designate certain main/service extension projects as NEP Facilities. New customers connecting to such NEP Facilities would be assessed a fixed NEP charge of ~~\$72.38~~\$52.64 per month in addition to all



other rates charged by the Company for a ten-year period in lieu of being required to provide an upfront CIAC or revenue guarantee.

The Company's designation of particular expansion facilities as NEP Facilities would depend on its judgment that (i) a sufficient number of customers would interconnect with the NEP Facilities within a five-year period, and (ii) the average NEP costs per NEP customer would not exceed ~~\$5,500~~\$4,000. These criteria are designed to limit the possibility that the Company or its existing customers will be required to subsidize NEP customers.

The NEP is being proposed as a five-years pilot program in which the Company estimates that it would spend an average of ~~\$3~~\$2 million per year for a total investment of ~~\$15~~\$10 million.

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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	:	
<b>In The Matter Of The Petition Of Pivotal Utility</b>	:	<b>BPU Docket No. GR15010038</b>
<b>Holdings, Inc. d/b/a Elizabethtown Gas To</b>	:	<b>OAL Docket No. PUC 02907-2015 N</b>
<b>Establish A Neighborhood Expansion Program</b>	:	<b>AMENDED</b>
	:	<b>PETITION</b>

**To The Honorable Board of Public Utilities:**

Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Petitioner" or "Company"), a public utility corporation duly organized under the laws of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities ("Board"), respectfully states:

1. Petitioner's principal business office is located at 520 Green Lane, Union, New Jersey, 07083.
2. Communications and correspondence concerning these proceedings should be sent as follows:

Mary Patricia Keefe  
Vice President, Regulatory Affairs  
and Business Support  
Pivotal Utility Holdings, Inc.  
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3. Petitioner is engaged in the business of transmission and distribution of natural and mixed gas to approximately 280,000 customers in its service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union and Warren Counties.

### **Introduction**

4. Natural gas is one of the cleanest, most abundant<sup>1</sup> and least expensive<sup>2</sup> energy sources in New Jersey and across the United States. Recent advances in technology have permitted the economical extraction of natural gas from new supply basins that are geographically proximate to New Jersey.

5. As a consequence of the abundance of supply, the price of natural gas and alternative fuels that are used for heating, such as heating oil and propane, have substantially diverged. This substantial price spread means that New Jersey consumers that currently heat with oil or propane have the opportunity to save substantial amounts of money over time if they can get access to natural gas.

6. In Petitioner's service territory, particularly in Hunterdon and Sussex Counties, there are significant pockets of potential gas customers who cannot gain access to natural gas distribution service because Petitioner's main/service extension rules render it uneconomic for these potential customers to connect to the Company's distribution system. Under the Company's current main/service extension rules as set forth in Section 3 of the Standard Terms and Conditions of its Tariff,<sup>3</sup> Petitioner will install facilities necessary for the extension of service free of charge where the cost of the extension does not exceed ten times the estimated

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<sup>1</sup> According to the United States Department of Energy, the Energy Information Agency, the estimated future supply of natural gas at the end of 2010 was 2,170 trillion cubic feet ("TCF"). This is estimated to be enough natural gas to meet national energy needs for nearly 100 years.

<sup>2</sup> Exhibit A sets forth data that shows the substantial savings that can be obtained by heating with natural gas.

<sup>3</sup> BPU No. 14- Gas.

annual Distribution Revenue<sup>4</sup> to be realized from the extension.<sup>5</sup> Where extensions exceed the ten-times-revenues allowance, potential customers must provide a contribution in aid of construction (“CIAC”) or revenue guarantee to pay for the difference. In many instances, these requirements effectively preclude potential customers from obtaining gas service.

7. The Company is proposing to maintain its current main/service extension provisions as it believes that, over time, these provisions have effectively balanced the interests of new and existing customers by requiring new customers to bear costs that it would not be reasonable for the Company to bear when extending service to new areas. At the same time however, given the current conditions in the market Petitioner is also proposing to establish for a 5-year period a pilot Neighborhood Expansion Program (“NEP”) that will permit Petitioner to extend natural gas service to certain customers during the 5-year term of the pilot program without requiring them to pay large up-front CIACs and to effectively pay reduced costs because future customer additions are included in determining an overall CIAC for the extension facilities. The potential customers that will likely benefit from the pilot NEP are those located in relatively high density areas typically found in small towns, or groups or pockets of potential customers in neighborhood locations to which gas distribution service has not yet been extended. Attached as Exhibit B is a map that shows locations that are likely to benefit from the pilot NEP.

8. Petitioner submits that the NEP is in the public interest at this time because the conversion of heating customers from fuels such as No. 2 fuel oil or propane to natural gas has the potential to provide tremendous economic benefits by reducing energy costs and enabling Petitioner to provide continued employment of contractors engaged in the development and

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<sup>4</sup> The term “Distribution Revenue” is defined in Section 3.01 of the Standard Terms and Conditions of the Company’s tariff. As set forth therein, Distribution Revenue includes all revenues except those from the Basic Gas Supply Service.

<sup>5</sup> Such extensions may require customer deposits.



replacement of infrastructure, as well as environmental benefits in the form of reduced emissions. Other state utility regulators in the northeastern United States have recognized that economic conditions in the energy markets support enhanced programs to grow natural gas distribution systems in a cost effective manner.<sup>6</sup> With this application, the Company is requesting the Board to do so as well.

### **The Proposed NEP**

9. Under the proposed NEP, Petitioner would be authorized to designate any main/service extension project that exceeds \$15,000 as a NEP Facility.<sup>7</sup> In determining whether to designate a proposed extension as a NEP Facility, Petitioner will identify the existing potential residential, commercial and industrial locations that could be directly connected to its distribution system through the specific NEP Facilities. Once these potential customers are identified, Petitioner will determine whether, in its reasonable judgment, (i) at least 40% of the potential customers that are capable of directly connecting to the NEP Facilities will convert their primary source of heat to natural gas and connect to the NEP Facilities within 5 years of placing the NEP Facilities to be constructed in service, and (ii) whether the estimated average NEP cost per customer to serve all potential customers projected to be served under the NEP program – including the incremental customers that would be added as a result of the

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<sup>6</sup> See e.g. Case 12-G-0297, *Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service*, “Order Instituting Proceeding and Establish Further Procedures” (Issued November 30, 2014). Case 12-E-0201 *et al.*, *Proceeding on Motion of The Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service*, “Order Approving Electric and Gas Rate Plans In accord With Joint Proposal” (Issued and Effective March 15, 2013) at 15; See also *Joint Petition of UGI Utilities, Inc. Gas Division, UGI Penn Natural Gas Inc. and UGI Central Penn Gas Inc. For Approval To Implement Growth Extension Tariff Pilot Programs to Facilitate the Extension of Gas Service To Unserved and Underserved Areas With the Companies Service Territories*, Docket No. P-2013\_2356232 (February 20, 2013).

<sup>7</sup> NEP Facilities could be a single main or a network of mains in a high density area. The designation of NEP Facilities will be carried out in a manner intended to maximize the benefits of the NEP.

construction of the new extension facilities under consideration – does not exceed \$4,000.<sup>8</sup> If the Company determines that the proposed extension will meet the two tests,<sup>9</sup> it will undertake a NEP investment.

10. To illustrate how the NEP would work, assume a group of potential customers wishes to take service from the Company but requires a main extension that would cost \$130,000. Assume further that the Company determines that there are 50 customers in total that could be directly served off the main extension, that it costs \$2,500 per customer for a service and a meter, and that each new customer generates \$500 of annual Distribution Revenue.<sup>10</sup>

11. In this scenario, Petitioner would first determine whether it could convert and connect to the proposed NEP Facilities 40%, or 20 of the 50 potential customers to natural gas within the next 5 years. Assuming the answer was affirmative, the Company's projected costs and revenues from this expansion would be as follows:

**Projected Costs**

$$\text{\$130,000} + (20 \times \text{\$2,500}) = \text{\$180,000}$$

**Margin Allowance per Projected Distribution Revenue**

$$20 \times \text{\$500} \times 10 = \text{\$100,000}$$

**NEP Costs To Be Recovered Through NEP Charge**

$$\text{\$180,000} - \text{\$100,000} = \text{\$80,000}$$

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<sup>8</sup> The Company based this amount on the costs and distribution revenues of seven (7) potential NEP projects with a 40% saturation or sign up. See Exhibit D. In determining if a potential project can be included in the NEP program the Company will determine the overall average CIAC from NEP projects using (i) a projection of the number of NEP customers that would result from attaining 40% saturation on proposed or actual NEP Facilities where a 40% saturation rate has not yet been achieved, and (ii) the projected NEP revenues from the actual number of NEP customers connected on particular NEP Facilities projects where saturation of 40% or more has been achieved.

