



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER ADOPTING
ELIZABETHTOWN GAS COMPANY FOR)	INITIAL DECISION AND STIPULATION
APPROVAL OF INCREASED BASE TARIFF)	
RATES AND CHARGES FOR GAS SERVICE,)	
CHANGES TO DEPRECIATION RATES AND)	BPU DOCKET NO. GR19040486
OTHER TARIFF REVISIONS)	OAL DOCKET NO. PUC 06692-2019N

Parties of Record:

Deborah M. Franco, Esq., SJI Utilities, Inc. on behalf of Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On April 18, 2019, pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1, and N.J.A.C. 14:1-5.12, Elizabethtown Gas Company ("Elizabethtown" or "Company"), a public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board" or "BPU"), filed a petition for approval of an increase in its operating revenues of approximately \$65.03 million, to be effective for gas service provided on or after May 19, 2019. The Company also sought Board approval to implement new depreciation rates. Elizabethtown's petition requested a return on equity of 10.40%.

According to the petition, the Company's current base rates and charges for natural gas service are not sufficient at their current level to ensure it can continue to attract the necessary capital to support further investments that enable it to provide ongoing safe and reliable service to its customers. Additionally, Elizabethtown stated that its request for rate relief is also driven by a need to recover greater depreciation expense, as well as increases to the operations and maintenance costs incurred by the Company since its last base rate case.

Elizabethtown also proposed to establish a regulatory asset in which the incremental costs associated with a transmission integrity management program incurred between rate cases will be tracked and deferred for later review and recovery in rates.

The Company sought to implement rates on May 19, 2019. By Order dated May 8, 2019, the Board suspended the proposed rate increase until September 19, 2019, and on September 11, 2019, the Board further suspended the implementation of rates until January 19, 2020.

This matter was subsequently transmitted to the Office of Administrative Law ("OAL") as a contested case, and was assigned to Administrative Law Judge ("ALJ") Irene Jones for consideration and hearing. A prehearing conference was held by ALJ Jones and a Pre-Hearing Order and Procedural Schedule were issued on July 25, 2019.

On July 16, 2019, Elizabethtown updated its petition to include nine (9) months of actual data and three (3) months of estimated data. As a result, the requested rate increase was modified to approximately \$65.88 million. On October 2, 2019, Elizabethtown further updated the petition, including revised schedules demonstrating the Company's actual results for the 12 month test year, reflecting a revenue requirement of approximately \$65.50 million.

Public hearings were held on September 9 and 12, 2019, in Flemington and Union, New Jersey, at 4:30 p.m. and 5:30 p.m., respectively. One (1) member of the public spoke at the Flemington hearing expressing opposition to the proposed increase and the impact on citizens. The Board received one (1) written letter in opposition to the petition.

STIPULATION

After discovery and comprehensive settlement discussions, on October 29, 2019, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Parties") reached a stipulation of settlement ("Stipulation"), the key elements of which are as follows:¹

A. Rate Increase.

As of the Effective Date as defined in the Stipulation, Elizabethtown will be permitted to increase its base rates in a manner designed to produce a total annual revenue requirement increase of \$34 million or 11.26%. The annual revenue requirement increase is based upon a rate base of \$988,309,913 million and the following capital structure and cost rates:

Type of Capital	% of Total	Cost Rate	Weighted Cost Rate
Long-term Debt	48.5	4.51%	2.187%
Common Equity	51.5	9.60%	4.944%
Total Capital	100.0		7.131%

Applying the above stated capital structure, cost rates and current income tax rates results in a rate of return of 7.131%, a weighted average after-tax cost of capital of 6.5165%, and a pre-tax weighted average cost of capital of 9.0645%.

¹ Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of the Order. Paragraphs are ordered to coincide with the Stipulation.

The rate base used to establish rates in this proceeding includes savings associated with a consolidated income tax adjustment.

The revenue expansion factor used to gross-up costs for income taxes, uncollectible expense and BPU and Rate Counsel assessments is 1.406762, which consists of factors for state income taxes of 9% and federal income taxes of 21%, for uncollectibles of 0.855%, and for the BPU/Rate Counsel assessments of 0.265%.

Elizabethtown's total annual base rate revenue requirement is \$322,820,889. This revenue requirement was determined in comparison to a forecast of weather normalized revenues reflecting a 20-year normal weather pattern.

A proof of revenues supporting the total annual revenue requirement and the proposed rates is attached as Appendix A to the Stipulation. The proof of revenues sets forth the allocation of the \$34 million annual revenue increase among the Company's customer classes. The rates resulting from the Stipulation will be set forth in the Company's tariff to be submitted in a compliance filing with the Board following the issuance of a Board order in this matter. The tariff sheets included in that compliance filing will be in a clean and marked form and include the changes listed in Appendix B of the Stipulation.

B. Depreciation.

The annual revenue requirement has been determined by applying the depreciation rates set forth on Appendix C to the Stipulation. These depreciation rates result in a composite depreciation rate of 2.34%. As of the Effective Date as defined in the Stipulation, Elizabethtown will implement the depreciation rates set forth on Appendix C to the Stipulation. Those rates reflect a five (5)-year average net negative salvage allowance.

C. Amortization of Deferred Debits and Credits.

The annual rate base/revenue requirement, as applicable, in this proceeding reflect the following amortizations to commence or continue, as applicable, as of the Effective Date as defined in the Stipulation:

- (i) \$160,000,000 credit to accumulated depreciation amortized over a 10-year period. This amortization only serves to reduce rate base and has no impact on the Company's income statement. This credit represents an acquisition adjustment made in accordance with the Board's June 22 Order;
- (ii) \$263,903 of recoverable rate case expenses amortized over a three (3)-year period, representing a 50/50 sharing between shareholders and customers;
- (iii) Continued amortization of pension and other post-employment benefit regulatory assets over 15-year and 9.2-year periods, respectively, as approved by the Board's June 30, 2017 Order in BPU Docket No. GR16090826; and

- (iv) Continued amortization of excess deferred income taxes as approved by the Board's June 29, 2018 Order in BPU Docket No. GR18030232.

