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October 9, 2008

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application for Authority to Issue Debt Security During Calendar Year 2009, Pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Pivotal Utility Holdings Inc., d/b/a Florida City Gas

Dear Ms. Bayo:

Enclosed for filing, please find an original and 5 copies of the Application of Pivotal Utility Holdings Inc., d/b/a Florida City Gas for Authority to Issue Debt Security During the Calendar Year 2009, along with a copy of the pleading on diskette in Word format.

Your assistance in this matter is greatly appreciated. If you have any questions, please do not hesitate to contact me.

Sincerely,

Matthew L. C. /for

Beth Keating
AKERMAN SENTERFITT

Enclosures
cc: Office of Public Counsel

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Pivotal Utility Holdings, inc., d/b/a Florida City Gas, for Authority to Issue Debt Security Pursuant to Florida Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code	))))))	Docket No. 080634 Filed: October 9, 2008

APPLICATION OF PIVOTAL UTILITY HOLDINGS, INC., D/B/A FLORIDA CITY GAS, FOR AUTHORITY TO ISSUE DEBT SECURITY

Pivotal Utility Holdings, Inc., d/b/a Florida City Gas (the "Applicant"), by and through undersigned counsel, pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, hereby files this application for authority to undertake short-term indebtedness pursuant to its participation in AGL Resources Inc.'s Utility Money Pool.

In support, Applicant states:

1. **Applicant Information:** The name and principal business address of Applicant are Pivotal Utility Holdings, Inc., 300 Connell Drive, Berkeley Heights, New Jersey 07922 Applicant is the indirect wholly owned subsidiary of AGL Resources Inc. ("AGLR"), an energy services holding company headquartered in Atlanta, Georgia. Applicant is engaged in the business of distributing natural gas in service territories located in portions of the states of New Jersey, Florida and Maryland. Through its Florida City Gas division, Applicant supplies natural gas to customers in Miami-Dade, Broward, Palm Beach, St. Lucie, Indian River, Martin, and Brevard Counties, Florida. Accordingly, Applicant is regulated as a "public utility" by the Florida Public Service Commission ("Commission") under Chapter 366, Florida Statutes. Exhibit A provides the Applicant's most recent audited financial statements.

2. **Incorporation and Domestication:** Applicant was incorporated under the laws of New Jersey in 1969. As noted above, Applicant does business in the states of New Jersey, Florida and Maryland.

3. **Persons Authorized To Receive Notices and Communications:** The names and addresses of the persons authorized to receive notices and communications with respect to this application are as follows:

Beth Keating Akerman Senterfitt 106 East College Avenue Suite 1200 Tallahassee, FL 32301	Elizabeth Wade Senior Regulatory Counsel AGL Resources Inc. Ten Peachtree Place, NW 15th Floor Atlanta, GA 30309

4. **Capital Stock and Funded Debt:** The following additional information regarding the financial condition of Applicant (and its ultimate parent corporation, AGLR) is submitted for the Commission's consideration:

> a. Total authorized common stock of Applicant's ultimate corporate parent, AGLR, is 750,000,000 shares, of which 76,671,051 shares were issued and outstanding at July 22, 2008 and publicly traded on the New York Stock Exchange under the symbol "ATG";
>
> b. Neither AGLR nor Applicant has any issued or outstanding preferred stock;
>
> c. As of June 30, 2008, AGLR held 1,353,786 shares in its treasury. The amount of capital stock held as reacquired securities by Applicant: none
>
> d. The amount of capital stock pledged by Applicant or AGLR: none
>
> e. The amount of Applicant's capital stock held by affiliated corporations: 100% held by NUI Corporation, a wholly owned subsidiary of AGLR.
>
> f. The amount of capital stock held in any fund by Applicant or AGLR: none

The table below summarizes Applicant's outstanding loan agreements, pursuant to which Applicant has borrowed the proceeds of the offerings of industrial development revenue bonds by each of these public financing entities. The terms and payments under Applicant's loan agreements with the public financing entities mirrors those of the revenue bonds.

Description	**Date**	**Principal amount**	**Interest**
Loan Agreement between New Jersey Economic Development Authority and Pivotal Utility Holdings	5-June-08	$46.5 million	variable rate bonds
Loan Agreement between Brevard County, Florida and Pivotal Utility Holdings	5-June-08	$20 million	variable rate bonds
Loan Agreement between New Jersey Economic Development Authority and Pivotal Utility Holdings	4-Sept-08	$39 million	variable rate bonds
Loan Agreement between New Jersey Economic Development Authority and Pivotal Utility Holdings	5-June-08	$54.6 million	variable rate bonds
Loan Agreement between New Jersey Economic Development Authority and Pivotal Utility Holdings	1-Dec-98	$40 million	5.25%

Applicant's indebtedness pursuant to these arrangements totals approximately $200.1 million. In 2008 portion of our gas facility revenue bonds failed to draw enough potential buyers due to the dislocation or disruption in the auction markets as a result of downgrades to the bond insurers which reduced investor demand and liquidity for these type of investments We tendered each of the bonds with principal amounts of $46.7 million, $20 million, $39 million and $54.6 million in March and April of 2008 through commercial papers borrowings of an AGL Resources Inc. affiliate. In June and September 2008 we completed Letter of Credit Agreements for the bonds which provided credit support and enhanced the investor demand for the bonds. As a result these bonds were successfully issued as variable rate gas facility bonds.

Applicant also has an additional $191,720,502 of long-term inter-company debt. As of June 30, 2008, Applicant's inter-company debt carries an interest rate of 6.24%, which rate approximates AGLR's weighted cost of capital for its outstanding long term debt as December 31, 2007. Applicant does not anticipate redeeming any of these securities in calendar year 2009.

5. **Proposed Transactions:**

(a) Nature of Transactions: Applicant requests authorization to finance its on-going cash requirements through its participation and borrowings from and investments in AGLR's Utility Money Pool. Applicant will make short-term borrowings not to exceed $800,000,000 (aggregate for Applicant's three utilities) annually from the Utility Money Pool according to limits that are consistent, given the seasonal nature of Applicant's business and its anticipated cash demands, with Applicant's capitalization. Florida City Gas's share of these borrowings will not exceed $250 million. Applicant's requested authorization is consistent with the authority granted in Order Nos. PSC-05-1221-FOF-GU, PSC-06-1039-FOF-GU and PSC-07-0955-FOF-GU.

b. Maximum Principal Amount: The amount of short-term borrowings from the Utility Money Pool will not exceed $800,000,000.

c. Present Estimate of Interest Rate: The interest rate paid by Applicant on borrowings from the Utility Money Pool is essentially a pass-through of AGLR's cost for borrowing these funds under its commercial paper program. As of June 30, 2008 that interest rate was 2.82%.

d. Maturity Date(s): Borrowings under the Utility Money Pool mature 364 days after the date of borrowing.

e. Additional Provisions: none

6. **Purpose For Which the Debt Will Be Incurred:** Applicant will use funds borrowed from the Utility Money Pool for capital expenditures, ongoing working capital requirements and general corporate purposes.