<sup>9</sup> It should be recognized that the first determination made by the Company involves consideration of the specific potential customers that could be served directly through the particular proposed NEP Facilities. The second determination involves consideration of the impact of an incremental addition to NEP Facilities and NEP customers on the total average cost of all NEP Facilities to all NEP customers.

<sup>10</sup> The \$500 annual Distribution Revenue assumption is an estimate of the revenue derived from the average of residential homes of 2,000 and 2,500 sq.ft. using natural gas for heat and hot water based on rates in effect on November 1, 2014.



In this scenario, the NEP costs would be \$80,000 or \$4,000 per customer. Because \$4,000 per customer is equal to the cap on NEP costs of \$4,000 per customer, the Company would proceed with the requested extension under the NEP. If on the other hand, the total cost of the extension were \$210,000, or \$110,000 after the allowance, the average NEP cost per customer would increase to \$5,500 per customer<sup>11</sup> and the Company would not proceed with the expansion under the NEP, unless other projects when averaged in resulted in an average cost of \$4,000 or less.<sup>12</sup>

12. The 40% market share criterion used to develop the NEP tariff charge is designed to achieve two important objectives. First, as discussed more fully below, it will enable Petitioner to establish a NEP charge that is affordable because it is expected that the customers served under the NEP will be able to pay the NEP charges from the expected savings realized by switching to natural gas from other heating sources. Second, the market share criterion limits the possibility that the Company and/or its existing customers will be required to cross-subsidize NEP customers. The average NEP cost per customer criterion also limits the possibility that the Company and/or its existing customers will be required to cross-subsidize NEP Customers.

13. Petitioner is proposing the NEP as a five-year pilot program. Petitioner estimates that it will spend an average of \$2 million per year for the 5-year NEP pilot program, for total CIAC-related spending of \$10 million to be recovered through the NEP charge over the 5-year period.<sup>13</sup> Petitioner envisions that this level of investment will enable Petitioner to add between 2,000 and 2,500 heating customers over the 5-year period.<sup>14</sup> Once the term of the NEP is completed, the Company, the Board and other interested parties will have the opportunity to evaluate whether to continue, modify or terminate the NEP.

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<sup>11</sup> \$110,000 of NEP costs divided by 20 customers would result in an average cost of \$5,500 per customer.

<sup>12</sup> See Footnote 8 for a discussion of how multiple projects would be reflected in the determination.

<sup>13</sup> The five-year period is the period to commence investments in all NEP Facilities.

<sup>14</sup> The Company is now estimating that it will add between 2,000 and 2,500 heating customers over the life of the 5-year NEP Program. The Company expects the decrease in the costs of the program reflected in this Amended Petition to facilitate greater participation than projected in the original Petition.

14. To permit recovery of the costs of NEP Facilities, Petitioner proposes to assess NEP customers a NEP charge of \$52.64 per month to be set forth in proposed Rider F to its tariff, the calculation of which is shown in Exhibit D. This charge would be assessed to all customers that connect to the Company's distribution system through NEP Facilities<sup>15</sup> within ten years of placing the specific NEP Facilities necessary to serve the customer in service.<sup>16</sup> Pro Forma tariff sheets setting forth the terms and conditions of Rider F are included in Exhibit C to this Petition. NEP customers will include customers that replace original applicants for service from NEP Facilities until 10 years of NEP charges under Rider F are recovered from a combination of the original NEP customer and the replacement customers at the same location.<sup>17</sup> Rider F will list the location of NEP Facilities and customers that request service at locations that are connected to NEP Facilities will be notified of their responsibility to pay the NEP charge when they apply for service from the Company. Applicants for service from NEP Facilities will be required to purchase firm service.

15. The proposed NEP charge of \$52.64 per month has been developed utilizing assumptions as to the anticipated number of NEP customers, their usage levels and average cost estimates for mains and services. Exhibit D sets forth the calculation of the NEP charge.

16. To develop the NEP charge, Petitioner first developed an average projected investment per NEP customer. The projected main investment cost was based on a review of seven high density area projects that Petitioner expects will benefit from the NEP as set forth on Exhibit D. The average main cost per foot was based on a 2-inch plastic main at \$36.30 per foot.

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<sup>15</sup> Customers that connect to the Company's distribution system through NEP Facilities will be those customers that would not be served but for the existence of the NEP Facilities.

<sup>16</sup> NEP charges would be assessed for a ten-year period. Thus, for example, if NEP Facilities were placed in service in 2015 and a customer began taking service through those NEP Facilities in January 2016, the Customer would continue to pay the NEP charges until December of 2025. Similarly, if the Customer did not begin taking service through the NEP Facilities until January 2021, such Customer would pay NEP charges until December 31, 2030.

<sup>17</sup> Thus, for NEP Facilities placed in service by the end of 2015, the Company would assess the NEP charges to all customers that would connect through those facilities for the end of 2015 through 2025.

Projected service line costs were based on ½-inch plastic service line at \$43.83 for the first 60 feet and \$18.01 per foot thereafter,<sup>18</sup> while projected meter costs were based on a size 250 meter at a cost of \$290.14.

17. As shown in Exhibit D, Petitioner then calculated the overall investment amount that could be supported by the distribution revenues that are normally used in evaluating main/service extensions and subtracted that amount from the total costs of the NEP extensions to determine the average level of customer contributions – the NEP cost of \$4,000<sup>19</sup> – to be recovered through the NEP charge over 10 years. This amount was then adjusted for taxes and carrying charges to develop a monthly charge of \$52.64 over a 10 year period as shown on the *pro forma* Rider F tariff attached to this Petition. NEP customers will pay the NEP charge for a 10-year period as a fixed-rate component of distribution rates in addition to all other applicable tariff charges.

18. The NEP will create substantial economic benefits for the customers who are able to connect to the Company's distribution service and convert from alternative fuels such as propane or electricity to natural gas for home and water heating. This is illustrated by the table set forth below, which compares the costs of using natural gas, including the NEP charges, for home heating and water heating to the annual cost of using various alternate energy sources for those applications:<sup>20</sup>

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<sup>18</sup> Since the filing of the original Petition, the pricing received for service line is based on the first 60 feet versus the first 45 feet.

<sup>19</sup> The actual cost determined through the Company's analysis was \$3,979, which was rounded up to \$4,000.

<sup>20</sup> This data is based on information as of February 1, 2014 that is attached as Exhibit A.

	<b>High Efficiency Gas</b>	<b>High Efficiency Oil &amp; Electric</b>	<b>High Efficiency Propane</b>
Home Heating	\$562	\$1925	\$2133
Water Heating	\$222	\$724	\$992
NEP Charges	\$632	\$0	\$0
<b>Total</b>	<b>\$1486</b>	<b>\$2649</b>	<b>\$3125</b>

These projected savings justify prompt approval of the NEP.

### **Ratemaking And Reporting Requirements**

19. For ratemaking purposes, the costs of NEP Facilities will be treated like the costs of other similar distribution facilities. A portion of the revenues from the NEP Charges will be treated as a credit against plant-in-service in the same manner as a CIAC.<sup>21</sup> The remaining portion of the NEP charges, net of taxes and assessments as applicable, will be treated as distribution revenue. NEP revenues and costs will be attributed to the customer classes that are served using the NEP Facilities.

20. Petitioner will file annual reports during the 5-year term of the NEP with the Board detailing (i) the location of each NEP Facility, (ii) the number of customers served using the NEP Facilities, (iii) the total annual NEP revenues obtained from customers served by each NEP Facility, (iv) the total investment in NEP Facilities by project, and (v) the calculations necessary to support the determination of individual projects as NEP Facilities assuming a 40% saturation and projected annual revenues from those customers that could be connected to the NEP Facilities equal to \$500 for residential and small commercial customers and customer-specific projected amounts for any large commercial or industrial customers.

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<sup>21</sup> For each NEP project, the Company will treat a portion of the NEP investment equal to \$4,000 times the number of customers that would achieve the 40% saturation target as CIAC. NEP charges from all projects will first be used to offset the CIAC to zero with any amounts thereafter being booked as distribution revenue.