D. New Regulatory Asset.

Elizabethtown is authorized to create a regulatory asset for incremental transmission integrity management program ("TIMP") costs, limited to costs for activities that are required by federal regulations, should Elizabethtown incur such costs prior to the effective date of rates in its next base rate proceeding. The rates established in this proceeding do not provide for recovery of any TIMP costs. To the extent that Elizabethtown seeks to recover such regulatory asset in a future base rate case, nothing in the Stipulation will prejudice the rights of the Parties to challenge the prudence of such costs.

E. Reporting and Recordkeeping.

Elizabethtown will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance quarterly reports concerning the Company's performance in relation to certain customer service measures which were established in Elizabethtown's last rate case approved in BPU Docket No. GR16090826 and some additional metrics established as part of this matter as set forth in Appendix D to the Stipulation. In addition, the Company will continue to conduct ongoing surveys of customer satisfaction using its telephone and field personnel and provide the results to Rate Counsel and Board Staff. Additional information concerning these service standards is provided in Appendix D to the Stipulation.

F. Tariff Sheets.

As set forth in the Stipulation, tariff sheets reflecting the rates resulting from the Stipulation inclusive of applicable sales taxes and the terms and conditions of service will be included in a compliance filing to be submitted to the Board following the issuance of a Board order in this matter. In addition to the changes reflected in Appendix B of the Stipulation, the tariff sheets shall reflect, among other items, a monthly customer charge of \$10 applicable to the Residential Delivery Service ("RDS") classification, inclusive of applicable sales taxes, the use of a 20-year weather pattern to establish rates and certain housekeeping changes.

G. Rate Impact.

The bill impact of the stipulated rates on a typical residential customer using 100 therms is an increase of \$9.38 from \$95.35 to \$104.73, or 9.8%, as compared to the Company's currently effective rates. The annual bill impact of the stipulated rates on a typical residential heating customer using 1,000 therms is an annual increase of \$97.42 from \$969.88 to \$1,067.30, or 10%, as compared to the Company's currently effective rates.

H. Compliance with the BPU June 22, 2018 Board Order re the Acquisition of Elizabethtown by South Jersey Industries, Inc.

Elizabethtown represents that it has complied with all the provisions in the Stipulation attached to and made a part of the Board Order in the Matter of the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp.,

a Subsidiary of South Jersey Industries, Inc. and Related Transactions, Docket No.: GM17121309, (June 22, 2018), ("Acquisition Order"). More specifically, the Company represents that it has complied and will continue to comply the following provisions:

1. Any net savings realized by Elizabethtown through the acquisition integration process have been and will be flowed through to Elizabethtown's customers through the normal base rate case process;
2. In this and future rate proceedings, to ensure that Elizabethtown's customers will only pay costs to the extent that there are offsetting synergy savings, Elizabethtown will net the total costs incurred to achieve synergy savings against the resulting total synergy savings; and may recover those costs to achieve only up to the amount of the total synergy savings generated. Commencing in January 2020, Elizabethtown will file biannual reports identifying the acquisition costs incurred by Elizabethtown and any acquisition savings realized by Elizabethtown as a result of the acquisition;
3. Elizabethtown will not seek recovery in rates of: (a) any acquisition premium associated with the acquisition or any previous acquisition, (b) any costs associated with goodwill arising from the acquisition or any previous acquisition, or (c) any Transaction Costs incurred in connection with the acquisition. As set forth in the Acquisition Order, Transaction Costs are defined as (i) consultant, investment banker, legal and regulatory support fees (internal as well as external), and printing and similar expenses, (ii) change in control payments; or (iii) any severance or retention costs. Such Transaction Costs also would include SJI flotation expense (such as Underwriters fees) associated with common stock issuances undertaken to finance the acquisition. Elizabethtown represents that the test year expenses included in its rate request do not include any of the following transition costs incurred to integrate Elizabethtown and SJI: engineering studies after the closing of the acquisition, severance payments, operational integration costs, accounting and operating systems to integrate Elizabethtown and SJI, and refinancing costs to refinance existing obligations in order to achieve operational and financial synergies. Elizabethtown shall develop internal policies and procedures to capture acquisition transition efforts as defined above. The parties reserve their rights to challenge the recovery of any such costs in future base rate or other proceedings;
4. For a period of five (5) years following the acquisition, or June 22, 2023, the amount of costs assessed to Elizabethtown for services provided by an affiliate shall be no greater than they would have been had the acquisition not occurred, regardless of whether such services are provided directly or indirectly by SJI, SJI Utilities, or any other SJI affiliate. An annual level of allocated SJI costs of \$19.7 million will serve as the baseline for this commitment for the next five (5) years. In any rate proceeding commenced during the five (5)-year commitment period, Elizabethtown will have the burden to demonstrate that its service company costs are no higher than they would have been in the absence of the acquisition for the services for which Elizabethtown may seek cost

recovery in such future rate proceedings. The baseline level of allocated SJI costs will not be treated as a hard cap on Elizabethtown's recoverable service company costs but will be reviewed as evidence of whether Elizabethtown has met the burden established in the Stipulation. The parties to such future rate proceedings shall have full rights to challenge the prudence of any service company costs allocated to Elizabethtown; and

5. Elizabethtown represents that it is in compliance and will continue to comply with all of the other provisions of the Acquisition Order, including, but not limited to the provisions concerning: p. 8, (v) "Impact on Employees"; p. 8, (vi) "Impact on Service"; p. 10, (vii) "Impact on Competition"; and pp. 11-14, D. "Asset Management Agreement".

On October 30, 2019, ALJ Jones issued an Initial Decision accepting the terms of the Stipulation.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding.