7. **Lawful Object and Purpose:** Applicant is authorized to participate in the Utility Money Pool by its Articles of Incorporation and applicable law. Participation in the arrangement is consistent with the proper performance by Applicant of service as a public utility and reasonably necessary and appropriate for such purposes.

8. **Counsel Passing on Legality of the Issue:**

Brian Betancourt
LeBoeuf, Lamb, Greene & MacRae, LLP
125 West 55th Street
New York, NY 10019

9. **Filings With Other State or Federal Regulatory Bodies:** Applicant has authority for participation in the Utility Money Pool from the New Jersey Board of Public Utilities, whose address is Two Gateway Center, Newark, New Jersey 07102. AGLR's Utility Money Pool was originally authorized by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 (as amended), which was repealed as of February 2006.

10. **Control or Ownership:** There is no measure of control or ownership exercised by or over Applicant as to any other public utility. Applicant is a wholly owned subsidiary of its parent holding company, NUI Corporation, which is a wholly owned subsidiary of AGL Resources Inc.

WHEREFORE, Pivotal Utility Holdings, Inc. d/b/a Florida City Gas, doing business in Florida respectfully requests that the Commission:

(a) publish notice of intent to grant the application pursuant to Section 366.04(1), Florida Statutes, as soon as possible;

(b) schedule this matter for agenda as early as possible;

(c) authorize Applicant to make short-term borrowings not to exceed $800,000,000 annually from AGLR's Utility Money Pool for the purposes and in the manner described herein;

(d) grant such other relief as the Commission deems appropriate.

Respectfully submitted this 9th day of October, 2008.

Matthew F. /for

Beth Keating
Akerman Senterfitt Attorneys at Law
106 East College Avenue
Suite 1200
Tallahassee, FL 32301
(850) 224-9634
Attorneys for PIVOTAL UTILITY HOLDINGS, INC., d/b/a FLORIDA CITY GAS

Pivotal Utility Holdings, Inc.
(A wholly owned subsidiary of AGL Resources Inc.)

Financial Statements
As of and for the years ended December 31, 2007 and 2006

EXHIBIT A

Pivotal Utility Holdings, Inc.

Financial Statements

Year Ended December 31, 2007

Contents

Report of Independent Auditors

To the Shareholders of Pivotal Utility Holdings, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of common shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Pivotal Utility Holdings, Inc. (a wholly owned subsidiary of AGL Resources Inc.) and its subsidiaries at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Atlanta, Ga.
February 5, 2008

Pivotal Utility Holdings, Inc.
Consolidated Balance Sheets

In thousands	As of December 31, 2007	2006
Current assets		
Cash and cash equivalents	$320	$94
Receivables (less allowance for uncollectible accounts of $6,077 at December 31, 2007 and $5,066 at December 31, 2006)	122,222	95,835
Inventories	48,970	60,024
Elizabethtown Gas hedging program	3,994	15,329
Deferred purchased gas adjustment	23,738	12,128
Unrecovered environmental remediation costs – current portion	1,302	1,302
Prepaid expenses	16,653	23,079
Other current assets	1,394	1,865
Total current assets	218,593	209,656
Property, plant and equipment		
Property, plant and equipment	958,739	912,150
Less accumulated depreciation	291,607	280,612
Property, plant and equipment — net	667,132	631,538
Other assets		
Goodwill(see Note 1)	177,300	177,300
Unrecovered environmental remediation costs	65,023	64,220
Unrecovered postretirement benefits	3,497	4,105
Elizabethtown Gas hedging program	199	387
Other	7,074	8,865
Total other assets	253,093	254,877
Total assets	$1,138,818	$1,096,071
Current liabilities		
Payables	$7,431	$12,781
Elizabethtown Gas hedging program	3,994	15,329
Customer deposits	12,606	14,717
Accrued purchased gas adjustment	2,002	-
Due to affiliates	71,598	60,221
Accrued environmental remediation costs – current portion	4,321	6,384
Short-term debt and capital leases	13,303	18,030
Accrued taxes	15,111	2,618
Other current liabilities	8,644	22,822
Total current liabilities	139,010	152,902
Accumulated deferred income taxes	81,520	62,302
Long-term liabilities (excluding long term debt)		
Accumulated removal costs	70,417	65,552
Accrued environmental remediation costs	67,269	62,872
Accrued pension costs	3,730	14,532
Accrued postretirement benefit costs	613	919
Regulatory tax liability	3,391	4,235
Unamortized investment tax credits	2,103	2,499
Elizabethtown Gas hedging program	199	387
Other long-term liabilities	32,767	32,534
Total long-term liabilities (excluding long term debt)	180,489	183,530
Commitments and contingencies (see Note 7)		
Capitalization		
Long-term debt and capital leases, net of current portion	375,283	346,020
Common shareholder's equity; no par value; 12,807,111 shares outstanding	362,516	351,317
Total capitalization	737,799	697,337
Total liabilities and capitalization	$1,138,818	$1,096,071

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statements of Consolidated Income

In thousands	Years ended December 31, 2007	2006
Operating revenues	$610,308	$601,245
Operating expenses		
Cost of gas	424,612	419,318
Operation and maintenance	78,685	89,258
Depreciation and amortization	29,468	27,464
Taxes other than income taxes	5,760	6,849
Total operating expenses	538,525	542,889
Operating income	71,783	58,356
Other income	769	1,096
Interest expense, net	(17,145)	(18,320)
Earnings before income taxes	55,407	41,132
Income taxes	22,282	16,856
Net income	$33,125	$24,276

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statements of Consolidated Common Shareholder's Equity

In thousands, except per share amount	Common shares	Premium on common stock	Earnings reinvested	Accumulated other comprehensive income	Total
Balance as of December 31,2005	12,807	$153,862	$186,223	$-	$340,085
Comprehensive income:					
Net Income	-	-	24,276	-	24,276
Gain resulting from unfunded pension and postretirement obligation (net of $5,157 in taxes)	-	-	-	8,272	8,272
Dividends	-	-	(21,316)	-	(21,316)
Balance as of December 31, 2006	12,807	153,862	189,183	8,272	351,317
Comprehensive income:					
Net income	-	-	33,125	-	33,125
Gain resulting from unfunded pension and postretirement obligation (net of $4,831 in taxes)	-	-	-	6,626	6,626
Total comprehensive income					39,751
Dividends	-	-	(28,552)	-	(28,552)
Balance as of December 31, 2007	12,807	$153,862	$193,756	$14,898	$362,516