### **Customer Education And Outreach**

21. Petitioner will provide information about the NEP through a variety of communication channels such as its website, press releases and other media announcements to inform potential NEP customers of the availability of the NEP. In addition, representatives of Petitioner will work with local municipal officials to promote the NEP. Finally, Petitioner envisions that it will work with local heating and plumbing contractors to promote the NEP. Once the Board approves the NEP, the Company will attempt to begin offering the program as soon as practicable thereafter. The Company will notify the Board when it begins the NEP. The Company will have five years from the commencement date to begin NEP investments unless the NEP is terminated or extended by the Board.

### **Miscellaneous**

22. Attached hereto and made a part of this proceeding are the following Exhibits:

- Exhibit A - Estimated annual energy costs of natural gas and other energy sources;
- Exhibit B - Maps setting forth potential NEP Facilities;
- Exhibit C - Pro Forma Tariff Sheets; and
- Exhibit D - The calculation of the proposed NEP charge.

23. Petitioner is serving notice and a copy of this Petition as well as all exhibits upon Stefanie Brand, Esq., Division of Rate Counsel, 140 East Front Street, 4<sup>th</sup> Floor, Trenton, New Jersey, as outlined in *N.J.A.C. 14:1-5.12*<sup>22</sup> and upon certain employees of Board Staff and the Division of Rate Counsel as listed below.

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<sup>22</sup> This filing proposes no increase in existing rates. Nonetheless, service is being made as set out in *N.J.A.C. 14:1-5.12* in order to publicize the NEP.

**WHEREFORE**, Petitioner respectfully requests that the Board (1) accept and approve Petitioner's filing as expeditiously as possible, and (2) grant such other relief as the Board may deem just and proper.

Respectfully submitted,

Pivotal Utility Holdings, Inc. d/b/a  
Elizabethtown Gas

By: Mary Patricia Keefe  
Mary Patricia Keefe  
Vice President  
Regulatory Affairs and Business Support  
Pivotal Utility Holdings, Inc. d/b/a  
Elizabethtown Gas  
520 Green Lane  
Union, New Jersey 07083  
Ph: (908) 662-8452

Dated: May 6, 2015

cc: Paul Flanagan  
Jerome May  
Brian Lipman  
Felicia Thomas-Friel

STATE OF NEW JERSEY )

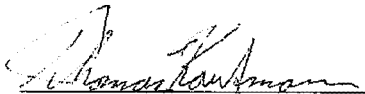
: ss:

COUNTY OF UNION )

Thomas Kaufmann, being duly sworn according to law, upon his oath, deposes and says:

1. I am Manager of Rates and Tariffs of the Petitioner in the foregoing Petition and I am authorized to make this Affidavit on behalf of the Petitioner.

2. The statements made in the foregoing Petition and the Exhibits and Schedules related to the development of the NEP charges submitted therewith correctly portray the information set forth therein, to the best of my knowledge, information and belief.

  
Thomas Kaufmann  
Manager, Rates and Tariffs

Sworn to and subscribed to before me this 6<sup>th</sup> day of MAY, 2015.



**DEBORAH Y. BAILEY**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires Sept. 8, 2015

STATE OF NEW JERSEY )

:

ss:

COUNTY OF UNION )

Gary Marmo, being duly sworn according to law, upon his oath, deposes and says:

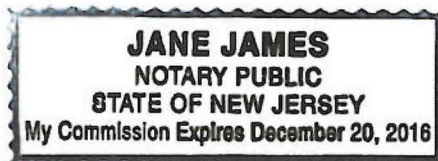
1. I am Director, New Business Development of the Petitioner in the foregoing Petition and I am authorized to make this Affidavit on behalf of the Petitioner.

2. The statements made in the foregoing Petition and the Exhibits and Schedules submitted therewith correctly portray the information set forth therein, to the best of my knowledge, information and belief.



Gary Marmo  
Director, New Business Development

Sworn to and subscribed to before me this 6<sup>th</sup> day of May, 2015.





STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

-----X  
:   
**In The Matter Of The Petition Of Pivotal Utility :** BPU Docket No. GR15010038  
**Holdings, Inc. d/b/a Elizabethtown Gas To :** OAL Docket No. PUC 02907-2015 N  
**Establish A Neighborhood Expansion Program :** AMENDED  
: **PETITION**  
-----X

**To The Honorable Board of Public Utilities:**

Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Petitioner" or "Company"), a public utility corporation duly organized under the laws of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities ("Board"), respectfully states:

1. Petitioner's principal business office is located at ~~300 Connell Drive, Suite~~ 3000520 Green Lane, Berkeley-HeightsUnion, New Jersey, 0792207083.
2. Communications and correspondence concerning these proceedings should be sent as follows:

Mary Patricia Keefe  
Vice President, Regulatory Affairs  
and Business Support  
Pivotal Utility Holdings, Inc.  
d/b/a Elizabethtown Gas

Erica McGill  
Regulatory Counsel  
AGL Resources Inc.  
10 Peachtree Place  
Atlanta, Georgia 30309

3160 300 Connell Drive, Suite 3000520 Green Lane (404) 584-

Berkeley-HeightsUnion, New Jersey 0792207083  
emcgill@aglresources.com  
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mkeefe@aglresources.com

Kenneth T. Maloney  
Cullen and Dykman, LLP  
1101 Fourteenth Street, N.W., Suite 550  
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(202) 223-8890  
kmaloney@cullendanddykman.com

Deborah Franco  
Cullen and Dykman, LLP  
100 Quentin Roosevelt Boulevard  
Garden City, New York 11530-4850  
(516) 357-3878  
dfranco@cullenanddykman.com

3. Petitioner is engaged in the business of transmission and distribution of natural and mixed gas to approximately 280,000 customers in its service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union and Warren Counties.

#### Introduction

4. Natural gas is one of the cleanest, most abundant<sup>1</sup> and least expensive<sup>2</sup> energy sources in New Jersey and across the United States. Recent advances in technology have permitted the economical extraction of natural gas from new supply basins that are geographically proximate to New Jersey.

5. As a consequence of the abundance of supply, the price of natural gas and alternative fuels that are used for heating, such as heating oil and propane, have substantially diverged. This substantial price spread means that New Jersey consumers that currently heat with oil or propane have the opportunity to save substantial amounts of money over time if they can get access to natural gas.

6. In Petitioner's service territory, particularly in Hunterdon and Sussex Counties, there are significant pockets of potential gas customers who cannot gain access to natural gas distribution service because Petitioner's main/service extension rules render it uneconomic for these potential customers to connect to the Company's distribution system. Under the Company's current main/service extension rules as set forth in Section 3 of the Standard Terms and Conditions of its Tariff,<sup>3</sup> Petitioner will install facilities necessary for the extension of service free of charge where the cost of the extension does not exceed ten times the estimated

---

<sup>1</sup> According to the United States Department of Energy, the Energy Information Agency, the estimated future supply of natural gas at the end of 2010 was 2,170 trillion cubic feet ("TCF"). This is estimated to be enough natural gas to meet national energy needs for nearly 100 years.

<sup>2</sup> Exhibit A sets forth data that shows the substantial savings that can be obtained by heating with natural gas.

<sup>3</sup> BPU No. 14- Gas.

annual Distribution Revenue<sup>4</sup> to be realized from the extension.<sup>5</sup> Where extensions exceed the ten-times-revenues allowance, potential customers must provide a contribution in aid of construction ("CIAC") or revenue guarantee to pay for the difference. In many instances, these requirements effectively preclude potential customers from obtaining gas service.

7. The Company is proposing to maintain its current main/service extension provisions as it believes that, over time, these provisions have effectively balanced the interests of new and existing customers by requiring new customers to bear costs that it would not be reasonable for the Company to bear when extending service to new areas. At the same time however, given the current conditions in the market Petitioner is also proposing to establish for a 5-year period a pilot Neighborhood Expansion Program ("NEP") that will permit Petitioner to extend natural gas service to certain customers during the 5-year term of the pilot program without requiring them to pay large up-front CIACs and to effectively pay reduced costs because future customer additions are included in determining an overall CIAC for the extension facilities. The potential customers that will likely benefit from the pilot NEP are those located in relatively high density areas typically found in small towns, or groups or pockets of potential customers in neighborhood locations to which gas distribution service has not yet been extended. Attached as Exhibit B is a map that shows locations that are likely to benefit from the pilot NEP.

8. Petitioner submits that the NEP is in the public interest at this time because the conversion of heating customers from fuels such as No. 2 fuel oil or propane to natural gas has the potential to provide tremendous economic benefits by reducing energy costs and enabling Petitioner to provide continued employment of contractors engaged in the development and

---

<sup>4</sup> The term "Distribution Revenue" is defined in Section 3.01 of the Standard Terms and Conditions of the Company's tariff. As set forth therein, Distribution Revenue includes all revenues except those from the Basic Gas Supply Service.

