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CASE MANAGEMENT

MAY 08 2018



May 8, 2018

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

**Ira G. Megdal**

Direct Phone 856-910-5007  
Direct Fax 877-259-7984  
imegdal@cozen.com

**VIA HAND DELIVERY**

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MAY 08 2018

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

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

GF18050512

**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. \_\_\_\_\_**

Dear Secretary Camacho-Welch:

This firm represents the Petitioner, Elizabethtown Gas Company ("Elizabethtown") in the referenced matter. Enclosed please find an original and ten (10) copies of Elizabethtown's Petition.

Also enclosed are two additional copies of the Petition. Please stamp each of these as received, and return them in the enclosed self-addressed envelope.

There is also an additional copy of this letter enclosed. Please return same with the assigned docket number for this matter.

Respectfully,

COZEN O'CONNOR, PC

By: Ira G. Megdal

IGM/kn

Enclosure

cc: Division of Law (two copies)  
Division of Rate Counsel (two copies)

CMS

LEGAL

DAG

RPA

S. Peterson

C. Lin

ENERGY (4) TOC

(iii) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 subsequent to the issuance



of the approximately \$530,000,000 term loan agreement such other supplemental indentures, and to issue such first mortgage bonds thereunder, as shall be necessary;

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

(v) all such bonds, term loan agreements and other evidences of indebtedness payable in more than 12 months from the date or dates thereof and issued after the approximately \$530,000,000 term loan agreement 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"),<sup>1</sup> 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.

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<sup>1</sup> ETG Acquisition Corp. and SJRG are wholly owned subsidiaries of SJI.

5. At closing, ETG Acquisition Corp. will change its name to Elizabethtown Gas Company.
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. Elizabethtown Gas Company seeks authorization to engage in a transaction or series of transactions at or shortly after the Acquisition Closing to begin funding the utility's initial operations.
9. Elizabethtown Gas Company seeks authorization to enter into a term loan agreement in the aggregate principal amount of approximately \$530,000,000 payable more than 12 months from the date or dates thereof, which will be issued at approximately the time of the Acquisition Closing.
10. Petitioner proposes to amortize the issuance costs of the approximately \$530,000,000 term loan agreement by monthly charges to an account to be identified before the Acquisition Closing. The projected cost for such issuance is \$750,000. A schedule of issuance costs for the term loan agreement will be provided under separate cover.
11. A proforma capital structure as of December 31, 2018, giving effect to the currently contemplated term loan agreement and the expected use of the proceeds thereof will be provided under separate cover.

12. A timetable demonstrating a closing of the term loan transaction currently contemplated at the Acquisition Closing or shortly thereafter will be provided under separate cover.

13. Elizabethtown Gas Company seeks authorization, following the issuance of the term loan described in paragraph 9, to make, execute and deliver a First Mortgage Indenture and any supplemental mortgage indentures providing for the issuance of a first mortgage bond or bonds with a maturity or maturities of not more than 40 years from the respective dates of issuance, or other evidence of indebtedness such as additional term loans payable more than 12 months from the date or dates thereof, in an aggregate principal amount of not more than \$800,000,000.

14. 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.

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

16. 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.



17. 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 Jersey 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.

18. 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.

19. 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.	205
18 Mos. to less than 2 Yrs.	226
2 Yrs. to less than 3 Yrs.	235
3 Yrs. to less than 4 Yrs.	248
4 Yrs. to less than 5 Yrs.	263
5 Yrs. to less than 7 Yrs.	272
7 Yrs. to less than 10 Yrs.	315
10 Yrs. to less than 15 Yrs.	358
15 Yrs. to less than 20 Yrs.	362
20 Yrs. to 40 Yrs.	437

20. 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 issued after the approximately \$530,000,000 term loan agreement will not exceed \$800,000,000.

21. 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.

22. 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.

23. 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.

24. 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.

25. The Company will provide the pro forma balance sheet as of the projected date of the Acquisition Closing under separate cover.

26. After the Acquisition Closing, Elizabethtown Gas Company will supply a certified copy of the Corporate Resolutions of its Board of Directors authorizing the proposed transactions.



27. 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.

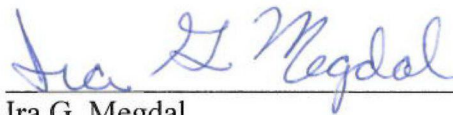
WHEREFORE, Elizabethtown Gas Company respectfully prays that this Honorable Board authorize the Company to make, execute and deliver a term loan agreement in the aggregate principal amount of approximately \$530,000,000 payable in more than 12 months from the date or dates thereof to provide initial financing for Elizabethtown Gas Company; to make, execute and deliver a First Mortgage Indenture and any appropriate supplemental mortgage indentures providing for the issuance of a first mortgage bond or bonds, with a maturity or maturities of not more than 40 years from the respective dates of issuance, or other evidence of indebtedness, in an aggregate principal amount of not more than \$800,000,000, less the aggregate principal amount of any other indebtedness payable in more than 12 months from and after the date of the term loan agreement pursuant to (i) above; to make, execute and deliver subsequent to the issuance of the approximately \$530,000,000 term loan agreement such other supplemental indentures, and to issue such first mortgage bonds thereunder, as shall be necessary; to issue other evidence of indebtedness, such as term loan agreements, payable more than 12 months from the date or dates thereof provided that all such bonds, term loan agreements and other evidences of indebtedness payable in more than 12 months from the date or dates thereof and issued after the approximately \$530,000,000 term loan agreement 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



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Ira G. Megdal  
Christine Soares

Dated: May 8, 2018

Communications addressed to Petitioner in this case are sent to:

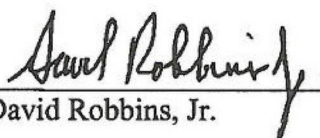
COZEN O'CONNOR

Attn: Ira G. Megdal, Esquire  
Christine Soares, Esquire  
457 Haddonfield Road, Suite 300  
PO Box 5459  
Cherry Hill, NJ 08002  
(856) 910-5019

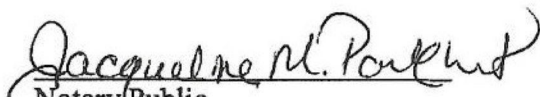
## VERIFICATION

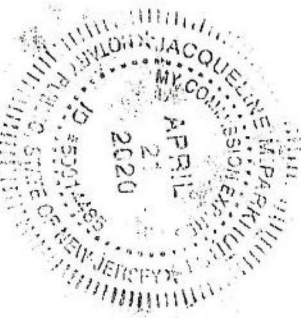
I, Dave Robbins, Jr. of full age, being duly sworn according to law, upon my oath, depose and say:

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 8 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