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statements of Consolidated Cash Flows

In thousands	Year ended December 31, 2007	2006
Cash flows from operating activities		
Net income	$33,125	$24,276
Adjustments to reconcile net income to net cash flow provided by operating activities		
Depreciation and amortization	29,468	27,464
Deferred income taxes	12,331	27,465
Changes in certain assets and liabilities		
Inventories	11,054	4,420
Payables	(5,350)	(4,454)
Purchased gas costs	(9,608)	(17,953)
Accrued taxes	12,493	(19,012)
Receivables	(26,387)	17,623
Other – net	256	(26,921)
Net cash flow provided by operating activities	57,382	32,908
Cash flows from investing activities		
Expenditures for property, plant and equipment	(56,957)	(35,740)
Sale of properties	834	-
Net cash flow used in investing activities	(56,123)	(35,740)
Cash flows from financing activities		
Dividends paid	(28,552)	(21,316)
Net (repayments) borrowings from/under line of credit	(4,603)	16,952
Principal payments under capital lease obligations	(1,094)	(1,151)
Net borrowings from AGL Resources Inc.	33,216	5,455
Net cash flow provided by financing activities	(1,033)	(60)
Net increase (decrease) in cash and cash equivalents	226	(2,892)
Cash and cash equivalents at beginning of period	94	2,986
Cash and cash equivalents at end of period	$320	$94
Cash paid during the period for		
Interest	$10,872	$19,217
Income taxes	$2,457	$2,016

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.

Notes to Consolidated Financial Statements

Note 1 - Accounting Policies and Methods of Application

General

The consolidated financial statements include all subsidiaries of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly-owned subsidiary of AGL Resources Inc. (AGL Resources). Pivotal Utility is engaged in the sale and distribution of natural gas to approximately 382,000 customers in three states through its utility operating divisions which include Elizabethtown Gas (New Jersey), Florida City Gas (Florida) and Elkton Gas (Maryland). Unless the context requires otherwise, references to "we," "us," "our" or the "company" mean consolidated Pivotal Utility and its subsidiaries.

Basis of Presentation

Our consolidated financial statements as of and for the period ended December 31, 2007 and December 31, 2006, include our accounts and the accounts of our subsidiaries. We have eliminated any intercompany profits and transactions in consolidation; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process.

Certain amounts from prior periods have been reclassified and revised to conform to the current period presentation.

Cash and Cash Equivalents

Our cash and cash equivalents consist primarily of cash on deposit, money market accounts and certificates of deposit with original maturities of three months or less.

Receivables and Allowance for Uncollectible Accounts

Our receivables consist of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collection experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, the price of natural gas, customer deposits and general economic conditions. We write off accounts once we deem them to be uncollectible.

Inventories

We record natural gas stored underground at weighted average cost.

Property, Plant and Equipment

Property, plant and equipment expenditures consist of property and equipment that is in use, being held for future use and under construction. We report it at its original cost, which includes

- material and labor
- contractor costs
- construction overhead costs
- an allowance for funds used during construction (AFUDC) which represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service

We charge property retired or otherwise disposed of to accumulated depreciation since such costs are recovered in rates.

Depreciation Expense

We compute depreciation expense by applying composite, straight-line rates (approved by the state regulatory agencies) to the investment in depreciable property. The composite, straight-line rate for Elizabethtown Gas, Florida City Gas and Elkton Gas was approximately 3.2% for 2007 and 3.0% for 2006.

Allowance for Funds Used During Construction

Elizabethtown Gas is authorized by its state regulatory agency to record the cost of debt and equity funds as part of the cost of construction projects in our consolidated balance sheets and as AFUDC in the statements of consolidated income. The New Jersey Board of Public Utilities (New Jersey Commission) has authorized a variable rate based on the Federal Energy Regulatory Commission (FERC) method of accounting for AFUDC. At December 31, 2007 the rate was 5.2%. The total AFUDC for the years ended December 31, 2007, and 2006 was $357 thousand and $887 thousand, respectively. The capital expenditures of our other regulated utilities do not qualify for AFUDC treatment.

Goodwill

We have included $177 million of goodwill in our consolidated balance sheets as of December 31, 2007 and December 31, 2006, resulting from AGL Resources acquisition of NUI Corporation in December 2004. This amount includes goodwill of $127 million related to Elizabethtown Gas; $26 million related to Florida City Gas; $3 million related to Elkton Gas and $21 million related to other former subsidiaries.

SFAS 142 requires AGL Resources to perform an annual goodwill impairment test at a reporting unit level. We have not recognized any impairment charges in 2007and 2006. We also assess goodwill for impairment if events or changes in circumstances may indicate an impairment of goodwill exists. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, we record an impairment loss equal to the excess of the asset's carrying value over its fair value. We conduct this assessment principally through a review of financial results, changes in state and federal legislation and regulation, regulatory and legal proceedings and the periodic regulatory filings for our regulated utilities.

Accumulated Deferred Income Taxes

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal differences between net income and taxable income relate to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. We report the tax effects of depreciation and other differences in those items as deferred income tax assets or liabilities in our consolidated balance sheets in accordance with SFAS No. 109, "Accounting for income Taxes" (SFAS 109) and FIN 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS Statement No. 109". Investment tax credits previously deducted for income tax purposes for Elizabethtown Gas, Florida City Gas and Elkton Gas have been deferred for financial accounting purposes and are being amortized as credits to income over the estimated lives of the related properties in accordance with regulatory requirements.

Revenues

We record revenues when services are provided to customers. Those revenues are based on rates approved by the state regulatory commissions of our utilities. The Elizabethtown Gas, Florida City Gas and Elkton Gas rate structures include volumetric rate designs that allow recovery of costs through gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. In addition, revenues are recorded for estimated deliveries of gas not yet billed to these customers, from the meter reading date to the end of the accounting period. These are included in the consolidated balance sheets as unbilled revenue. For other commercial and industrial customers and all wholesale customers, revenues are based on actual deliveries to the end of the period.

The tariffs for Elizabethtown Gas contain weather normalization adjustments (WNA) that partially mitigate the impact of unusually cold or warm weather on customer billings and income. The WNA's purpose is to reduce the effect of weather on customer bills by reducing bills when winter weather is colder than normal and increasing bills when winter weather is warmer than normal.

