



520 Green Lane
Union, NJ 07083
T: (908) 662-8448
F: (908) 662-8496
dfranco@sjindustries.com

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

April 30, 2020

Electronic Filing

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Fl, Ste 314
P.O. Box 350
Trenton, NJ 08625-0350

**Re: IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY
FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")
BPU Docket No. _____**

Dear Secretary Camacho-Welch:

Enclosed please find a Petition and supporting documents of Elizabethtown Gas Company which have been filed electronically today through the Board's e-filing program. Due to the pandemic, and in accordance with the New Jersey Board of Public Utilities ("BPU") March 19, 2020 Order issued in BPU Docket No. EO20030254, hard copies are not being provided at this time, but can be provided at a later time, as needed.

If you have any questions, please feel free to contact me directly.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Deborah M. Franco".

Deborah M. Franco

DMF:caj
Enclosures

cc: Stacy Peterson (via electronic mail)
Stefanie Brand (via electronic mail)
Felicia Thomas-Friel (via electronic mail)
Matko Ilic (via electronic mail)

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

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")	X : : : : : : X	BPU DOCKET NO. _____ CASE SUMMARY
--	--------------------------------------	--

Elizabethtown Gas Company ("Elizabethtown" or the "Company") files this Petition for approval of a rate adjustment pursuant to the Company's Infrastructure Investment Program ("IIP"), which was approved by the New Jersey Board of Public Utilities ("BPU") on June 12, 2019 in BPU Docket No. GR18101197. With the IIP, Elizabethtown is authorized to invest up to \$300 million in the Company's gas distribution system over the five (5) year period, July 1, 2019 through June 20, 2024, to replace up to 250 miles of cast iron and bare steel mains and related services, as well as the installation of excess flow valves on new service lines ("IIP Projects"). This filing reflects investments associated with in-service IIP Projects during Year 1 of the IIP, which is the period July 1, 2019 through June 30, 2020.

Cost recovery for IIP Projects is effectuated by an annual rate adjustment effective on October 1. The present Petition seeks Board approval to recover the revenue requirements associated with IIP Projects placed in service during the period July 1, 2019 through June 30, 2020, through a rate adjustment to take effect on October 1, 2020.

If approved by the Board, the impact of the proposed rate adjustment on the bill of a residential heating customer using 100 therms is a monthly increase of \$1.98 from \$105.63 to \$107.61, an increase of 1.9%, as compared to the Company's present rates.

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

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")	: : : : : -----X	BPU DOCKET NO. _____ VERIFIED PETITION
--	---------------------	---

To The Honorable Board of Public Utilities:

Petitioner, Elizabethtown Gas Company ("Elizabethtown" or "Company"), a public utility corporation duly organized under the laws of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities ("Board"), respectfully states:

I. INTRODUCTION

1. Petitioner's principal business office is located at 520 Green Lane, Union, NJ, 07083.

2. Communications and correspondence concerning these proceedings should be sent as follows:

Dominick DiRocco, Esq.
Vice President, Rates and Regulatory Affairs
SJI Utilities, Inc.
1 South Jersey Place
Atlantic City, New Jersey 08401
Tel. No. (609) 561-9000 x 4262
ddirocco@sjindustries.com

Deborah M. Franco
Director, Regulatory Affairs Counsel
SJI Utilities, Inc.
520 Green Lane
Union, New Jersey 07083
Tel. No. (908) 662-8448
dfranco@sjindustries.com

Stefany Graham
Director, Rates and Regulatory Affairs
SJI Utilities, Inc.
1 South Jersey Place
Atlantic City, New Jersey 08401
Tel. No. (609) 561-9000 x 4352
sgraham@sjindustries.com

3. Petitioner is engaged in the business of transmission and distribution of natural and mixed gas to approximately 295,000 customers within its service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union and Warren Counties.

4. Elizabethtown is filing this Petition to seek approval of a rate adjustment to provide for cost recovery associated with the Company's Infrastructure Investment Program ("IIP") as approved by a Board Order dated June 12, 2019 in BPU Docket No. GR18101197 ("IIP Order"). The IIP Order adopted a Stipulation ("Stipulation") that established an IIP cost recovery process that is effectuated by annual rate adjustment filings ("Annual Filings") made in April of each year. The IIP Order and Stipulation authorizes this Annual Filing on April 30, 2020 for rates to be effective on or before October 1, 2020.