<sup>5</sup> Such extensions may require customer deposits.

replacement of infrastructure, as well as environmental benefits in the form of reduced emissions. Other state utility regulators in the northeastern United States have recognized that economic conditions in the energy markets support enhanced programs to grow natural gas distribution systems in a cost effective manner.<sup>6</sup> With this application, the Company is requesting the Board to do so as well.

### **The Proposed NEP**

9. Under the proposed NEP, Petitioner would be authorized to designate any main/service extension project that exceeds \$15,000 as a NEP Facility.<sup>7</sup> In determining whether to designate a proposed extension as a NEP Facility, Petitioner will identify the existing potential residential, commercial and industrial locations that could be directly connected to its distribution system through the specific NEP Facilities. Once these potential customers are identified, Petitioner will determine whether, in its reasonable judgment, (i) at least 40% of the potential customers that are capable of directly connecting to the NEP Facilities will convert their primary source of heat to natural gas and connect to the NEP Facilities within 5 years of placing the NEP Facilities to be constructed in service, and (ii) whether the estimated average NEP cost per customer to serve all potential customers projected to be served under the NEP program – including the incremental customers that would be added as a result of the

---

<sup>6</sup> See e.g. Case 12-G-0297, *Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service*, “Order Instituting Proceeding and Establish Further Procedures” (Issued November 30, 2014). Case 12-E-0201 *et al.*, *Proceeding on Motion of The Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service*, “Order Approving Electric and Gas Rate Plans In accord With Joint Proposal” (Issued and Effective March 15, 2013) at 15; See also *Joint Petition of UGI Utilities, Inc. Gas Division, UGI Penn Natural Gas Inc. and UGI Central Penn Gas Inc. For Approval To Implement Growth Extension Tariff Pilot Programs to Facilitate the Extension of Gas Service To Unserved and Underserved Areas With the Companies Service Territories*, Docket No. P-2013\_2356232 (February 20, 2013).

<sup>7</sup> NEP Facilities could be a single main or a network of mains in a high density area. The designation of NEP Facilities will be carried out in a manner intended to maximize the benefits of the NEP.

construction of the new extension facilities under consideration – does not exceed \$~~5,500~~4,000.<sup>8</sup>

If the Company determines that the proposed extension will meet the two tests,<sup>9</sup> it will undertake a NEP investment.

10. To illustrate how the NEP would work, assume a group of potential customers wishes to take service from the Company but requires a main extension that would cost \$~~150~~130,000. Assume further that the Company determines that there are 50 customers in total that could be directly served off the main extension, that it costs \$~~3,000~~2,500 per customer for a service and a meter, and that each new customer generates \$500 of annual Distribution Revenue.<sup>10</sup>

11. In this scenario, Petitioner would first determine whether it could convert and connect to the proposed NEP Facilities 40%, or 20 of the 50 potential customers to natural gas within the next 5 years. Assuming the answer was affirmative, the Company's projected costs and revenues from this expansion would be as follows:

#### **Projected Costs**

$$| \text{\$~~150~~130,000} + (20 \times \text{\$~~3,000~~2,500}) = \text{\$~~210,000~~180,000}$$

#### **Margin Allowance per Projected Distribution Revenue**

$$20 \times \$500 \times 10 = \$100,000$$

#### **NEP Costs To Be Recovered Through NEP Charge**

<sup>8</sup> The Company based this amount on the costs and distribution revenues of seven (7) potential NEP projects with a 40% saturation or sign up. See Exhibit D. In determining if a potential project can be included in the NEP program the Company will determine the overall average CIAC from NEP projects using (i) a projection of the number of NEP customers that would result from attaining 40% saturation on proposed or actual NEP Facilities where a 40% saturation rate has not yet been achieved, and (ii) the projected NEP revenues from the actual number of NEP customers connected on particular NEP Facilities projects where saturation of 40% or more has been achieved.

<sup>9</sup> It should be recognized that the first determination made by the Company involves consideration of the specific potential customers that could be served directly through the particular proposed NEP Facilities. The second determination involves consideration of the impact of an incremental addition to NEP Facilities and NEP customers on the total average cost of all NEP Facilities to all NEP customers.

<sup>10</sup> The \$500 annual Distribution Revenue assumption is an estimate of the revenue derived from the average of residential homes of 2,000 and 2,500 sq.ft. using natural gas for heat and hot water based on rates in effect on November 1, 2014.



$\$249180,000 - \$100,000 = \$149180,000$

In this scenario, the NEP costs would be ~~\$149180,000~~ or ~~\$5,5004,000~~ per customer. Because ~~\$5,5004,000~~ per customer is equal to the cap on NEP costs of ~~\$5,5004,000~~ per customer, the Company would proceed with the requested extension under the NEP. If on the other hand, the total cost of the extension were ~~\$260210,000~~, or \$110,000 after the allowance, the average NEP cost per customer would increase to ~~\$5,5008,000~~ per customer<sup>11</sup> and the Company would not proceed with the expansion under the NEP, unless other projects when averaged in resulted in an average cost of ~~\$5,5004,000~~ or less.<sup>12</sup>

12. The 40% market share criterion used to develop the NEP tariff charge is designed to achieve two important objectives. First, as discussed more fully below, it will enable Petitioner to establish a NEP charge that is affordable because it is expected that the customers served under the NEP will be able to pay the NEP charges from the expected savings realized by switching to natural gas from other heating sources. Second, the market share criterion limits the possibility that the Company and/or its existing customers will be required to cross-subsidize NEP customers. The average NEP cost per customer criterion also limits the possibility that the Company and/or its existing customers will be required to cross-subsidize NEP Customers.

13. Petitioner is proposing the NEP as a five-year pilot program. Petitioner estimates that it will spend an average of ~~\$3-2~~ million per year for the 5-year NEP pilot program, for ~~a~~ total CIAC-related spendinginvestment of ~~\$45-10~~ million to be recovered through the NEP charge over the 5-year period.<sup>13</sup> Petitioner envisions that this level of investment will enable Petitioner

<sup>11</sup> ~~\$10,00060,000~~ of NEP costs divided by 20 customers would result in an average cost of ~~\$5,5008,000~~ per customer.

<sup>12</sup> See Footnote 8 for a discussion of how multiple projects would be reflected in the determination.

<sup>13</sup> The five-year period is the period to commence investments in all NEP ~~4~~ facilities.

to add between ~~1,000~~2,000 and ~~1,500~~2,500 heating customers over the 5-year period.<sup>14</sup> Once the term of the NEP is completed, the Company, the Board and other interested parties will have the opportunity to evaluate whether to continue, modify or terminate the NEP.

14. To permit recovery of the costs of NEP Facilities, Petitioner proposes to assess NEP customers a NEP charge of ~~\$72,385~~\$2,641 per month to be set forth in proposed Rider F to its tariff, the calculation of which is shown in Exhibit D. This charge would be assessed to all customers that connect to the Company's distribution system through NEP Facilities<sup>15</sup> within ten years of placing the specific NEP Facilities necessary to serve the customer in service.<sup>16</sup> Pro Forma tariff sheets setting forth the terms and conditions of Rider F are included in Exhibit C to this Petition. NEP customers will include customers that replace original applicants for service from NEP Facilities until 10 years of NEP charges under Rider F are recovered from a combination of the original NEP customer and the replacement customers at the same location.<sup>17</sup> Rider F will list the location of NEP Facilities and customers that request service at locations that are connected to NEP Facilities will be notified of their responsibility to pay the NEP charge when they apply for service from the Company. Applicants for service from NEP Facilities will be required to purchase firm service.

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<sup>14</sup> ~~The Company is now estimating that it will add between 2,000 and 2,500 heating customers over the life of the 5-year NEP Program. The Company expects the decrease in the costs of the program as reflected in the this Amended Petition to facilitate greater participation than projected in the original Petition.~~

<sup>15</sup> Customers that connect to the Company's distribution system through NEP Facilities will be those customers that would not be served but for the existence of the NEP Facilities.

<sup>16</sup> NEP charges would be assessed for a ten-year period. Thus, for example, if NEP Facilities were placed in service in 2015 and a customer began taking service through those NEP Facilities in January 2016, the Customer would continue to pay the NEP charges until December of 2025. Similarly, if the Customer did not begin taking service through the NEP Facilities until January 2021, such Customer would pay NEP charges until December 31, 2030.

<sup>17</sup> Thus, for NEP Facilities placed in service by the end of 2015, the Company would assess the NEP charges to all customers that would connect through those facilities for the end of 2015 through 2025.