Cost of gas

We charge our utility customers for the natural gas they consume using purchased gas adjustment (PGA) mechanisms set by the state regulatory agencies. Under the PGA, we defer (that is, include as a current asset or liability in the consolidated balance sheets and exclude from the statements of consolidated income) the difference between the actual cost of gas and what is collected from or billed to customers in a given period. The deferred amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

Comprehensive Income

Our comprehensive income includes net income plus other comprehensive income (OCI), which includes $6,626 thousand in 2007 and $8,272 in 2006 of unrealized gains on minimum pension and postretirement liability adjustments affecting shareholder's equity, that accounting principles generally accepted in the United States of America (GAAP) exclude from net income.

Use of Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include our regulatory accounting, the allowance for doubtful accounts, allowance for contingencies, environmental liability accruals, unbilled revenue recognition, pension and postretirement obligations, derivative and hedging activities, and provision for income taxes. Our actual results could differ from those estimates.

Note 2 - Amounts Due from / to Affiliates

We had $71,598 thousand and $60,221 thousand in payables at December 31, 2007 and December 31, 2006 respectively, due to AGL Resources and affiliated companies, which consists primarily of our participation in AGL Resources' money pool to fund our working capital requirements.

Note 3 - Risk Management

Commodity-related Derivative Instruments

A program mandated by the New Jersey Commission requires Elizabethtown Gas to utilize certain derivatives to hedge the impact of market fluctuations in natural gas prices. In accordance with Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), such derivative products are marked to market each reporting period. In accordance with regulatory requirements, realized gains and losses related to these derivatives are reflected in purchased gas costs and ultimately included in billings to customers. As of December 31, 2007, Elizabethtown Gas had entered into New York Mercantile Exchange (NYMEX) futures contracts to purchase approximately 1.2 billion cubic feet (Bcf) of natural gas and over the counter swap contracts with 3 counterparties to purchase approximately 8.1 Bcf of natural gas. Approximately 84% of these contracts have durations of one year or less, and none of these contracts extends beyond October 2009. The fair value of these derivative instruments were reflected as a current asset and liability of $3,994 thousand and long term asset and liability of $199 thousand on December 31, 2007 and a current asset and liability of $15,329 thousand and long term asset and liability of $387 thousand at December 31, 2006. For more information on our regulatory assets and liabilities see Note 4.

Note 4 - Regulatory Assets and Liabilities

We have recorded regulatory assets and liabilities in our consolidated balance sheets in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Our regulatory assets and liabilities, and associated liabilities for our unrecovered environmental remediation costs (ERC) and the associated assets and liabilities for Elizabethtown Gas hedging program, are summarized in the following table.

	As of December 31,	
In thousands	2007	2006
Regulatory assets		
Elizabethtown Gas unrecovered ERC	$66,325	$65,522
Elizabethtown Gas hedging program	-	15,716
Unrecovered postretirement benefit costs	3,497	4,105
Unrecovered purchased gas adjustment	23,738	12,128
Other	8,345	1,015
Total regulatory assets	101,905	98,486
Associated assets		
Elizabethtown Gas hedging program	4,193	-
Total regulatory and associated assets	$106,098	$98,486
Regulatory liabilities		
Accumulated removal costs	$70,417	$65,552
Elizabethtown Gas hedging program	4,193	-
Accrued purchased gas adjustment	2,002	-
Regulatory tax liability	3,391	4,235
Unamortized investment tax credits	2,103	2,499
Other	7,698	3,215
Total regulatory liabilities	89,804	75,501
Associated liabilities		
Elizabethtown Gas ERC	61,076	59,814
Elizabethtown Gas hedging program	-	15,716
Total associated Liabilities	61,076	75,530
Total regulatory and associated liabilities	$150,880	$151,031

Our regulatory assets are recoverable through either rate riders or base rates specifically authorized by a state regulatory commission. Base rates are designed to provide both a recovery of cost and a return on investment during the period rates are in effect. As such, all our regulatory assets are subject to review by the respective state regulatory commission during any future rate proceedings. In the event that the provisions of SFAS 71 were no longer applicable, we would recognize a write-off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, and classified as an extraordinary item. Although the natural gas distribution industry is becoming increasingly competitive, our utility operations continue to recover their costs through cost-based rates established by the state regulatory commissions. As a result, we believe that the accounting prescribed under SFAS 71 remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider.

All the regulatory assets included in the previous table are included in base rates except for the unrecovered ERC and the unrecovered PGA, which are recovered through specific rate riders on a dollar for dollar basis. The rate riders that authorize recovery of the unrecovered PGA include a recovery of costs and a return on investment during the recovery period. The ERC associated with the investigation and remediation of Elizabethtown Gas remediation sites located in the state of New Jersey are recovered under a remediation adjustment clause and include the carrying cost on unrecovered amounts not currently in rates. Elizabethtown Gas's hedging program asset and liability reflects unrealized losses or gains that will be recovered through the PGA on a dollar for dollar basis, once the losses or gains are realized. Unrecovered postretirement benefit costs are recoverable through base rates over the next 6 to 25 years based on the remaining recovery period as designated by the applicable state regulatory commissions. The regulatory liabilities are refunded to ratepayers through a rate rider or base rates. If the regulatory liability is included in base rates, the amount is reflected as a reduction to the rate base in setting rates.

Pipeline Replacement Program

In August 2006, the New Jersey Commission issued an order adopting a pipeline replacement cost recovery rider program for the replacement of certain 8" cast iron main pipes and any unanticipated 10"-12" cast iron main pipes integral to the replacement of the 8" main pipes. The order allows Elizabethtown Gas to recognize revenues under a deferred recovery mechanism for costs to replace the pipe that exceeds a baseline amount of $3 million. Elizabethtown Gas' recognition of these revenues could be disallowed by the New Jersey Commission if its return on equity exceeds the authorized rate of 10%. The term of the stipulation is from the date of the order through December 31, 2008. Total replacement costs through December 31, 2008 are expected to be $17 million, of which $14 million will be eligible for the deferred recovery mechanism. Revenues recognized and deferred for recovery under the stipulation are estimated to be approximately $1 million. All costs incurred under the program will be included in Elizabethtown Gas' next rate case to be filed in 2009.

Environmental Remediation Costs

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites.

In New Jersey, Elizabethtown Gas is currently conducting remediation activities with oversight from the New Jersey Department of Environmental Protection. Although we cannot estimate the actual total cost of future environmental investigation and remediation efforts with precision, based on probabilistic models similar to those used at one of our affiliated utilities' former operating sites, the range of reasonably probable costs is $61 million to $119 million. As of December 31, 2007, we have recorded a liability equal to the low end of the range, or $61 million, of which $4 million in expenditures are expected to incurred over the next 12 months.