Therefore, based on the Board's review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the attached Initial Decision and Stipulation in their entirety, and **HEREBY INCORPORATES** their terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

As a result of the Stipulation, a typical residential customer using 100 therms in a winter month will experience an increase in their monthly bill of \$9.38 or 9.8%.

The rates approved by this Order will become effective for service rendered on and after November 15, 2019.

The Company is **HEREBY DIRECTED** to file tariff sheets consistent with this Order by November 15, 2019.

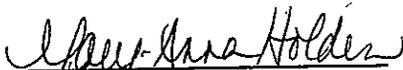
The Company's rates remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

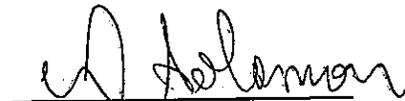
This Order shall be effective on November 13, 2019.

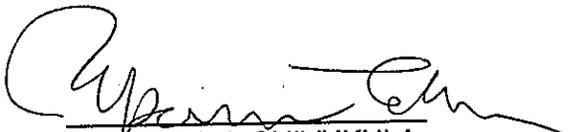
DATED: 11/13/19

BOARD OF PUBLIC UTILITIES
BY:

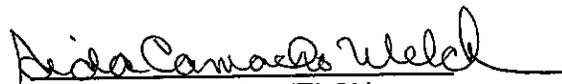

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MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR
APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE,
CHANGES TO DEPRECIATION RATES AND OTHER TARIFF REVISIONS
BPU DOCKET NO: GR19040486 - OAL DOCKET NO. PUC 06692-2019N

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 06692-19
AGENCY DKT. NO. GR19040486

**IN THE MATTER OF THE PETITION OF
ELIZABETHTOWN GAS COMPANY FOR
APPROVAL OF INCREASED BASE TARIFF
RATES AND CHARGES FOR GAS SERVICES,
CHANGES TO DEPRECIATION RATES AND
OTHER TARIFF REVISIONS.**

Deborah M. Franco, Esq., Regulatory Affairs Counsel, for petitioner
Elizabethtown Gas Company

Kevin T. Maloney, Esq., for petitioner (Cullen and Dykman, LLP,
attorneys)

Felicia Thomas-Fiel, Esq. Managing Attorney- Gas New Jersey Division
of Rate Counsel, **Sarah H. Steindel, Esq.**, **Kurt S. Lewandowski,**
Esq., **Maura Caroselli, Esq.**, and **Henry M. Ogden, Esq.**, Assistant
Deputy Rate Counsels, New Jersey Division of Rate Counsel
(Stephanie A. Brand, Director, New Jersey Division of Rate
Counsel)

Patricia Krogman, Deputy Attorney General for respondent Board of
Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

Record Closed: October 29, 2019

Decided: October 30, 2019

Before **IRENE JONES, ALJ** (Ret. on recall)

STATEMENT OF THE CASE

On April 18, 2019 petitioner, Elizabethton Gas Company ("Elizabethtown" or "Company") filed a petition with the Board of Public Utilities (BPU) requesting authorization to increase its base rates and charges for gas services by \$ 65 Million or 21.4% over present revenues. The company also requested modification of its depreciation rates. It also proposed rate design changes and the implementation of other tariff changes.

The matter was transmitted to the Office of Administrative on May 15, 2019 for hearing as a contested case. The matter was assigned to the undersigned and a pre-hearing conference was held on June 6, 2019 and prehearing order issued on July 25, 2019. Public hearings were held on September 9, 2019 in Union, New Jersey and on September 10, 2019 in Flemington, New Jersey.

After extensive discovery and conferences, the parties agreed to settle the matter and entered into the attached Stipulation of Settlement where, among other things, the parties have agreed to \$34 million or 11.26% rate increase.

I have reviewed the record and the terms of the Stipulation of Settlement and I

FIND:

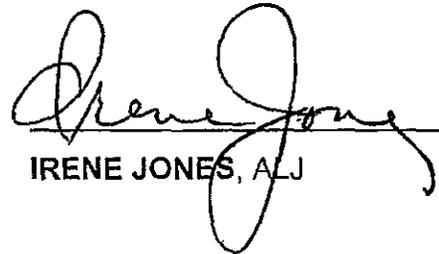
1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby **CONCLUDED**.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

October 30, 2019
DATE


IRENE JONES, ALJ

Date Received at Agency:

October 30, 2019

Date Mailed to Parties:
mm



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Deborah M. Franco, Esq.
Director, Regulatory Affairs Counsel

October 29, 2019

Via Electronic Mail and Federal Express
c/o Montaner, Maria (Maria.Montaner@oal.nj.gov)

Honorable Irene Jones
Administrative Law Judge
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Re: In the Matter of the Petition of Elizabethtown Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions
BPU Docket No. GR19040486, OAL No. 06692-19

Dear Judge Jones:

Enclosed for filing in the above proceeding is a Stipulation which has been executed by representatives of Elizabethtown Gas Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel. It is respectfully requested that Your Honor approve the Stipulation in its entirety as soon as possible to enable consideration by the New Jersey Board of Public Utilities at its November 15, 2019 agenda meeting.

Thank you for your consideration of this request.

Please let us know if you have any questions or require further information.