15. The proposed NEP charge of ~~\$72.38~~\$52.64 per month has been developed utilizing assumptions as to the anticipated number of NEP customers, their usage levels and average cost estimates for mains and services. Exhibit D sets forth the calculation of the NEP charge.

16. To develop the NEP charge, Petitioner first developed an average projected investment per NEP customer. The projected main investment cost was based on a review of seven high density area projects that Petitioner expects will benefit from the NEP as set forth on Exhibit D. The average main cost per foot was based on a 2-inch plastic main at ~~\$44.92~~\$36.30 per foot. Projected service line costs were based on ½-inch plastic service line at ~~\$49.66~~\$43.83 for the first ~~45-60~~ feet and ~~\$13.69~~\$18.01 per foot thereafter,<sup>18</sup> while projected meter costs were based on a size 250 meter at a cost of ~~\$247.87~~\$290.14.

17. As shown in Exhibit D, Petitioner then calculated the overall investment amount that could be supported by the distribution revenues that are normally used in evaluating main/service extensions and subtracted that amount from the total costs of the NEP extensions to determine the average level of customer contributions – the NEP cost of ~~\$4,000~~\$5,500<sup>19</sup> – to be recovered through the NEP charge over 10 years. This amount was then adjusted for taxes and carrying charges ~~and taxes~~ to develop a monthly charge of ~~\$72.38~~\$52.64 over a 10 year period as shown on the *pro forma* Rider F tariff attached to this Petition. NEP customers will pay the NEP charge for a 10-year period as a fixed-rate component of distribution rates in addition to all other applicable tariff charges.

18. The NEP will create substantial economic benefits for the customers who are able to connect to the Company's distribution service and convert from alternative fuels such as

<sup>18</sup> Since the filing of the original Petition, the pricing received for service line is based on service line footage is priced at the first 60 feet versus the first 45 feet. to align with how Petitioner's contractors now price footage for service lines.

<sup>19</sup> The actual cost determined through the Company's analysis was ~~\$5,517~~\$3,979, which was rounded ~~down-up~~ to ~~\$5,54,000~~.

propane or electricity to natural gas for home and water heating. This is illustrated by the table set forth below, which compares the costs of using natural gas, including the NEP charges, for home heating and water heating to the annual cost of using various alternate energy sources for those applications:<sup>20</sup>

	<b>High Efficiency Gas</b>	<b>High Efficiency Oil &amp; Electric</b>	<b>High Efficiency Propane</b>
Home Heating	\$562	\$1925	\$2133
Water Heating	\$222	\$724	\$992
NEP Charges	<del>\$632869</del>	<del>_____</del> \$0	\$0
<b>Total</b>	<b>\$1486653</b>	<b>\$2649</b>	<b>\$3125</b>

These projected savings justify prompt approval of the NEP.

#### **Ratemaking And Reporting Requirements**

19. For ratemaking purposes, the costs of NEP Facilities will be treated like the costs of other similar distribution facilities. A portion of the revenues from the NEP Charges will be treated as a credit against plant-in-service in the same manner as a CIAC.<sup>21</sup> The remaining portion of the NEP charges, net of taxes and assessments as applicable, will be treated as distribution revenue. NEP revenues and costs will be attributed to the customer classes that are served using the NEP Facilities.

20. Petitioner will file annual reports during the 5-year term of the NEP with the Board detailing (i) the location of each NEP Facility, (ii) the number of customers served using the NEP Facilities, (iii) the total annual NEP revenues obtained from customers served by each NEP Facility, (iv) the total investment in NEP Facilities by project, and (v) the calculations

<sup>20</sup> This data is based on information as of February 1, 2014 that is attached as Exhibit A.

<sup>21</sup> For each NEP project, the Company will treat a portion of the NEP investment equal to ~~\$5,5004,000~~ times the number of customers that would achieve the 40% saturation target as CIAC. NEP charges from all projects will first be used to offset the CIAC to zero with any amounts thereafter being booked as distribution revenue.

necessary to support the determination of individual projects as NEP Facilities assuming a 40% saturation and projected annual revenues from those customers that could be connected to the NEP Facilities equal to \$500 for residential and small commercial customers and customer-specific projected amounts for any large commercial or industrial customers.

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21. Petitioner will provide information about the NEP through a variety of communication channels such as its website, press releases and other media announcements to inform potential NEP customers of the availability of the NEP. In addition, representatives of Petitioner will work with local municipal officials to promote the NEP. Finally, Petitioner envisions that it will work with local heating and plumbing contractors to promote the NEP. Once the Board approves the NEP, the Company will attempt to begin offering the program as soon as practicable thereafter. The Company will notify the Board when it begins the NEP. The Company will have five years from the commencement date to begin NEP investments unless the NEP is terminated or extended by the Board.

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Respectfully submitted,

Pivotal Utility Holdings, Inc. d/b/a  
Elizabethtown Gas

By: Mary Patricia Keefe  
Mary Patricia Keefe  
Vice President  
Regulatory Affairs and Business Support  
Pivotal Utility Holdings, Inc. d/b/a  
Elizabethtown Gas  
~~300 Connell Drive, Suite 3000~~ 520 Green  
~~Berkeley Heights~~ Union, New Jersey  
Ph: (908) ~~771662-8220~~ 8452

Lane

0792207083

Dated: ~~January~~ April 6 ~~May~~ 6, 2015

cc: Paul Flanagan  
Jerome May  
Brian Lipman  
Felicia Thomas-Friel

# SWITCH TO SAVE MONEY WITH NATURAL GAS

Exhibit A



## Estimated Annual Energy Costs

### Residential Space Heating Standard Efficiency

	ESTIMATED ANNUAL OPERATING COST	ESTIMATED ANNUAL SAVINGS BY SWITCHING TO NATURAL GAS
<b>NATURAL GAS (80% AFUE)</b>	<b>\$618</b>	—
<b>HEAT PUMP (7.7 HSPF)</b>	<b>\$1,314</b>	<b>\$697</b>
<b>PROPANE (80% AFUE)</b>	<b>\$2,504</b>	<b>\$1,886</b>
<b>FUEL OIL (83% AFUE)</b>	<b>\$2,251</b>	<b>\$1,633</b>

### High Efficiency

	ESTIMATED ANNUAL OPERATING COST	ESTIMATED ANNUAL SAVINGS BY SWITCHING TO NATURAL GAS
<b>NATURAL GAS (95% AFUE)</b>	<b>\$562</b>	—
<b>HEAT PUMP (8.2 HSPF)</b>	<b>\$1,265</b>	<b>\$703</b>
<b>PROPANE (95% AFUE)</b>	<b>\$2,133</b>	<b>\$1,571</b>
<b>FUEL OIL (95% AFUE)</b>	<b>\$1,925</b>	<b>\$1,363</b>

(2000 sq. ft., single story, unfinished basement) New Jersey

Adapted from AGA Estimate of Annual Fuel Consumption Analysis

Space heating equipment has been selected from the AHRI online directory and the fuel consumption calculation is based on DOE estimating procedure

Natural Gas – Average residential retail price for New Jersey customers for February 2014 – \$0.973/cf. Source: EIA

Electricity – Average residential retail price for New Jersey customers for February 2014 – \$0.1567/Kwh. Source: EIA

Heating Oil – Average residential retail price for New Jersey customers for February 2014 – \$4.313/gallon. Source: EIA

Propane – Average residential retail price for New Jersey customers for February 2014 – \$4.053/gallon. Source: EIA

Assumed Unit Conversions: 1 cubic foot of natural gas = 1,023 Btu, 1 Kwh=3,412 Btu, 91,333 Btu per gallon of propane gas, 138,690 Btu per gallon of heating oil

Energy cost only. Does not include equipment, installation, or maintenance cost.

All prices are subject to change and all figures are estimates only based on individual usage and may change if any of the underlying factors change including Natural Gas commodity prices and other customer charges.

