



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

Aida Camacho-Welch, Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue
9th Floor, Suite 314
Trenton, New Jersey 08625-0350

November 18, 2019

Re: **New Jersey Administrative Code 14:3-8.6**
TRA-86 gross-up factor template
2019 Rate Case ROR Update Effective 11/15/19

Dear Secretary Camacho-Welch,

Enclosed please find the revised TRA-86 Gross-up Factor calculation for Elizabethtown Gas Company ("Company" or "Elizabethtown"). The factor has been updated to reflect the approved rate of return change in the Company's recently approved base rate case per the Board of Public Utilities' Order dated November 13, 2019 in Docket No. GR19040486 effective November 15, 2019.

If you have any questions, please contact Thomas Kaufmann at (908) 662-8461 or tkaufmann@sjindustries.com.

Sincerely,

Deborah M. Franco, Esq.

cc: Jacqueline Galka (electronic only)
Stacy Peterson (electronic only)

Case Mgmt
A. Moreau, Esq.
W. Westford, Esq.

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TRA-86 Tax Gross Up Factor Template
2019 Rate Case ROR Update Effective 11/15/19

Directions: Replace the sample data that is shown in the fields highlighted in yellow with your company's information. The formulas will calculate the Gross Up factor that you will use to gross up customer deposits for extensions, customer contributions for extensions, and customer refunds to reflect the consequences under the Tax Reform Act of 1986. Bonus Depreciation per the act is set to zero in cell D21.

Calculation of Tax Gross Up Factor:

Bonus Depreciation Rate =	0%	Elizabethtown Gas Company
		Effective 11/15/2019
Gross Up Factor =	$F = (1 - (NPV/C)) / (1 - T)$	1.1561
Construction Cost (C)		1.00
Customer Deposit with Tax Gross Up		1.1561
Net of Tax Rate of Return		6.5165%
Combined 21% FIT & CBT Rate (T) =		28.11%
Initial Tax Liability		0.32
NPV benefit of tax depreciation (NPV)	$= +NPV(\$J\$15, \$L\$25, \$L\$44) + \$L\24	0.1689

	Year	Tax Depreciation Rate	Federal Depreciation	NJ State Depreciation	Net Tax Cash Flow
Total deposit - CBT - FIT - Cost	0				(0.1689)
	1	3.750%	0.0375	0.0375	0.0105
	2	7.219%	0.0722	0.0722	0.0203
	3	6.677%	0.0668	0.0668	0.0188
	4	6.177%	0.0618	0.0618	0.0174
	5	5.713%	0.0571	0.0571	0.0161
	6	5.285%	0.0529	0.0529	0.0149
	7	4.888%	0.0489	0.0489	0.0137
	8	4.522%	0.0452	0.0452	0.0127
	9	4.462%	0.0446	0.0446	0.0125
	10	4.461%	0.0446	0.0446	0.0125
	11	4.462%	0.0446	0.0446	0.0125
	12	4.461%	0.0446	0.0446	0.0125
	13	4.462%	0.0446	0.0446	0.0125
	14	4.461%	0.0446	0.0446	0.0125
	15	4.462%	0.0446	0.0446	0.0125
	16	4.461%	0.0446	0.0446	0.0125
	17	4.462%	0.0446	0.0446	0.0125
	18	4.461%	0.0446	0.0446	0.0125
	19	4.462%	0.0446	0.0446	0.0125
	20	4.461%	0.0446	0.0446	0.0125
	21	2.231%	0.0223	0.0223	0.0063

Calculation of Net of Tax Rate of Return and Combined Federal Income Tax (FIT) and Corporate Business Tax (CBT) Rate:

	% of Capital Structure	Embedded Cost	Weighted Avg. Cost		Net of Tax Rate of Return
Elizabethtown Gas Company					
Long-Term Debt	48.50%	4.51%	2.19%		
Short-Term Debt	0.00%	0.00%	0.00%		
Other Debt	0.00%	0.00%	0.00%	2.19%	1.57% 2.19%*(1-28.11%)
Common Equity	51.50%	9.60%	4.94%		4.94%
	100.00%		7.13%		6.516%

Rate of Return Information from Docket No.: GR19040486, Order dated: November 13, 2019, Page: 2.

Combined FIT and CBT Rate	=	28.11%	=	(9.00%	+	(21.00%	*	(1 -	9.00%)))
				(CBT	+	(FIT	*	(1 -	CBT)))

Note: If your company is not subject to Corporate Business Tax, enter 0 in cell J57.

Template Revised: 2/24/16