Respectfully submitted,

Deborah M. Franco

cc: Service List

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF
INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE, CHANGES TO DEPRECIATION
RATES AND OTHER TARIFF REVISIONS

BPU DOCKET NO. GR19040486

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**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF
INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE, CHANGES TO DEPRECIATION
RATES AND OTHER TARIFF REVISIONS**

BPU DOCKET NO. GR19040486

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IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF
INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE, CHANGES TO DEPRECIATION
RATES AND OTHER TARIFF REVISIONS

BPU DOCKET NO. GR19040486

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

In the Matter of the Petition of)
Elizabethtown Gas Company for) **STIPULATION**
Approval of Increased Base Tariff)
Rates and Charges for Gas Service,)
Changes to Depreciations Rates and) **BPU Docket No. GR19040486**
Other Tariff Revisions) **OAL Docket No. PUC 06692-2019 N**

APPEARANCES:

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(**Stefanie A. Brand,** Director, New Jersey Division of Rate Counsel)

Patricia A. Krogman, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal,** Attorney General of New Jersey)

TO THE HONORABLE IRENE JONES:

BACKGROUND

On April 18, 2019, Elizabethtown Gas Company (“Elizabethtown” or “Company”) filed a petition (“April 18 Filing”) with the New Jersey Board of Public Utilities (“BPU” or “Board”) requesting authority to: (i) increase base tariff rates and charges for gas service in a manner designed to produce an increase in annual operating revenues of approximately \$65 million or 21.4%, over present rate revenues pursuant to N.J.S.A. 48:2-21 and 48:2-21.1 and N.J.A.C. 14:5-12; (ii) modify the Company’s depreciation rates pursuant to N.J.S.A. 48:2-18; and (iii) implement certain other tariff revisions.

In BPU Docket No. GM17121309, the Board’s Order approving the acquisition of Elizabethtown’s assets by South Jersey Industries, Inc. (“SJI”), Elizabethtown was required to

file a base rate case no later than June 2020.¹ Petitioner's April 18 Filing indicated that its filing complied with this requirement.

The April 18 Filing was based upon a 12-month test year ending August 31, 2019. The filing contained six (6) months of actual data and six (6) months of projected data and included proposed post-test year adjustments that reflected changes in capital expenditures through February 29, 2020. The filing also included changes in certain revenues and expenses through May 31, 2020.

The April 18 Filing was accompanied by the testimony of the following witnesses: Christie McMullen (Case Overview); Stefany M. Graham (Revenue Requirements); Michael P. Scacifero (Capital Expenditures); Nickolaos Ntelekos (Accounting); Leonard Brinson, Jr. (Information Technology); Robert B. Hevert (Cost of Capital and Capital Structure); Timothy S. Lyons (Lead-Lag Study); Alan D. Felsenthal (Tax); Dane A. Watson (Depreciation); Thomas Kaufmann (Revenue Forecast/Tariff); and Daniel P. Yardley (Cost of Service/Rate Design).

On July 16, 2019, the Company submitted a "9+3" filing containing actual results for the nine (9) months ending May 31, 2019 and reflecting a revenue requirement of approximately \$65.9 million. On October 2, 2019, the Company submitted a "12+0" filing containing actual results for the 12 months ending August 31, 2019 and reflecting a revenue requirement of approximately \$65.5 million.

Elizabethtown's April 18 Filing was transmitted to the Office of Administrative Law ("OAL") as a contested case and assigned to Administrative Law Judge ("ALJ") Irene Jones. A pre-hearing conference was held on June 6, 2019 and ALJ Jones issued a prehearing order dated July 25, 2019 ("July 25 Order") establishing a procedural schedule for this proceeding. After

¹ In the Matter of the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., a Subsidiary of South Jersey Industries, Inc. and Related Transactions, Docket No. GM17121309, Order dated June 22, 2018 ("June 22 Order").

appropriate notice in newspapers of general circulation in Elizabethtown's service territory and the service of notice upon affected municipalities and counties in the Company's service area, public hearings concerning the April 18 Filing were held in Flemington, New Jersey on September 9, 2019 at 4:30 p.m. and 5:30 p.m. and in Union, New Jersey on September 10, 2019 at 4:30 p.m. and 5:30 p.m. No members of the public appeared at the public hearing held in Union, New Jersey. One (1) member of the public appeared at the public hearing held in Flemington, New Jersey to voice general concerns about the cost of utility service in New Jersey. By letter dated September 27, 2019, a letter was submitted to ALJ Jones requesting a suspension of the procedural schedule pending finalization of the settlement.

Extensive discovery was conducted and a number of settlement discussions were held after notice to all parties. As a result of these discussions, Elizabethtown, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Stipulating Parties"), the only parties to this proceeding, reached this Stipulation resolving all issues in this proceeding subject to the terms and conditions stated herein.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** as follows:

A. **Rate Increase.** As of the Effective Date as defined below, Elizabethtown will be permitted to increase its base rates in a manner designed to produce a total annual revenue requirement increase of \$34 million or 11.26%.

The annual revenue requirement increase is based upon a rate base of \$988,309,913 million and the following capital structure and cost rates:

<u>Type of Capital</u>	<u>% of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-term Debt	48.5	4.51%	2.187%
Common Equity	51.5	9.60%	4.944%
Total Capital	100.0		7.131%

Applying the above stated capital structure, cost rates and current income tax rates results in a rate of return of 7.131%, a weighted average after-tax cost of capital of 6.5165%, and a pre-tax weighted average cost of capital of 9.0645%.

The rate base used to establish rates in this proceeding includes savings associated with a consolidated income tax adjustment.

The revenue expansion factor used to gross-up costs for income taxes, uncollectible expense and BPU and Rate Counsel assessments is 1.406762, which consists of factors for state income taxes of 9% and federal income taxes of 21%, for uncollectibles of 0.855%, and for the BPU/Rate Counsel assessments of 0.265%.

Elizabethtown's total annual base rate revenue requirement is \$322,820,889. This revenue requirement was determined in comparison to a forecast of weather normalized revenues reflecting a 20-year normal weather pattern.

A proof of revenues supporting the total annual revenue requirement and the proposed rates is attached as Appendix A to this Stipulation. The proof of revenues sets forth the allocation of the \$34 million annual revenue increase among the Company's customer classes. The rates resulting from the Stipulation will be set forth in the Company's tariff to be submitted in a compliance filing with the Board following the issuance of a Board order in this matter. The tariff sheets included in that compliance filing will be in a clean and marked form and include the changes listed in s Appendix B.