### Water Heating

	NATURAL GAS	PROPANE	ELECTRIC	TOTAL SAVINGS VS. PROPANE	TOTAL SAVINGS VS. ELECTRIC
<b>STANDARD</b>	<b>\$253</b>	<b>\$1,127</b>	<b>\$765</b>	<b>\$874</b>	<b>\$512</b>
<b>HIGH PERFORMANCE</b>	<b>\$222</b>	<b>\$992</b>	<b>\$724</b>	<b>\$770</b>	<b>\$502</b>
<b>TANKLESS</b>	<b>\$159</b>	<b>\$707</b>	<b>\$695</b>	<b>\$549</b>	<b>\$536</b>

Natural Gas – Average residential retail price for New Jersey for February 2014 – \$0.973/cf. Equivalent to \$0.995/Therm using a conversion factor of 1,023 Btu. Source: EIA

Electricity – Average residential retail price for New Jersey for February 2014 – \$0.1567/Kwh. Source: EIA

Propane – Average residential retail price for the New Jersey for February 2014 – \$4.053/gallon. Equivalent to \$4.438/Therm using a conversion factor of 91,333 Btu/gallon of propane. Source: EIA

All EIA prices stated above are considered to be total prices paid by end users consumers inclusive of customer service charges, tax, delivery, commodity, demand, and other charges. Source: EIA

Cost methodology adopted from Gamma Certified Efficiency Rating on water heating equipment.

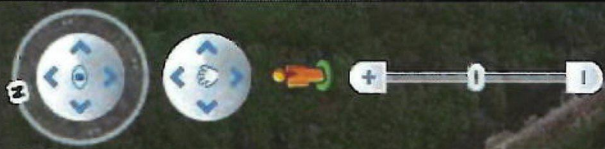
Energy cost only. Does not include equipment, installation or maintenance cost.

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# NATURAL GAS. AMERICAN. ABUNDANT. AFFORDABLE.™





Presidents

Ogdensburg Developments

Roosevelt Dr

Lincoln Ave

Jefferson Terrace

Madison Dr

Washington Rd

Main St

Adams Dr  
© 2014 Google

Google earth

386 ft

Imagery Date: 9/18/2013 41°03'57.84" N 74°35'58.82" W elev 683 ft eye alt 2258 ft

1991

517



# Beardslee-Fox Hill

## Ogdensburg Developments

Google earth

Imagery Date: 9/18/2013 41°05'09.78" N 74°35'28.22" W elev 661 ft eye alt 2498 ft

© 2014 Google

1991

404 ft

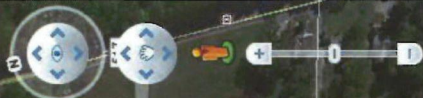


Exhibit B  
Page 3 of 7

Glenbrook

Wells Ave

Glenbrook Rd

Mahanne Terrace

Plaskon Terrace

Richardsville Rd

Ogdensburg Developm

IS-11

© 2014 Google

345 ft

Google earth

Imagery Date: 9/18/2013

41°04'33.62" N 74°35'58.54" W elev -578 ft eye alt -2094 ft

1991







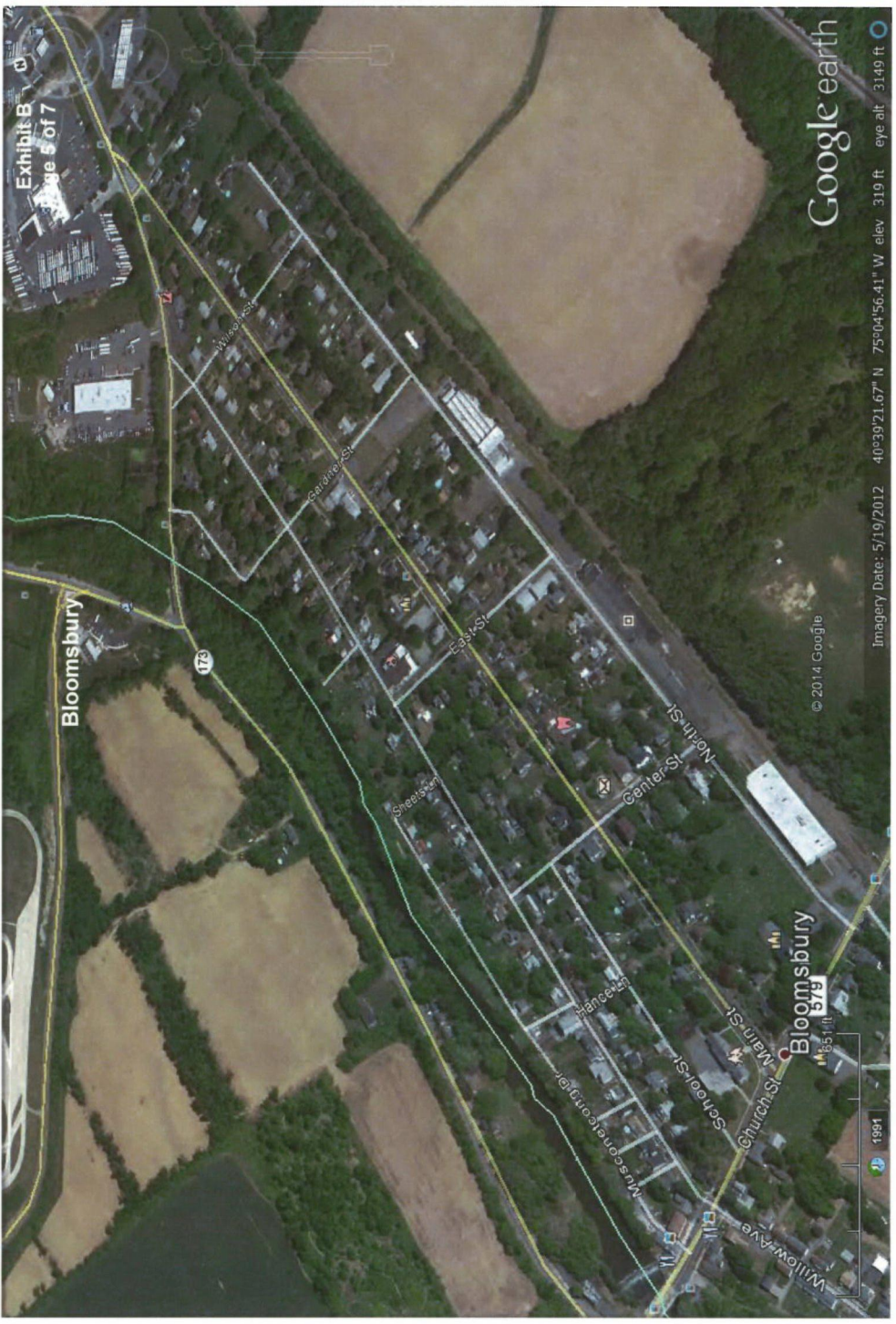


Exhibit B  
Page 5 of 7

Google earth

© 2014 Google

Imagery Date: 5/19/2012 40°39'21.67" N 75°04'56.41" W elev 319 ft eye alt 3149 ft