II. BACKGROUND

5. The IIP Order and Stipulation authorized Elizabethtown to implement the IIP which includes accelerated capital investment in Elizabethtown's gas distribution system and related cost recovery.

6. Under the IIP, the Company is authorized to invest up to \$300 million ("Program Cost Cap") in the Company's gas distribution system over the five (5) year period, July 1, 2019 through June 30, 2024, to replace up to 250 miles of cast iron and bare steel mains and related services, as well as the installation of excess flow valves ("EFVs") on new service lines ("IIP Projects"). The Program Cost Cap is derived by applying a cost per mile cap of \$1.2 million per mile to an IIP mileage cap of 250 miles over the five (5) year term of the IIP. The \$300 million Program Cost Cap excludes Allowance for Funds Used During Construction ("AFUDC") and certain Baseline Capital Spending Amounts which are to recovered by the Company through base rates.

7. As reflected in the Stipulation, the IIP Projects are intended to enhance distribution safety and reliability to the benefit of Elizabethtown's customers, to help support the environment, and to facilitate economic development and employment in New Jersey. The IIP Projects and amounts are incremental to the Company's normal capital spending budget.

III. REQUEST FOR COST RECOVERY OF IIP PROJECT INVESTMENTS

8. Through this Petition, which represents the Company's first Annual Filing, Elizabethtown seeks Board approval to recover the revenue requirements associated with in-service IIP Projects during Year 1 of the IIP, which is the period July 1, 2019 through June 30, 2020, as well as certain IIP non-construction expenditures, such as planning and engineering of IIP Projects incurred as of July 1, 2019. The IIP investments projected to be in service during Year 1 of the IIP total approximately \$60.0 million, excluding AFUDC and the costs of the IIP Independent Monitor and methane leak survey. The Company further proposes that the IIP rate adjustment take place on October 1, 2020 as authorized by the IIP Order and Stipulation. The Schedules attached to the Direct Testimony of Thomas Kaufmann, Manager, Rates and Tariffs, set forth the calculation of the revenue requirement, which is calculated in accordance with the IIP Order and Stipulation.

9. With this Annual Filing, the Company includes actual data through March 31, 2020 and projected data through June 30, 2020. The projected data for the period April 1, 2020 through June 30, 2020 will be replaced with actual data in a 12+0 update filing to be made with the Board no later than July 15, 2020.

10. The IIP rate adjustment sought herein and authorized by the IIP Order and Stipulation are subject to the requirements that: (1) this rate filing includes plant in-service additions during the filing period in excess of \$30 million; and (2) the Company's calculated return on equity ("ROE") not exceed the allowed ROE from its last base rate case by 50 basis points or more. These requirements have been satisfied for this Annual Filing as set forth in testimony of Mr. Kaufmann

and Mr. Michael P. Scacifero. Elizabethtown is also required to comply with certain baseline capital spending requirements, which as discussed by Mr. Scacifero have also been satisfied.

11. Pursuant to the IIP Order and Stipulation, the rate adjustment proposed herein is based on the rate design methodology utilized to set base rates in the Company's most recent base rate case in BPU Docket No. Docket No. GR19040486.

12. The impact of the proposed IIP rate adjustment on a residential heating customer using 100 therms in a winter month would be an increase of \$1.98 from \$105.63 to \$107.61, an increase of 1.9%, as compared to the Company's present rates.

IV. SUPPORTING TESTIMONY

13. Attached hereto and incorporated herein is the testimony of:

- Thomas Kaufmann, Manager, Rates and Tariffs, Elizabethtown Gas Company;
- and
- Michael P. Scacifero, Director, Engineering Services, Elizabethtown Gas Company.

V. MINIMUM FILING REQUIREMENTS

14. In accordance with the IIP Order and Stipulation, Elizabethtown is required to provide in its Annual Filings information responsive to certain Minimum Filing Requirements ("MFRs"). A summary of the MFRs and their location in this Annual Filing is attached hereto as Exhibit A.

VI. PUBLIC NOTICE

15. Elizabethtown will provide notice of the filing of this Petition for the IIP rate adjustment and modification of its Tariff to all of its customers through the publication of a public notice in newspapers of general circulation within the Company's service territory. A copy of the proposed Public Notice is attached as hereto as Exhibit B.

16. The municipalities and counties served by Elizabethtown will be further notified of the filing of this Petition by letter to be mailed upon publication of the Public Notice.