B. Depreciation. The annual revenue requirement has been determined by applying the depreciation rates set forth on Appendix C to this Stipulation. These depreciation rates result in a composite depreciation rate of 2.34%. As of the Effective Date, Elizabethtown will implement the depreciation rates set forth on Appendix C to this Stipulation. Those rates reflect a five (5)-year average net negative salvage allowance.

C. Amortization of Deferred Debits and Credits. The annual rate base/revenue requirement, as applicable, in this proceeding reflect the following amortizations to commence or continue, as applicable, as of the Effective Date:

(i) \$160,000,000 credit to accumulated depreciation amortized over a 10-year period. This amortization only serves to reduce rate base and has no impact on the Company's income statement. This credit represents an acquisition adjustment made in accordance with the Board's June 22 Order.

(ii) \$263,903 of recoverable rate case expenses amortized over a three (3)-year period, representing a 50/50 sharing between shareholders and customers;

(iii) Continued amortization of pension and other post-employment benefit regulatory assets over 15-year and 9.2-year periods, respectively, as approved by the Board's June 30, 2017 Order in BPU Docket No. GR16090826; and

(iv) Continued amortization of excess deferred income taxes as approved by the Board's June 29, 2018 Order in BPU Docket No. GR18030232.

D. New Regulatory Asset

Elizabethtown is authorized to create a regulatory asset for incremental transmission integrity management program ("TIMP") costs, limited to costs for activities that are required by federal regulations, should Elizabethtown incur such costs prior to the effective date of rates in

its next base rate proceeding. The rates established in this proceeding do not provide for recovery of any TAMP costs. To the extent that Elizabethtown seeks to recover such regulatory asset in a future base rate case, nothing herein will prejudice the rights of the Stipulating Parties to challenge the prudence of such costs.

E. Reporting and Recordkeeping. Elizabethtown will continue to submit to Rate Counsel and the Director of the Division of Customer Assistance quarterly reports concerning the Company's performance in relation to certain customer service measures which were established in Elizabethtown's last rate case approved in BPU Docket No. GR16090826 and some additional metrics established as part of this matter as set forth in Appendix D to this Stipulation. In addition, the Company will continue to conduct ongoing surveys of customer satisfaction using its telephone and field personnel and provide the results to Rate Counsel and Board Staff. Additional information concerning these service standards is provided in Appendix D to this Stipulation.

F. Tariff Sheets. As set forth above, tariff sheets reflecting the rates resulting from the Stipulation inclusive of applicable sales taxes and the terms and conditions of service will be included in a compliance filing to be submitted to the Board following the issuance of a Board order in this matter. In addition to the changes reflected in Appendix B, the tariff sheets shall reflect, among other items, a monthly customer charge of \$10 applicable to the Residential Delivery Service ("RDS") classification, inclusive of applicable sales taxes, the use of a 20-year weather pattern to establish rates and certain housekeeping changes.

G. Rate Impact. The bill impact of the stipulated rates on a typical residential customer using 100 therms is an increase of \$9.38 from \$95.35 to \$104.73, or 9.8%, as compared to the Company's currently effective rates. The annual bill impact of the stipulated rates on a

typical residential heating customer using 1,000 therms is an annual increase of \$97.42 from \$969.88 to \$1,067.30, or 10%, as compared to the Company's currently effective rates.

H. Compliance with the BPU June 22, 2018 Board Order re the Acquisition of Elizabethtown by South Jersey Industries, Inc.

Elizabethtown represents that it has complied with all the provisions in the stipulation attached to and made a part of the Board Order *In the Matter of the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., a Subsidiary of South Jersey Industries, Inc. and Related Transactions*, Docket No.: GM17121309, (June 22, 2018), ("Acquisition Order"). More specifically, the Company represents that it has complied and will continue to comply with the following provisions:

1. Any net savings realized by Elizabethtown through the acquisition integration process have been and will be flowed through to Elizabethtown's customers through the normal base rate case process;

2. In this and future rate proceedings, to ensure that Elizabethtown's customers will only pay costs to achieve to the extent that there are offsetting synergy savings, Elizabethtown will net the total costs incurred to achieve synergy savings against the resulting total synergy savings, and may recover those costs to achieve only up to the amount of the total synergy savings generated. Commencing in January 2020, Elizabethtown will file biannual reports identifying the acquisition costs incurred by Elizabethtown and any acquisition savings realized by Elizabethtown as a result of the acquisition;

3. Elizabethtown will not seek recovery in rates of (a) any acquisition premium associated with the acquisition or any previous acquisition, (b) any costs associated with goodwill arising from the acquisition or any previous acquisition, or (c) any Transaction Costs

incurred in connection with the acquisition. As set forth in the Acquisition Order, Transaction Costs are defined as (i) consultant, investment banker, legal and regulatory support fees (internal as well as external), and printing and similar expenses, (ii) change in control payments or (iii) any severance or retention costs. Such Transaction Costs also would include SJI flotation expense (such as Underwriters fees) associated with common stock issuances undertaken to finance the acquisition. Elizabethtown represents that the test year expenses included in its rate request do not include any of the following transition costs incurred to integrate Elizabethtown and SJI : engineering studies after the closing of the acquisition, severance payments, operational integration costs, accounting and operating systems to integrate Elizabethtown and SJI, and refinancing costs to refinance existing obligations in order to achieve operational and financial synergies. Elizabethtown shall develop internal policies and procedures to capture acquisition transition efforts as defined above. The parties reserve their rights to challenge the recovery of any such costs in future base rate or other proceedings;