1991



Mountain View

S Washington Valley Rd

Oak Terrace

Hillside Terrace

Hilltop Terrace

Mountain View Ave

Farmount Rd

Old Farmer Rd

© 2014 Google

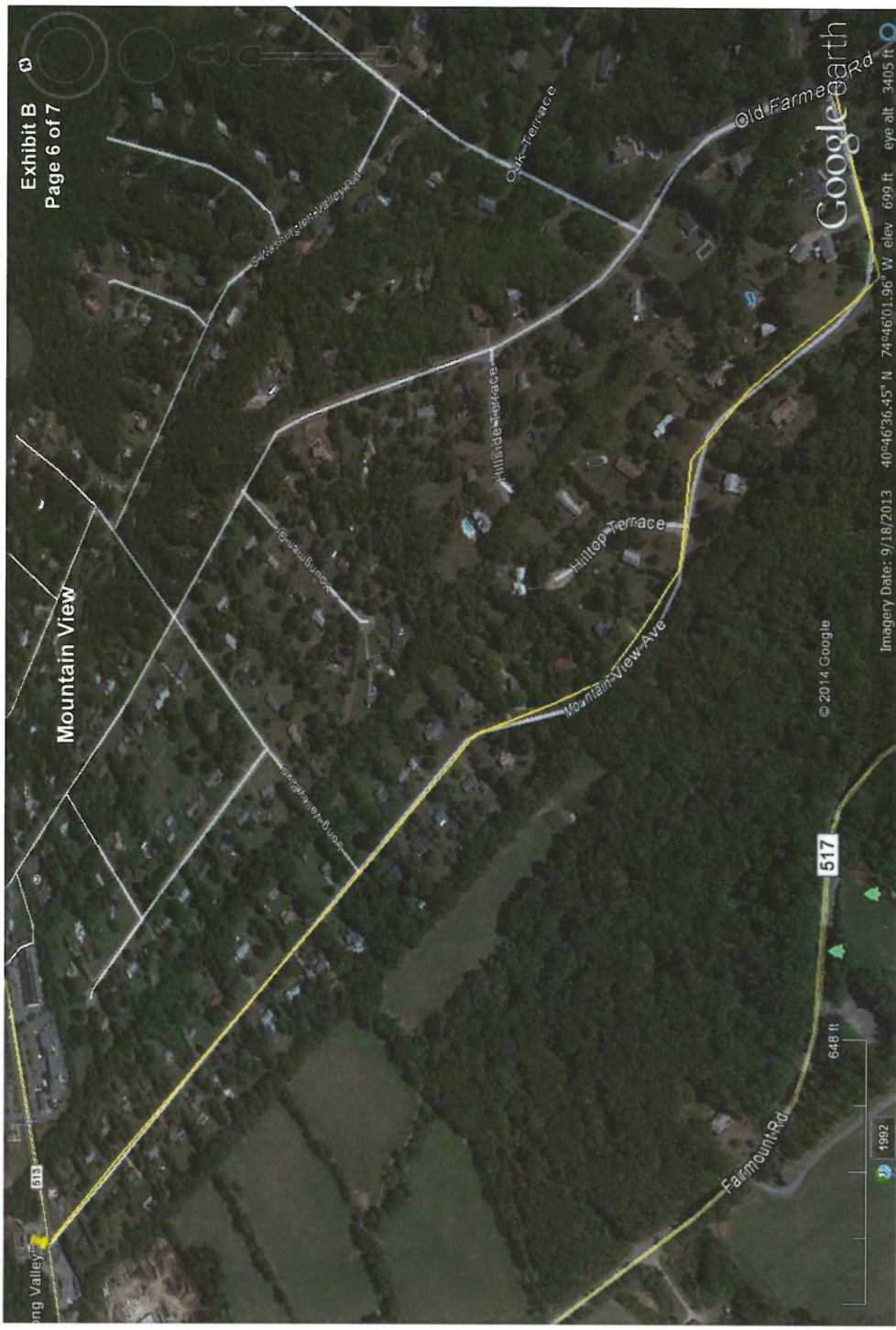
517

648 ft

1992

Imagery Date: 9/18/2013 40°46'36.45" N 74°46'01.96" W elev 699 ft eye alt 3405 ft

Google Earth





Franklin Boro

Franklin Boro, Sussex County

Butler St

Hill-Top Ln

Mable St

Kovach St

Mitchell Ave

South St

Rapole St

High-Point Cir

Independence Ln

© 2014 Google

Google earth

Imagery Date: 9/18/2013 41°07'24.91" N 74°34'32.04" W elev 630 ft eye alt 2903 ft

1991

504 ft

W. Main St

1st St

2nd St

3rd St

4th St

5th St

6th St

7th St

8th St

9th St

10th St

11th St

12th St

13th St

14th St

15th St

16th St

17th St

18th St

19th St

20th St

21st St

22nd St

23rd St

24th St

25th St

26th St

27th St

28th St

29th St

30th St

31st St

32nd St

33rd St

34th St

35th St

36th St

37th St

38th St

39th St

40th St

41st St

42nd St

43rd St

44th St

45th St

46th St

47th St

48th St

49th St

50th St

51st St

52nd St

53rd St

54th St

55th St

56th St

57th St

58th St

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73rd St

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79th St

80th St

81st St

82nd St

83rd St

84th St

85th St

86th St

87th St

88th St

89th St

90th St

91st St

92nd St

93rd St

94th St

95th St

96th St

97th St

98th St

99th St

100th St



ELIZABETHTOWN GAS  
B. P. U. NO. 14 – GAS  
CANCELLING  
B. P. U. NO. 13 – GAS

~~FIRST~~SECOND REVISED SHEET NO. 14

The Gas Company will construct, own, and maintain gas mains, services, meters and other appurtenances located before the premise side of the meter. Payments of monthly charges, deposits and/or a contribution in aid of construction shall not give the Applicant, existing Customer and/or depositor any interest in the facilities, the ownership being vested exclusively with the Gas Company. The formulae for the extension of utility service set forth below shall not serve to prevent the parties hereto from exercising their rights under New Jersey Revised Statutes 48:2-27.

Upon receipt of an application for service, the Company, in its sole discretion, will determine if a deposit or contribution in aid of construction is required based on the Applicant and/or existing Customer's location, service requirements, investment allowances and Costs. The allowances will be determined based on the equipment the Applicant and/or existing Customer represents will be installed as well as the intended hours of operation. The Costs will be based upon normal conditions and service offerings. Such Costs may be increased for unusual Customer requirements or unforeseen conditions, such as excessive rock or other unknown conditions found during excavation. In such cases, the Gas Company may require an additional deposit and/or contribution in aid of construction.

The deposit amount shall be subject to refund, if applicable, as outlined below, except that refunds shall be a function of the Distribution Revenue generated over a pre-determined base. In addition, a contribution in aid of construction may be required for Company approved Customer requests and/or required services above standard services such as those described in Sections 5.03 and 7.02 of this tariff or requests to place a meter at a location other than that designated by the Gas Company. In lieu of a deposit and/or contribution in aid of construction, the parties may agree upon a revenue guarantee.

### 3.02 – Charges for Extensions

The terms of Rider F - Neighborhood Expansion Program - may apply and supersede the following for particular main/service extension Applicants.

#### 1) Residential, Firm Commercial or Firm Industrial Extensions

The Gas Company will install Extensions to serve individual permanent Applicants and/or existing Customers free of charge where the Cost of such Extensions does not exceed ten (10) times the estimated annual Distribution Revenue to be realized from such Extensions. Deposits shall be calculated as the difference between the Extension Costs and the initial Distribution Revenue times ten (10). However, the Company will waive the required deposit if it is less than \$500.

Date of Issue: ~~November 22, 2010~~

Effective: Service Rendered  
on and after ~~December 30, 2009~~

Issued by: ~~Brian MacLean, President~~Jodi-Gidley  
~~Sr. Vice President, Mid-Atlantic Operations~~  
~~520 Green Lane~~300 Connell Drive, Suite 3000  
~~Union, New Jersey 07083~~Berkeley Heights, New Jersey 07922

Filed Pursuant to Order of the Board of Public Utilities

Dated ~~October 22, 2010~~ in Docket No. Non-Docketed Matter

ELIZABETHTOWN GAS  
B. P. U. NO. 14 – GAS  
CANCELLING  
B. P. U. NO. 13 – GAS

ORIGINAL SHEET NO. 118

RIDER "F"

NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

The NEP is designed to facilitate extensions of natural gas distribution service to residential, commercial or industrial customers that apply to purchase firm service from the Company in certain Designated Areas, set forth below, that are not currently receiving service because the Extensions of Mains and/or Service Lines provisions set forth in Section 3 of the Standard Terms and Conditions of the Company's Tariff require Contributions In Aid of Construction ("CIACs") and/or revenue guarantees that create economic barriers to the construction of facilities necessary to serve such applicants. The purpose of the NEP is to allow these Customers to pay costs that would otherwise be payable in an upfront CIAC charge through a monthly service charge, – the NEP Charge – as described below. NEP Costs as described herein are the costs of an extension of Main and/or Service Lines that would otherwise be required to be paid by Customers through a CIAC and/or revenue guarantees under Section 3 of the Standard Terms and Conditions of the Tariff.

The NEP is available to all applicants within the Designated NEP Areas deemed eligible to participate as determined by the Company. For all such applicants the terms of this Rider supersede those of set forth in Section 3.02 of the Standard Terms and Conditions of this Tariff. The NEP Charge will be applicable for a period of ten (10) years to each new customer beginning on the date they are first connected to natural gas through NEP Facilities. The NEP Charge will be assessed to all customers that connect to the Company's distribution facilities through NEP Facilities within ten years of placing the specific NEP Facilities necessary to serve the customers in service. The Company will notify all new applicants for service in writing as to whether they will be NEP Customers before commencing service.

The Company shall have five (5) years after the NEP begins to commence its NEP investments unless the NEP is terminated or extended by the Board.

NEP Charge: ~~\$52.64~~~~\$72.38~~ per Month

In accordance with P.L. 1997, c. 162, the charges applicable under this Rider exclude a provision for the New Jersey Sales and Use Tax. If this or any additional taxes, assessments or similar charges are determined to be applicable, customers will be assessed such amounts on a past and/or prospective basis.

In addition to the above, the following terms will apply to NEP Customers:

Date of Issue:

Effective: Service Rendered on  
and after

Issued by: Brian MacLean, President  
520 Green Lane  
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities  
Dated in Docket No.