Prudently incurred remediation costs for the New Jersey properties have been authorized by the New Jersey Commission to be recoverable in rates through a remediation adjustment clause. As a result, Elizabethtown Gas has recorded a regulatory asset of approximately $66 million, inclusive of interest, as of December 31, 2007 and 2006, reflecting the future recovery of both incurred costs and accrued carrying charges. Elizabethtown Gas expects to collect $1 million in revenues over the next 12 months. Elizabethtown Gas has also been successful in recovering a portion of remediation costs incurred in New Jersey from its insurance carriers and continues to pursue additional recovery.

Note 5 - Employee Benefit Plans

Pension Benefits

AGL Resources sponsors a tax-qualified defined benefit retirement plan for our eligible employees, the NUI Corporation Retirement Plan (NUI Retirement Plan). A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant. The NUI Retirement Plan is a qualified noncontributory defined benefit retirement plan that covers all of our employees who were employed on or before December 31, 2005, except Florida City Gas union employees, who participate in a union-sponsored multiemployer plan. Pension benefits are based on years of credited service and final average compensation.

Effective with AGL Resources' acquisition of NUI Corporation (NUI) in November 2004, AGL Resources now administers the NUI Retirement Plan. Beginning in 2006, eligible participants in the NUI Retirement Plan became eligible to participate in the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the benefits of those participants under the NUI Retirement Plan were frozen as of December 31, 2005, resulting in a $15 million reduction to the NUI Retirement plan's projected benefit obligations as of December 31, 2005. Participants in the NUI Retirement Plan have the option of receiving a lump sum distribution upon retirement for all benefits earned through December 31, 2005. This resulted in settlement payments of $12 million and an immaterial settlement loss in 2006.

SFAS 158

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158). Pivotal Utility adopted SFAS 158 prospectively on December 31, 2006. SFAS 158 requires that we recognize all obligations related to defined benefit pensions and other postretirement benefits. This statement requires that we quantify the plans' funding status as an asset or a liability on our consolidated balance sheets.

SFAS 158 further requires that we measure the NUI Corporation Retirement Plan's (NUI Retirement Plan) assets and obligations that determine our funded status as of the end of the fiscal year. We are also required to recognize as a component of OCI the changes in funded status that occurred during the year that are not recognized as part of net periodic benefit costs as explained in SFAS No. 87, "Employers' Accounting for Pensions," or SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Based on the funded status of our defined benefit pension and postretirement benefit plans we reported a gain to our OCI of $6,626 thousand, a decrease of $11,457 thousand to accrued pension and postretirement obligations and an increase of $4,831 thousand to accumulated deferred income taxes. Our adoption of SFAS 158 on December 31, 2006, had no impact on our earnings. The following tables' present details about the NUI Retirement plan.

In millions	Dec. 31, 2007	Dec. 31, 2006
Change in benefit obligation		
Benefit obligation at beginning of year	$86	$105
Interest cost	5	5
Settlement loss	-	1
Settlement payments	-	(12)
Actuarial gain	(9)	(7)
Benefits paid	(8)	(6)
Benefit obligation at end of year	$74	$86
Change in plan assets		
Fair value of plan assets at beginning of year	$72	$85
Actual return on plan assets	6	4
Employer contribution	-	1
Settlement payments	-	(12)
Benefits paid	(8)	(6)
Fair value of plan assets at end of year	$70	$72
Amounts recognized in the statement of financial position consist of		
Prepaid benefit cost	$-	$-
Accrued pension cost	(4)	(14)
Accumulated OCI	-	-
Net amount recognized at year end (1)	$(4)	$(14)
Pivotal Utility's share of net liability recorded on consolidated balance sheets	$(4)	$(14)

(1) As of December 31, 2007, the NUI Retirement Plan had $4 million of noncurrent liabilities and no noncurrent assets or current liabilities. As of December 31, 2006, the NUI Retirement Plan had $14 million of non-current liabilities and no non-current assets or current liabilities as of December 31, 2006

The accumulated benefit obligation (ABO) and other information for the NUI Retirement Plan are set forth in the following table.

In millions	Dec. 31, 2007	Dec. 31, 2006
Projected benefit obligation	$74	$86
ABO	74	86
Fair value of plan assets	70	72
Components of net periodic benefit cost		
Service cost	$-	$-
Interest cost	5	5
Expected return on plan assets	(6)	(7)
Net amortization	(1)	(1)
Recognized actuarial loss	-	-
Net annual pension cost	$(2)	$(3)

There were no other changes in plan assets and benefit obligations recognized for the NUI Retirement Plans for the year ended December 31, 2007. The 2008 estimated OCI amortization and expected refunds for the NUI Retirement Plan is set forth in the following table.

In millions	
Amortization of transition obligation	$-
Amortization of prior service cost	(1)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the NUI Retirement Plan at the balance sheet dates.

	Dec. 31, 2007	Dec. 31, 2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0%

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors and generally base these rates on a 10-year horizon for various asset classes, our expected investments of plan assets and active asset management as opposed to investment in a passive index fund. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate, private equity securities and alternative asset classes.

The following table presents the assumed weighted average discount rate, expected return on plan assets and rate of compensation increase used to determine net periodic benefit cost for the NUI Retirement Plan at the beginning of the period, which was January 1.

	2007	2006
Discount rate	5.8%	5.5%
Expected return on plan assets	9.0%	8.8%
Rate of compensation increase	-%	-%

We consider a variety of factors in determining and selecting our assumptions for the discount rate at December 31. We consider certain market indices, including Moody's Corporate AA long-term bond rate, the Citigroup Pension Liability rate our actuaries model and our own payment stream based on these indices and develop our rate. Consequently, we selected a discount rate of 6.4% as of December 31, 2007, following our review of these various factors.

Actual retirement plan's weighted average asset allocations at December 31, 2007 and at December 31, 2006, and target asset allocation ranges for the NUI Retirement Plan are as follows:

	Target Range Allocation of Assets	2007	2006
Equity	30%-80%	71%	68%
Fixed income	10%-40%	27%	26%
Real estate and other	10%-35%	2%	3%
Cash	0%-10%	-%	3%

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the NUI Retirement Plan. Further, AGL Resources has an Investment Policy (the Policy) for the NUI Retirement Plan that aims to preserve the NUI Retirement Plan's capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the NUI Retirement Plan's assets are actively managed to optimize long-term return while maintaining a high standard of portfolio quality and proper diversification.