4. For a period of five (5) years following the acquisition, or June 22, 2023, the amount of costs assessed to Elizabethtown for services provided by an affiliate shall be no greater than they would have been had the acquisition not occurred, regardless of whether such services are provided directly or indirectly by SJI, SJI Utilities, or any other SJI affiliate. An annual level of allocated SJI costs of \$19.7 million will serve as the baseline for this commitment for the next five (5) years. In any rate proceeding commenced during the five (5)-year commitment period, Elizabethtown will have the burden to demonstrate that its service company costs are no higher than they would have been in the absence of the acquisition for the services for which Elizabethtown may seek cost recovery in such future rate proceedings. The baseline level of allocated SJI costs will not be treated as a hard cap on Elizabethtown's recoverable service

company costs but will be reviewed as evidence of whether Elizabethtown has met the burden established herein. The parties to such future rate proceedings shall have full rights to challenge the prudence of any service company costs allocated to Elizabethtown; and

5. Elizabethtown represents that it is in compliance and will continue to comply with all of the other provisions of the Acquisition Order, including, but not limited to the provisions concerning: p. 8, (v) "Impact on Employees"; p. 8, (vi) "Impact on Service"; p. 10, (vii) "Impact on Competition"; and pp. 11-14, D. "Asset Management Agreement".

I. **Effective Date.** Each Stipulating Party agrees to use its best efforts to ensure that this Stipulation be presented to the Board for approval at its November 13, 2019 public agenda meeting. A Board Order approving this Stipulation shall become effective upon such date that the Board may specify and in accordance with N.J.S.A. 48:2-40.

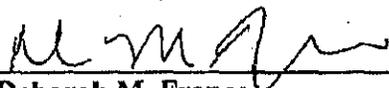
J. **Further Provisions.** This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Stipulating Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Stipulating Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

It is the intent of the Stipulating Parties that the provisions hereof be approved by the Board as being in the public interest. The Stipulating Parties further agree that they consider the

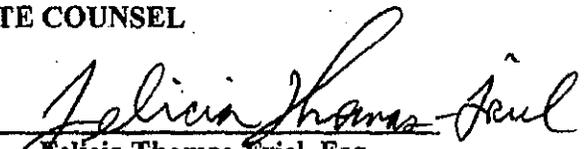
Stipulation to be binding on them for all purposes herein. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Elizabethtown, Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Stipulating Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Stipulating Parties hereto respectfully submit this Stipulation to the Presiding Administrative Law Judge and Board of Public Utilities and request (i) the Presiding Administrative Law Judge to issue an initial decision approving this stipulation, and (ii) the Board to issue a Decision and Order approving this stipulation in its entirety in accordance with the terms hereof.

ELIZABETHTOWN GAS COMPANY

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Dated: October 29, 2019

**Elizabethtown Gas
Base Rate Revenues at Present and Proposed Rates**

Appendix A

<u>Component</u> (a)	<u>Amount</u> (b)	<u>Units</u> (c)	<u>Present Rates</u>		<u>Proposed Rates</u>	
			<u>Rate</u> (d)	<u>Revenue</u> (e)	<u>Rate</u> (f)	<u>Revenue</u> (g)
			<u>RDS</u>		<u>RDS</u>	
<u>Residential Service</u>						
Customer Charge	3,257,928	Bills	\$ 7.68	\$ 25,020,887	\$ 9.38	\$ 30,559,365
Distribution Charge	229,151,904	Therms	0.3400	77,911,647	0.4110	94,181,433
Total Base Revenues				\$ 102,932,534		\$ 124,740,797
			<u>SGS</u>		<u>SGS</u>	
<u>Small General Service (Existing)</u>						
Customer Charge	192,648	Bills	\$ 20.56	\$ 3,960,843	\$ 25.33	\$ 4,879,774
Distribution Charge	19,967,772	Therms	0.2978	5,946,403	0.3570	7,128,495
Subtotal Base Revenues				\$ 9,907,245		\$ 12,008,268
			<u>GDS</u>		<u>GDS</u>	
<u>General Delivery Service</u>						
Customer Charge	83,220	Bills	\$ 27.10	\$ 2,255,262	\$ 35.17	\$ 2,926,847
Demand Charge	16,495,116	Therms	0.756	12,470,308	0.900	14,845,604
Distribution	124,156,335	Therms	0.1775	22,037,749	0.2158	26,792,937
Distribution - A/C Large	426,917	Therms	0.0552	23,566	0.0552	23,566
Total Base Revenues				\$ 36,786,885		\$ 44,588,955
			<u>LVD</u>		<u>LVD</u>	
<u>LVD</u>						
Customer Charge	84	Bills	\$ 257.01	\$ 21,589	\$ 304.81	\$ 25,604
Demand Charge	274,332	Therms	0.966	265,005	1.250	342,915
Distribution	1,108,719	Therms	0.0396	43,905	0.0400	44,349
Total Base Revenues				\$ 330,499		\$ 412,868

**Elizabethtown Gas
Base Rate Revenues at Present and Proposed Rates**

Appendix A

<u>Component</u> (a)	<u>Amount</u> (b)	<u>Units</u> (c)	<u>Present Rates</u>		<u>Proposed Rates</u>	
			<u>Rate</u> (d)	<u>Revenue</u> (e)	<u>Rate</u> (f)	<u>Revenue</u> (g)
			<u>FTS</u>		<u>FTS</u>	
<u>FTS</u>						
Customer Charge	516 Bills		\$ 257.01	\$ 132,617	\$ 304.81	\$ 157,282
Demand Charge	3,954,812 Therms		0.966	3,820,155	1.250	4,943,265
Distribution	40,418,410 Therms		0.0396	1,600,569	0.0400	1,616,736
Total Base Revenues				\$ 5,553,341		\$ 6,717,283
			<u>EGF</u>		<u>EGF</u>	
<u>Electric Generation Firm</u>						
Customer Charge	48 Bills		\$ 52.27	\$ 2,509	\$ 70.34	\$ 3,376
Demand Charge	9,300 Therms		0.421	3,915	0.600	5,580
Distribution	122,163 Therms		0.0405	4,948	0.0395	4,825
Total Base Revenues				\$ 11,372		\$ 13,782
			<u>NGV</u>		<u>NGV</u>	
<u>Natural Gas Vehicle</u>						
Distribution Charge	173,750 Therms		\$ 0.2585	\$ 44,914	\$ 0.3133	\$ 54,436
Fueling Charge	173,750 Therms		0.3600	62,550	0.3600	62,550
Facilities Charge	173,750 Therms		0.2987	51,899	0.2987	51,899
Total Base Revenues				\$ 159,364		\$ 168,885
			<u>Gas Lights</u>		<u>Gas Lights</u>	
<u>Gas Lights</u>						
Service Charge	Mantles		\$ 6.07	\$ -	\$ 7.36	\$ -
Distribution	28,800 Therms		0.4159	11,978	0.5041	14,518
Total Base Revenues				\$ 11,978		\$ 14,518