ELIZABETHTOWN GAS  
B. P. U. NO. 14 – GAS  
CANCELLING  
B. P. U. NO. 13 – GAS

ORIGINAL SHEET NO. 119

## RIDER "F"

NEIGHBORHOOD EXPANSION PROGRAM ("NEP")  
(continued)

1. Applicant(s) will be deemed eligible for connection under the NEP to the extent the Company determines in its sole reasonable judgment that the Company will reach target customer saturation levels over a five (5) year period from the facilities to be constructed to serve applicant under the NEP.
2. Applicant(s) for service that are connected to the Company's distribution system through NEP Facilities, during either the sign-up period applicable to particular NEP Facilities, or during the first ten (10) years from the time when the NEP Facilities necessary to serve such applicants are first placed in service, will be designated as NEP Customers. NEP Customers will include Customers that replace original applicants for service from NEP Facilities until ten (10) years of NEP charges are recovered from a combination of such customers.

Designation of NEP Facilities – Subject to the funding limitation set forth below, the Company may designate any main/service extension request whose cost exceeds \$15,000 as a NEP Facility. The Company will designate a proposed main/service extension as NEP Facilities, if, (i) in the Company's sole reasonable judgment, it determines that, there is a reasonable prospect that at least forty percent (40%) of existing residences and commercial and industrial establishments that are capable of connecting to the NEP Facilities will convert their primary source of heat to natural gas and connect to the NEP Facilities within five (5) years of placing the NEP Facilities to be constructed in service, and (ii) the estimated average NEP cost per customer to serve all potential customers to be served under the NEP program -- including the incremental customers that would be added as a result of the construction of new extension facilities under consideration -- does not exceed ~~\$4,000~~\$5,500.

NEP Designated Areas – The Company shall make all determinations as to whether an Applicant is within a Designated Area and eligible to participate in the NEP. The following neighborhoods are designated as NEP Facilities:

Treatment of Investments and Revenues:

For each NEP project, the Company will treat a portion of the NEP investment equal to ~~\$4,000~~\$5,500 times the number of customers that would achieve the 40% saturation target as a CIAC. NEP revenues from all projects will first be used to offset the CIAC completely with any amounts thereafter, net of taxes and assessments, treated as distribution revenue.

Date of Issue:

Effective: Service Rendered on  
and after

Issued by: Brian MacLean, President  
520 Green Lane  
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities  
Dated in Docket No.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Monthly NEP Charge Calculation

NEP Investment	\$4,000
10 yr CIAC Tax Gross-Up	<u>1.101921</u>
Investment w/ Gross-up	\$4,408
Interest Rate	7.64%
Payment Years	<u>10</u>
Monthly Payment	<u><u>\$52.64</u></u>

\* Pre-tax WACC approved in Company's last rate case, Docket No. GR09030195.

## NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

## Summary of Developments

Total # Customers		683
# Customers w/ Participation %	40%	273
Cost to Serve		\$2,451,394
<u>less Margin Allowance</u>	\$5,000 per customer	<u>\$1,365,000</u>
CIAC Requirement		\$1,086,394
Customer CIAC pre Gross Up		\$3,979

Participation	40%	Main			Service	Meter	40%		
Project	Participation Number of Customers	Length	Cost	Total	Service Cost	Meter Cost	Total Participation Cost	Total Margin Allowance	Total Pre CIAC Cost Less Allowance of \$5000
Presidents	68	11,482	\$36	\$416,797	\$149,022	\$19,730	\$585,548	\$340,000	\$245,548
Beardslee-Fox Hill	27	3,448	\$36	\$125,162	\$73,436	\$7,834	\$206,432	\$135,000	\$71,432
Glenbrook	36	6,800	\$36	\$246,840	\$97,915	\$10,445	\$355,200	\$180,000	\$175,200
Bettino	14	6,800	\$36	\$246,840	\$38,078	\$4,062	\$288,980	\$70,000	\$218,980
Bloomsbury	76	11,800	\$36	\$428,340	\$116,588	\$22,051	\$566,978	\$380,000	\$186,978
Mountainview Ave	22	5,100	\$36	\$185,130	\$61,818	\$6,383	\$253,331	\$110,000	\$143,331
Franklin Boro SC	30	3,500	\$36	\$127,050	\$59,171	\$8,704	\$194,925	\$150,000	\$44,925
Total	273						\$2,451,394	\$1,365,000	\$1,086,394

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D  
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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Presidents, Ogdensburg

Total # Customers		170
# Customers w/ Participation %	40%	68
Cost to Serve		\$585,548
less Margin Allowance	\$5,000 per customer	<u>\$340,000</u>
CIAC Requirement		\$245,548
Customer CIAC pre Gross Up		\$3,611

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	11,482	\$36.30	\$416,796.60

\$416,797

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	50	0	\$43.83	\$18.01	\$18.01	\$2,191.50

\$149,022

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$19,730  
\$585,548



PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D  
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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Beardslee-Fox Hill, Ogdensburg

Total # Customers		67
# Customers w/ Participation %	40%	27
Cost to Serve		\$206,432
<u>less Margin Allowance</u>	\$5,000 per customer	<u>\$135,000</u>
CIAC Requirement		\$71,432
Customer CIAC pre Gross Up		\$2,646

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	3,448	\$36.30	\$125,162.40

\$125,162

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	65	5	\$43.89	\$18.01	\$18.01	\$2,719.85

\$73,436

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$7,834  
\$206,432

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D  
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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Glenbrook, Ogdensburg

Total # Customers		91
# Customers w/ Participation %	40%	36
Cost to Serve		\$355,200
less Margin Allowance	\$5,000 per customer	\$180,000
CIAC Requirement		\$175,200
Customer CIAC pre Gross Up		\$4,867

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	6,800	\$36.30	\$246,840.00

\$246,840

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	65	5	\$43.83	\$18.01	\$18.01	\$2,719.85

\$97,915

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$10,445

\$355,200

## NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Bettino, Ogdensburg

Total # Customers		35
# Customers w/ Participation %	40%	14
Cost to Serve		\$288,980
<u>less Margin Allowance</u>	\$5,000 per customer	<u>\$70,000</u>
CIAC Requirement		\$218,980
Customer CIAC pre Gross Up		\$15,641

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	6,800	\$36.30	\$246,840.00

\$246,840

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	65	5	\$43.83	\$18.01	\$18.01	\$2,719.85

\$38,078

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$4,062  
\$288,980

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D

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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Town of Bloomsbury

Total # Customers		190
# Customers w/ Participation %	40%	76
Cost to Serve		\$566,978
less Margin Allowance	\$5,000 per customer	\$380,000
CIAC Requirement		\$186,978
Customer CIAC pre Gross Up		\$2,460

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	11,800	\$36.30	\$428,340.00

\$428,340

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	35	0	\$43.83	\$18.01	\$18.01	\$1,534.05

\$116,588

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$22,051

\$566,978

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D  
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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Mountainview Ave., Long Valley

Total # Customers	55
# Customers w/ Participation %	22
Cost to Serve	\$253,331
less Margin Allowance	\$110,000
CIAC Requirement	\$143,331
Customer CIAC pre Gross Up	\$6,515

Total Cost to Serve  
w/ participation at  
40%

\$185,130

Main Segment	Recommend Main Size	Minimum Main Size	Type	Main	Length	Cost	Total
1	2"	2"	Plastic		5,100	\$36.30	\$185,130.00

Service ID	Quantity	Service Size	Service Type	Length to Ideal River Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	70	10	\$43.83	\$18.01	\$18.01	\$2,809.90

\$61,818

Meter ID	Size	Qty	Cost
1	250	1	\$250.14

\$6,383  
\$253,331

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Exhibit D  
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NEIGHBORHOOD EXPANSION PROGRAM ("NEP")

Project: Franklin Boro, Franklin

Total # Customers		75
# Customers w/ Participation %	40%	30
Cost to Serve		\$194,925
<u>less Margin Allowance</u>	\$5,000 per customer	<u>\$150,000</u>
CIAC Requirement		\$44,925
Customer CIAC pre Gross Up		\$1,497

Total Cost to Serve  
w/ participation at  
40%

Main Segment	Recommended Main Size	Minimum Main Size	Type Main	Length	Cost	Total
1	2"	2"	Plastic	3,500	\$36.30	\$127,050.00

\$127,050

Service ID	Quantity	Service Size	Service Type	Length to Ideal Riser Location	Excess Footage	First 60' Rate	Over 60' Rate	Excess Footage Rate	Service - Estimate per Customer Cost to Serve
1		1/2"	Plastic	45	0	\$43.83	\$18.01	\$18.01	\$1,972.35

\$59,171

Meter ID	Size	Qty	Cost
1	250	1	\$290.14

\$8,704  
\$194,925