The Policy's risk management strategy establishes a maximum tolerance for risk in terms of volatility to be measured at 75% of the volatility experienced by the Standard & Poor's (S&P) 500. AGL Resources will continue to diversify the NUI Retirement Plan's investments to minimize the risk of large losses in a single asset class. The Policy's permissible investments include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income (corporate and U.S. government obligations), cash and cash equivalents and other suitable investments. The asset mix of these permissible investments is maintained within the Policy's target allocations as included in the previous table, but the Committee can vary allocations between various classes and/or investment managers in order to improve investment results.

Equity market performance and corporate bond rates have a significant effect on our reported unfunded ABO, as the primary factors that drive the value of our unfunded ABO are the assumed discount rate and the actual return on plan assets. Additionally, equity market performance has a significant effect on our market-related value of plan assets (MRVPA), which is a calculated value and differs from the actual market value of plan assets. The MRVPA recognizes the difference between the actual market value and expected market value of our plan assets and is determined by actuaries using a five-year moving weighted average methodology. Gains and losses on plan assets are spread through the MRVPA based on the five-year moving weighted average methodology, which affects the expected return on plan assets component of pension expense.

Our employees do not contribute to the retirement plan. We fund the plan by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. We calculate the minimum amount of funding using the projected unit credit cost method. No contribution is required for the qualified plan in 2008. The Pension Protection Act (the Act) of 2006 contains new funding requirements for single employer defined benefit pension plans. The Act establishes a 100% funding target for plan years beginning after December 31, 2007. However, a delayed effective date of 2011 may apply if the pension plan meets the following targets: 92% funded in 2008; 94% funded in 2009; and 96% funded in 2010.

Postretirement Benefits

Until, January 2006, AGL Resources sponsored two defined benefit postretirement health care plans for eligible employees – the AGL Resources Inc. Postretirement Health Care Plan (AGL Postretirement Plan) and the NUI Corporation Postretirement Health Care Plan (NUI Postretirement Plan), which AGL Resources acquired with its acquisition of NUI. Eligibility for benefits is based on age and years of service.

The NUI Postretirement Plan provided certain medical and dental health care benefits to retirees, other than retirees of Florida City Gas, depending on their age, years of service and start date. The NUI Postretirement Plan was contributory, and NUI funded a portion of these future benefits through a Voluntary Employees' Beneficiary Association. Effective July 2000, NUI no longer offered postretirement benefits other than pensions for any new hires. In addition, NUI capped its share of costs at $500 per participant per month for retirees under age 65, and at $150 per participant per month for retirees over age 65. At the beginning of 2006, eligible participants in the NUI Postretirement Plan become eligible to participate in the AGL Postretirement Plan and all participation in NUI plan ceased, effective January 1, 2006.

The AGL Postretirement Plan covers all eligible AGL Resources employees who were employed as of June 30, 2002, if they reach retirement age while working for AGL Resources. The state regulatory commissions have approved phase-ins that defer a portion of other postretirement benefits expense for future recovery. As of December 31, 2007 we recorded a regulatory asset of $3 million for these future recoveries.

Effective December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law. This act provides for a prescription drug benefit under Medicare (Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On July 1, 2004, the AGL Postretirement Plan was amended to remove prescription drug coverage for Medicare-eligible retirees effective January 1, 2006. Certain grandfathered NUI retirees participating in the NUI Postretirement Plan will continue receiving a prescription drug benefit through some period of time.

The following tables present details about the AGL Postretirement Plan

	AGL Postretirement Plan	
In millions	Dec. 31, 2007	Dec. 31, 2006
Change in benefit obligation		
Benefit obligation at beginning of year	$95	$107
Service cost	1	1
Interest cost	6	5
Actuarial (gain) loss	-	(9)
Benefits paid	(8)	(9)
Benefit obligation at end of year	$94	$95
Change in plan assets		
Fair value of plan assets at beginning of year	$63	$59
Actual return on plan assets	7	5
Employer contribution	8	8
Benefits paid	(8)	(9)
Fair value of plan assets at end of year	$70	$63
Amounts recognized in the statement of financial position consist of		
Prepaid benefit cost	$-	$-
Accrued benefit liability	(24)	(32)
Accumulated OCI	-	-
Net amount recognized at year end (1)	$(24)	$(32)

(1) As of December 31, 2007 and 2006, the AGL Postretirement Plan had $24 million and $32 million of noncurrent liabilities, respectively, and no current assets or current liabilities.

The following table presents details on the components of the net periodic benefit cost for the AGL Postretirement Plan at the balance sheet dates.

	AGL Postretirement Plan	
In millions	2007	2006
Service cost	$1	$1
Interest cost	6	5
Expected return on plan assets	(5)	(4)
Amortization of prior service cost	(4)	(4)
Recognized actuarial loss	1	1
Net periodic postretirement benefit cost	$(1)	$(1)

There were no other changes in plan assets and benefit obligations recognized for the AGL Postretirement Plan for the year ended December 31, 2007. The 2008 estimated OCI amortization and refunds expected for the AGL Postretirement Plan are set forth in the following table.

In millions	2008
Amortization of transition obligation	$-
Amortization of prior service cost	(4)
Amortization of net loss	-
Refunds expected	-

The following table sets forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the AGL Postretirement Plan at December 31.

	AGL Postretirement Plan	
	2007	2006
Discount rate	6.4%	5.8%
Rate of compensation increase	3.7%	4.0%

The following table presents the weighted average assumed rates used to determine benefit obligations on January 1 for the AGL Postretirement Plan, and the weighted average assumed rates used to determine net periodic benefit cost at the beginning of this same period.

	AGL Postretirement Plan	
	2007	2006
Discount rate – benefit obligation	6.4%	5.8%
Discount rate – net periodic benefit cost	5.8%	5.5%
Expected return on plan assets	9.0%	8.5%
Rate of compensation increase	3.7%	4.0%

We consider the same factors in determining and selecting our assumptions for the overall expected long-term rate of return on plan assets as those considered in determining and selecting the overall expected long-term rate of return on plan assets for our retirement plans. For purposes of measuring our accumulated postretirement benefit obligation, the assumed pre-Medicare and post-Medicare health care inflation rates for the AGL Postretirement Plan are as follows:

	AGL Postretirement Plan			
	Pre-medicare cost (pre-65 years old)		Post-medicare cost (post-65 years old)	
Assumed health care cost trend rates at December 31,	2007	2006	2007	2006
Health care costs trend rate assumed for next year	2.5%	2.5%	2.5%	2.5%
Rate to which the cost trend rate gradually declines	2.5%	2.5%	2.5%	2.5%
Year that the rate reaches the ultimate trend rate	N/A	N/A	N/A	N/A

Effective January 2006, the health care trend rates for the AGL Postretirement Plan were capped at 2.5%. This cap limits the increase in the contributions to the annual change in the consumer price index (CPI). An annual CPI rate of 2.5% was assumed for future years.