**Elizabethtown Gas
Base Rate Revenues at Present and Proposed Rates**

Appendix A

<u>Component</u> (a)	<u>Amount</u> (b)	<u>Units</u> (c)	<u>Present Rates</u>		<u>Proposed Rates</u>	
			<u>Rate</u> (d)	<u>Revenue</u> (e)	<u>Rate</u> (f)	<u>Revenue</u> (g)
			<u>CSI</u>		<u>CSI</u>	
<u>CSI</u>						
Customer Charge	24 Bills		\$ 101.20	\$ 2,429	\$ 122.65	\$ 2,944
Distribution	0 Therms		0.0300	-	0.0300	-
Total Base Revenues				\$ 2,429		\$ 2,944
			<u>IS</u>		<u>IS</u>	
<u>Interruptible Service</u>						
Customer Charge	0 Bills		\$ 589.50	\$ -	\$ 589.50	\$ -
Demand Charge	127,560 Therms		0.076	9,695	0.092	11,736
Distribution	0 Therms		0.0791	-	0.0791	-
Total Base Revenues				\$ 9,695		\$ 11,736
			<u>ITS-LVD</u>		<u>ITS-LVD</u>	
<u>ITS-LVD</u>						
Customer Charge	480 Bills		\$ 589.50	\$ 282,960	\$ 589.50	\$ 282,960
Demand Charge	4,578,708 Therms		0.2930	1,341,561	0.4000	1,831,483
Distribution	38,783,827 Therms		0.0791	3,067,801	0.0926	3,591,382
Total Base Revenues				\$ 4,692,322		\$ 5,705,826
			<u>ITS-IS</u>		<u>ITS-IS</u>	
<u>ITS-IS</u>						
Customer Charge	156 Bills		\$ 589.50	\$ 91,962	\$ 589.50	\$ 91,962
Demand Charge	274,704 Therms		0.080	21,976	0.0800	21,976
Distribution	0 Therms		-	-	-	-
Total Base Revenues				\$ 113,938		\$ 113,938

**Elizabethtown Gas
 Base Rate Revenues at Present and Proposed Rates**

Appendix A

<u>Component</u> (a)	<u>Amount</u> (b)	<u>Units</u> (c)	<u>Present Rates</u>		<u>Proposed Rates</u>	
			<u>Rate</u> (d)	<u>Revenue</u> (e)	<u>Rate</u> (f)	<u>Revenue</u> (g)
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$ 180,511,802		\$ 194,499,799
<u>Other Revenues</u>						
Special Contracts				\$ 1,457,618		\$ 1,457,618
Other Miscellaneous Revenues				1,587,043		1,587,043
Total Other Revenues				\$ 3,044,661		\$ 3,044,661
TOTAL SYSTEM INCLUDING OTHER REVENUES				\$ 183,556,263		\$ 197,544,460
					INCREASE	33,988,197
					TARGET INCREASE	34,000,000
					Difference	(\$11,803)

TARIFF CHANGES

In addition to rate changes the proposed Tariff changes are as follows:

1. Adding language to Section 2.01, Application for Service, to reflect the language in N.J.A.C. 14:3-3.2(g).
2. Removed language in Section 2.05 regarding a "Planning Area Certification for Extensions," which was related to the Company's SMART Growth program and added language regarding Gas Main Extensions and Service Connections that existed prior to SMART Growth.
3. Revised sections 3.01 to 3.03, Extensions of Mains and/or Service Lines, to conform more closely to the Board's main and service extension rules and with SJG's tariff. Deposits for costs of extensions will be mandatory, with limited exceptions as specified in the tariff. The Company will waive the deposit requirement for residential, non-residential and new developments where the excess cost is \$3,000 or less.
4. For General Delivery Service (GDS) Service Classification, Special Provisions Sections I & II, eliminated discounts applied to distributed generation, under 12 kilowatts and gas cooling and refrigeration from 2 tong to under 10 tons. The Company has not signed up a customer under this provision since its inception in 2002.
5. Large Volume Demand (LVD) and Firm Transportation Service (FTS) Service Classifications are combined under the LVD classifications. These classifications have the same general terms, rate structure and rates but were separate classes in the tariff.
6. Weather Normalization Clause rider updating to the current 20-year normalized degree, days, base number of customers and therms per degree day.
7. On-System Margin Credit rider, the addition of language clarifying the Company's longstanding practice of applying the On-System Margin Credit only to firm service classifications that take Basic Gas Supply Service ("BGSS").
8. Capitalized the term "Customer" throughout tariff to clarify use of the term, consistent with Section 1.04.
9. Economic Development Service Classification will be amended to add a requirement for incremental jobs. New and existing customers will qualify for the Economic Development Service Classification where they employ or add a minimum of ten (10) full time equivalent employees within the Company's service territory.