VII. MISCELLANEOUS

17. The Company is serving notice of this Petition and supporting documentation on the Director, Division of Rate Counsel (“Rate Counsel”) via electronic mail in lieu of providing hard copies. Due to the pandemic, and in accordance with the BPU’s March 19, 2020 Order issued in BPU Docket No. EO20030254, hard copies cannot be provided at this time, but can be provided at a later time, as needed.

18. Similarly, Elizabethtown has also served notice on the Department of Law and Public Safety (“Department of Law”) via electronic mail in lieu of providing hard copies, but hard copies can be provided at a later time, as needed.

19. To the extent necessary, Elizabethtown respectfully requests a waiver of the need to provide hard copies of this Petition and supporting documentation to the Board, Rate Counsel and the Department of Law subject to copies being provided at a later time, as needed.

VIII. CONCLUSION

20. **WHEREFORE**, Elizabethtown respectfully requests that the Board retain jurisdiction of this matter and issue and final decision and order:

- i. finding that Elizabethtown is authorized to effectuate the IIP rate adjustment sought by this Petition;
- ii. granting a waiver, as necessary, of the requirement to provide hard copies of this Petition and supporting documentation to the Board, Rate Counsel and the Department of Law subject to the condition that hard copies be provided at a

later time, as needed; and

- iii. granting such other and further relief as the Board shall deem just, lawful and proper.

Respectfully submitted,

ELIZABETHTOWN GAS COMPANY

A handwritten signature in black ink, appearing to read "Deborah M. Franco".

By: Deborah M. Franco
Director, Regulatory Affairs Counsel
SJI Utilities, Inc.


DATED: April 30, 2020

VERIFICATION

I, Stefany M. Graham, of full age, being duly sworn according to law, upon my oath, depose and say:

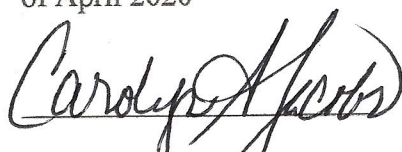
1. I am Director, Rates & Regulatory Affairs of SJI Utilities Inc., the parent company to Elizabethtown Gas Company ("Company") and I am authorized to make this verification on behalf of the Company.

2. I have reviewed the within petition and the information contained therein is true according to the best of my knowledge, information and belief.



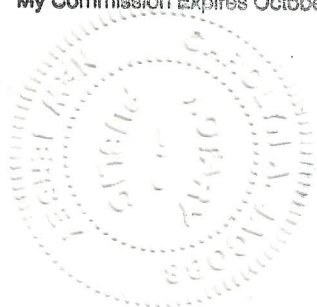
Stefany M. Graham
Director, Rates & Regulatory Affairs

Sworn to and subscribed
before me this 30th day
of April 2020


CAROLYN A. JACOBS

NOTARY PUBLIC OF NEW JERSEY

My Commission Expires October 28, 2023



**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR
APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)**

BPU Docket No. _____

MINIMUM FILING REQUIREMENTS (MFRs) INDEX

	Minimum Filing Requirements	Schedule
1.	Elizabethtown’s income statement for the most recent 12 month period ended on a quarter, as filed with the Board.	TK-12
2.	Elizabethtown’s balance sheet for the most recent quarter, as filed with the Board.	TK-13
3.	Elizabethtown’s actual baseline capital spending for both the recovery period and the prior calendar year.	MPS-1
4.	Elizabethtown’s overall approved IIP capital budget broken down by major categories, both budgeted and actual amounts.	MPS-2
5.	For each IIP project: a. The original project budget; b. Expenditures incurred to date; c. Work completed, including identified tasks completed, e.g. design phase, material procurement, permit gathering, phases of construction, etc.; d. Anticipated project timeline, including estimated completion date, with updates and expected and unanticipated changes, along with an explanation of the reasons for any changes; and e. A narrative discussion of the effectiveness of the project in improving system performance; including identification of improved facilities including specific feeders), where appropriate.	MPS-3 (items a. through c.) Direct Testimony of Michael Scacifero at pages 5-9
6.	Consistent with the methodology set out in Appendix B (of the Stipulation approved in the June 12 Order), a calculation of the proposed revenue requirements related to the IIP projects included in Plant-in-Service in that rate recovery period. The calculation should show the actual capital expenditure for the period for which the filing is made, as well as supporting calculations.	TK-1 to 10
7.	A calculation of the associated depreciation expense, based on those projects close to Plant-in-Service during the period.	TK-8
8.	A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the IIP projects, such as relocation, reimbursement, or stimulus money, and an explanation of the financial treatment associated with the receipt of the government funds or credits.	Direct Testimony of Thomas Kaufmann at page 12
9.	Pursuant to N.J.A.C. 14:3-2A.6(h), the results of an earnings test calculation where ROE shall be determined based on the actual net income of the Company for the most recent 12-month period ended on a calendar	TK-6