Assumed health care cost trend rates impact the amounts reported for our health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for the AGL Postretirement Plan.

In millions	AGL Postretirement Plan One-Percentage-Point Increase	Decrease
Effect on total of service and interest cost	$-	$-
Effect on accumulated postretirement benefit obligation	4	(4)

Our investment policies and strategies for our postretirement plan, including target allocation ranges, are similar to those for our retirement plan. We fund the plan annually; retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium. Our postretirement plan weighted average asset allocations for 2007 and 2006 and our target asset allocation ranges are as follows:

In millions	Target Asset Allocation ranges	AGL Postretirement Plan 2007	2006
Equity	30%-80%	73%	66%
Fixed income	10%-40%	26%	32%
Real estate and other	10%-35%	-%	-%
Cash	0%-10%	1%	2%

The following table presents expected benefit payments covering the periods 2008 through 2017 for our retirement plans and postretirement health care plan. There will be benefit payments under these plans beyond 2017.

For the years ended Dec. 31, *(in millions)*	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
2008	$20	$6	$7
2009	20	6	7
2010	20	6	7
2011	20	6	7
2012	21	6	7
2013-2017	116	29	36

The following table presents the amounts not yet reflected in net periodic benefit cost and included in accumulated OCI as of December 31, 2007.

In millions	AGL Retirement Plan	NUI Retirement Plan	AGL Postretirement Plan
Transition obligation	$-	$-	$1
Prior service credit	(8)	(13)	(21)
Net loss (gain)	70	(7)	13
Accumulated OCI	62	(20)	(7)
Net amount recognized in statement of financial position	(40)	(4)	(24)
Cumulative employer contributions in excess of net periodic benefit cost (accrued) prepaid	$22	$(24)	$(31)

There were no other changes in plan assets and benefit obligations recognized in the NUI Retirement Plan or the AGL Postretirement Plan for the year ended December 31, 2007.

Employee Savings Plan Benefits

AGL Resources sponsors a Retirement Savings Plus Plan (RSP), a defined contribution benefit plan that allows eligible participants to make contributions to their accounts up to specified limits.

AGL Resources also sponsors the Nonqualified Savings Plan (NSP), an unfunded, nonqualified plan similar to the RSP. The NSP provides an opportunity for eligible employees who could reach the maximum contribution amount in the RSP to contribute additional amounts for retirement savings. Our contributions to the NSP have not been significant in any year.

Note 6 - Debt

Our issuance of various securities, including long-term and short-term debt, is subject to customary approval or authorization by state and federal regulatory bodies, including state public service commissions. The following table provides more information on our various securities.

Dollars in thousands	Year(s) due	Interest rate (1)	Weighted average Interest rate(1)	Outstanding as of Dec.31, 2007	Outstanding as of Dec. 31, 2006
Short-term debt					
Line of credit	2008	4.5%	5.4%	$12,349	$16,952
Capital leases	2008	4.9	4.9	954	1,078
Total short-term debt and capital leases		4.6%	5.4%	13,303	18,030
Long-term debt - net of current portion					
Gas facility revenue bonds, net of unamortized issuance costs	2022-2033	3.8-5.3%	4.3	199,205	199,169
Affiliate Promissory note	2034	6.17	6.17	171,558	141,361
Capital leases	2013	4.9	4.9	4,520	5,490
Total long-term debt and capital leases		5.2%	5.2%	375,283	346,020
Total debt				$388,586	$364,050

(1) As of December 31, 2007.

Short-term Debt

Our short-term debt at December 31, 2007 and 2006 was composed of Pivotal Utility's line of credit and the current portions of our capital lease obligations.

Pivotal Utility Line of Credit In August 2007, Pivotal Utility's $20 million line of credit was extended through August 2008. This line of credit supports Elizabethtown Gas' hedging program and bears interest at the federal funds effective rate plus 0.4%, is used solely for the posting of deposits and is unconditionally guaranteed by AGL Resources. As of December 31, 2007, we had an outstanding balance on the line of credit of $12 million.

Long-term Debt

Our long-term debt matures more than one year from the balance sheet date and consists of gas facility revenue bonds, affiliate promissory note and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

Gas Facility Revenue Bonds Pivotal Utility has $199 million of indebtedness pursuant to gas facility revenue bonds. We do not guarantee or provide any other form of security for the repayment for the indebtedness. Pivotal Utility is party to a series of loan agreements with the New Jersey Economic Development Authority (NJEDA) pursuant to which the NJEDA has issued a series of gas facility revenue bonds as follows:

Issue Date	Amount (in millions)	Interest rate (3)	Maturity
July 1994 (1)	$47	3.8%	Oct. 2022
July 1994 (1)	20	4.9	Oct. 2024
June 1992 (2)	39	3.8	June 2026
June 1992 (1)	55	4.7	June 2032
July 1997	40	5.25	Nov. 2033
Unamortized issuance costs	(2)		
Total	$199		

(1) Interest rate is adjusted every 35 days.
(2) Interest rate resets daily.
(3) Rates indicated are as of December 31, 2007.

In June 2007, we refinanced $55 million of our gas facility revenue bonds due June 2032. The original bonds had a fixed interest rate of 5.7% per year and were refinanced with $55 million of adjustable-rate gas facility revenue bonds. The maturity date of these bonds remains June 2032. The bonds were issued at an initial annual interest rate of 3.8% and have a 35-day auction period where the interest rate will adjust every 35 days.

The $39 million in gas facility revenue bonds contain a provision whereby the holder can "put" the bonds back to the issuer. In 1996, we executed a long-term Standby Bond Purchase Agreement (SBPA) with a syndicate of banks, which was amended and restated in June 2005. Under the terms of the SBPA, as further amended, the participating banks are obligated under certain circumstances to purchase these bonds that are tendered by the holders thereof and not remarketed by the remarketing agent. Such obligation of the participating banks would remain in effect until the June 1, 2010 expiration of the SBPA, unless it is extended or earlier terminated.

Subsequent to year-end, we were notified that the 35-day auctions for the $47 million and $55 million gas facility revenue bonds failed. This is a result of the dislocation in the current auction rate market which has reduced investor's demand. We are currently working on a refinancing plan, but do not expect this to have a material impact on our financial condition.