ELIZABETHTOWN GAS COMPANY

Schedule of Approved Accrual Rates

Account Description		Approved Accrual Rate
PRODUCTION PLANT		
304.2	Land Rights	4.37%
311.0	Liquefied Petroleum Gas Equipment	2.87%
320.0	Other Equipment	2.58%
Total Production		2.91%
STORAGE PLANT		
361.00	Structures & Improvements	1.52%
362.00	Gas Holders - Natural Gas	1.54%
362.10	Gas Holders - LNG	1.54%
363.20	Vaporization	2.82%
363.40	M&R Equipment	2.57%
Total Storage		2.35%
TRANSMISSION PLANT		
365.20	Rights Of Way	0.94%
367.00	Mains	1.72%
369.00	Measuring And Regulating St	2.39%
371.00	Other Equipment	4.29%
Total Transmission		1.97%
DISTRIBUTION PLANT		
374.00	Land Right and Rights of Way	1.13%
375.00	Structures & Improvements	2.78%
376.00	Mains - All	1.60%
378.00	M&R Stations General	2.09%
379.00	M&R Stations City Gate	1.47%
380.00	Services - All	2.70%
381.00	Meters - All	3.55%
382.00	Meter Installation	1.32%
383-384	House Regulators and Installation	2.16%
385.00	Industrial M&R Equipment	1.42%
387.00	Other Equipment	4.56%
Total Distribution		2.10%

ELIZABETHTOWN GAS COMPANY

Schedule of Approved Accrual Rates

Account Description	Approved Accrual Rate
GENERAL PLANT - DEPRECIATED	
390.00 Structures & Improvements	2.60%
392.00 Transportation Equipment	7.06%
392.10 Auto & Light Trucks	9.98%
392.20 Service Trucks	13.35%
392.30 Heavy Trucks	13.21%
394.10 Natural Gas Vehicle Stations	5.14%
396.00 Power Operated Equipment	7.84%
396.10 Power Operated - Tractors	8.05%
Total General Depreciated	5.65%
GENERAL PLANT - AMORTIZED	
391.00 Office Furniture And Equipment	5.00%
391.10 Computer Equipment	33.33%
391.11 Computer Equipment and Software	14.29%
391.12 Computer Hardware	14.29%
391.20 Enterprise Systems	6.67%
391.50 Individual Equipment	33.33%
393.00 Stores Equipment	4.00%
394.00 Tools Shop And Garage Equip	5.56%
395.00 Laboratory Equipment	5.00%
397.00 Communication Equipment	5.56%
398.00 Miscellaneous Equipment	5.00%
Total General Amortized	11.69%
Total General Depreciated & Amortized	7.42%
Total Plant Depreciated and Amortized	2.34%

CUSTOMER SERVICE STANDARDS

The Company will submit to Rate Counsel and BPU Staff a quarterly report providing the results of the Company's monthly performance in relation to the following metrics:

1. Call Center

(A) Average Speed of Answer (ASA)

Measure: ASA

Benchmark: Track and monitor only.

Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Measured monthly, reported quarterly.

(B) Percentage of Calls Answered within 30 seconds

Measure: Service Level

Benchmark: 80% of calls answered within 30 seconds

Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Includes abandoned calls and any calls handled through an Interactive Voice Response ("IVR") system. Measured monthly, reported quarterly.

(C) Abandoned Call Percentage (ACP)

Measure: ACP

Benchmark: 5% or less of calls abandoned

Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destination, whether a department or a representative. Measured monthly, reported quarterly.

2. Meter Reading and Billing

(A) Meter Reading

Measure: Percentage of meters read

Benchmark: 95% of meters read

Definition: The percentage of meters actually read on cycle. Measured monthly, reported quarterly.

(B) Meter Reading by Town

Measure: Percentage of all meters read listed by each town within the Company's territory.

Benchmark: Track and monitor only

Definition: The percentage of meters read on cycle within each town of the Company's territory. Measured and reported annually.

(C) Billing

Measure: Billing Accuracy

Benchmark: 20 or fewer rebills per 1,000 customers

Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled or re-issued for any amount or reason. Measured monthly, reported quarterly.

3. Safety and Reliability

(A) Safety

Measure: Leak Response Time

Benchmark: 95% of calls responded to within 60 minutes

Definition: Leak, odor and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a "make safe" condition. Measured monthly, reported quarterly.

Exception reporting:

*Provide a quarterly report to the BPU and Rate Counsel for all calls that are not responded to within 60 minutes, giving the reasons for the delay.

*Elizabethtown will disaggregate the metric information to present leak response times in the Northwest Division separately.

(B) Reliability

Measure: Percentage of service appointments met

Benchmark: 95% + of service appointments met

Definition: The percentage of appointments completed within the scheduled four-hour window, as required by Board rules. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks/emergencies/outages, and appointments missed by the customer. Measured monthly, reported quarterly.

4. Overall Customer Service and Satisfaction**(A) BPU Complaints**

Measure: Customer complaints/contacts to the BPU

Benchmark: Less than 1 complaint/contact per 1,000 customers annually

Definition: The number of verbal or written complaints/contacts made to the BPU, not including complaints to ETG, which are measured as an annual average number of complaints per 1,000 customers. The Company also shall report BPU complaints by root cause category, such as billing, collection, etc. Measured monthly, reported quarterly.

The Company will also report how many:

- Complaints are resolved by deferred payment arrangements;
- Complaints that originate with customers who are already on deferred payment arrangements; and
- Complaints from customers who participate in assistance programs such as LIHEAP (the Low Income Home energy Assistance Program) or otherwise.

(B) Customer Satisfaction with Telephone and Field Personnel

Measure: Customer satisfaction with telephone and field personnel

Benchmark: N/A

Definition: Quarterly Polaris survey of customers that have contacted the Company and spoken with a representative. Measured monthly, reported quarterly.

After receipt of the quarterly report and/or annual report where specified herein, Board Staff or Rate Counsel may request a meeting and the Company agrees to accommodate this request to discuss the contents of the report(s). The schedule for submitting the quarterly and annual reports will remain the same. The quarterly report will be filed

within thirty days after the end of each quarter. The annual report will be filed within thirty days after the end of each fiscal year.