Affiliate Promissory Note In May 2005, Pivotal Utility entered into a $72 million promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and of its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the New Jersey Commission and the Florida Public Service Commission (Florida Commission). The Affiliate Promissory Note is due December 31, 2034 and has an interest rate of 6.17%. The initial principal amount of the Affiliate Promissory Note of $72 million is adjusted on an annual basis to conform with Pivotal Utility's target capitalization of 45% and with the authorizations of the New Jersey Commission and the Florida Commission. As of December 31, 2007, the amount outstanding under the Affiliate Promissory Note was $171,558 thousand.

Capital Leases Our capital leases consist primarily of a sale/leaseback transaction completed in 2002 by Florida City Gas related to its gas meters and other equipment and will be repaid over 11 years. Pursuant to the terms of the lease agreement, Florida City Gas is required to insure the leased equipment during the lease term. In addition, at the expiration of the lease term, Florida City Gas has the option to purchase the leased meters from the lessor at their fair market value. As of December 31, 2007, we had $5 million outstanding under these capital leases.

Note 7 - Commitments and Contingencies

We have incurred various contractual obligations and financial commitments in the normal course of our operating and financing activities. Contractual obligations include future cash payments required under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual payments such as debt and lease agreements, and commitment and contingencies as of December 31, 2007.

		Payments due before December 31,			
In thousands	**Total**	**2008**	**2009 & 2010**	**2011 & 2012**	**2013 & thereafter**
Pipeline charges, storage capacity and gas supply	$297,085	$58,756	$102,411	$56,977	$78,941
Interest charges	186,459	8,875	17,750	17,750	142,084
Long-term debt	375,283	-	1,757	2,763	370,763
Environmental remediation costs	71,590	4,321	20,995	46,274	-
Operating leases	61,778	5,882	9,788	8,073	38,035
Short-term debt	13,303	13,303	-	-	-
Total	$1,005,498	$91,137	$152,701	$131,837	$629,823

Environmental Remediation Costs

We own a former NUI remediation site in Elizabeth City, North Carolina that is subject to a remediation order by the North Carolina Department of Energy and Natural Resources. We had recorded liabilities of $11 million and $10 million as of December 31, 2007 and 2006, respectively, related to this site.

There is one other site in North Carolina where investigation and remediation is likely, although no remediation order exists and we do not believe costs associated with this site can be reasonably estimated. In addition, there are as many as six other sites with which NUI had some association, although no basis for liability has been asserted, and accordingly we have not accrued any remediation liability. There are currently no cost recovery mechanisms for the environmental remediation sites in North Carolina.

Litigation

We are involved in litigation arising in the normal course of business. We believe the ultimate resolution of such litigation will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

In January 2008, approximately 55 Florida City Gas employees represented by Teamsters (Local Nos. 769 and 385) filed for decertification of their union. In February 2008, the majority of employees who voted approved the decertification and in March 2008 the National Labor Relation Board certified this vote. As a result, Florida City Gas is required to submit a $2 million pension obligation payment to the Central States Pension Plan. Consequently, these Florida City Gas employees are no longer represented by a bargaining unit and now fall under our standard human resources pay and benefit plans and policies.

Note 8 - Income Taxes

We have two categories of income taxes in our statements of consolidated income: current and deferred. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense generally is equal to the changes in the deferred income tax liability and regulatory tax liability during the year.

Investment Tax Credits

Deferred investment tax credits associated with Pivotal Utility are included as a regulatory liability in our consolidated balance sheets. These investment tax credits are being amortized over the estimated life of the related properties as credits to income in accordance with regulatory requirements. We reduce income tax expense in our statements of consolidated income for the investment tax credits. Components of income tax expense shown in the statements of consolidated income are as follows.

	Year ended Dec. 31,	
In thousands	2007	2006
Current income taxes		
Federal	$7,671	$(8,697)
State	2,676	(1,504)
Deferred income taxes		
Federal	9,087	21,449
State	3,244	6,016
Investment tax credits	(396)	(408)
Total	$22,282	$16,856

The reconciliations between the statutory federal income tax rate, the effective rate and the related amount of tax for the year ended December 31, 2007 is presented below.

Dollars in thousands	Amount	% of Pretax Income
Computed tax expense at statutory rate	$19,393	35.0%
State income tax, net of federal income tax benefit	3,485	6.3
Amortization of investment tax credits	(396)	(1.0)
Other -- net	(200)	(0.1)
Total income tax expense at effective rate	$22,282	40.2%

Below is the reconciliation between the statutory federal income tax rate, the effective rate and the related amount of tax for the year ended December 31, 2006:

Dollars in thousands	Amount	% of Pretax Income
Computed tax expense at statutory rate	$14,396	35.0%
State income tax, net of federal income tax benefit	2,635	6.4
Amortization of investment tax credits	(408)	(1.0)
Other -- net	233	0.6
Total income tax expense at effective rate	$16,856	41.0%

Accumulated Deferred Income Tax Assets and Liabilities

We report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our consolidated balance sheet. We measure the assets and liabilities using income tax rates that are currently in effect. Because of the regulated nature of the utilities' business, we recorded a regulatory tax liability in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), which we are amortizing over approximately 30 years. Components that give rise to the net accumulated deferred income tax liability are as follows.

	As of Dec. 31,	
In thousands	2007	2006
Accumulated deferred income tax liabilities		
Property - accelerated depreciation and other property-related items	$72,561	$71,869
Regulatory asset – environmental	-	1,237
Unrecovered gas costs	8,938	4,962
Plant acquisition adjustments	278	272
Pension and other employee benefits	13,672	-
Other	4,156	8,316
Total accumulated deferred income tax liabilities	$99,605	$86,656
Accumulated deferred income tax assets		
Environmental remediation liability	$92	$2,713
Bad debts and insurance reserves	2,902	3,883
Pension and other employee benefits	-	10,087
Other	15,091	7,671
Total accumulated deferred income tax assets	18,085	24,354
Net accumulated deferred tax liability	$81,520	$62,302

Note 9- Related Party Transactions

We have agreements with our affiliate, Sequent Energy Management, L.P. (Sequent) for transportation and storage capacity to meet our natural gas demands. The following table provides additional information on our asset management agreements with Sequent.

Dollars in millions	Expiration date	Timing of payment	Type of fee structure	Annual fee	Profit sharing / fees payments 2007	2006
Elkton Gas	Mar 2008	Monthly	Fixed-fee	(A)	$-	$-
Elizabethtown Gas	Mar 2008	Monthly	Fixed -fee	$4	6	4
Florida City Gas	Mar 2008	Annually	Profit -sharing	50%	1	-
Total					$7	$4

(A) Annual fixed fee is approximately $11,000.

See Note 2, Note 5 and Note 6 for discussion of other intercompany transactions.

Pivotal Utility also engages in transactions with AGL Resources affiliates consistent with its services and tax allocation agreements.