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR
APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)**

BPU Docket No. _____

MINIMUM FILING REQUIREMENTS (MFRs) INDEX

	quarter divided by the average of the beginning and ending common equity balances for the corresponding period.	
10.	<p>The earnings test calculation described in Paragraph 9 immediately above is a requirement under the IIP regulations and is used to determine if it is appropriate for the Company to recover, or continue to recover, IIP costs. The following information shall be provided to the Board Staff and Rate Counsel with each earnings review:</p> <p>a. The earnings test shall contain information from the Company’s official books and records, and shall be consistent with the Company’s independently audited results of operations and its most recent annual report to the Board, and shall include the most recent 12 months of actual financial information ended on a calendar quarter (i.e., net income and rate of return on the average balance of common equity, per books); and</p> <p>b. Rate base (completed IIP net plant additions that have been deemed used and useful but are not yet included in rate base), revenues (including approved IIP revenues not yet in base revenues), expenses, taxes, capital structure, weighted average cost of capital, approved net IIP plant additions not yet in rate base, and other such relevant financial information as may be known to the Company in determining the calculation in Paragraph 10 (a) above</p>	TK-6

NOTICE OF PUBLIC HEARINGS

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”) BPU Docket No. _____

NOTICE IS HEREBY GIVEN that, on April 30, 2020, Elizabethtown Gas Company (“Elizabethtown”) or “Company”) filed a petition (Petition) with the New Jersey Board of Public Utilities (“Board”) seeking Board approval to increase rates associated with the Company’s Infrastructure Investment Program (“IIP”). The Board approved the IIP and the associated cost recovery mechanism on June 12, 2019 in Docket No. GR18101197 (“Order”). The Order authorized the Company to invest up to \$300 million, over a five-year period commencing July 1, 2019 and ending June 30, 2024, to replace up to 250 miles of cast iron and bare steel mains and related services, as well as the installation of excess flow valves on new service lines (“IIP Projects”). The Order also authorized the Company to make annual filings with the Board to recover the costs associated with the IIP Projects investments and to earn a return on and a return of those investments through annual adjustments to rates. This Petition seeks Board approval to recover \$6.5 million of revenue requirements associated with approximately \$60.0 million of IIP Projects placed in-service from July 1, 2019 through June 30, 2020 with an October 1, 2020 rate effective date. The IIP Projects are intended to enhance distribution safety and reliability to the benefit of Elizabethtown’s customers, to help support the environment, and to facilitate economic development and employment in New Jersey.

If the proposed rate increase is approved by the Board, effective October 1, 2020, the rates, inclusive of taxes, to all firm customers served under Service Classifications RDS, SGS, GDS, NGV, LVD, EGF, and GLS including certain firm, Board approved special contract customers served under the Company's firm rate classes would be as follows:

	Per Therm
RDS Residential	\$0.0198
SGS Small General Service	\$0.0220
GDS General Delivery Service	\$0.0131
GDS Seasonal SP#1 May-Oct	\$0.0029
NGV Natural Gas Vehicles	\$0.0355
LVD Large Volume Demand	\$0.0063
EGF Electric Generation	\$0.0042
GLS Gas Lights, per mantel	\$0.27
Firm Special Contracts	\$0.0011

The rates are subject to BPU approval and may be higher or lower depending on the Board’s final determination and the date on which such rate is made effective.

The impact of the proposed rate increase to the residential heating customer using 100 therms is to increase the customer's monthly bill by \$1.98 from \$105.63 to \$107.61, an increase of 1.9% compared to the Company's present rates.

Any assistance required by Customers in ascertaining the impact of the proposed rate increase will be provided by the Company upon request.

Copies of the Petition are available for inspection at the Company's office located at 520 Green Lane, Union, New Jersey, online at Elizabethtown's website: www.elizabethtowngas.com/rates-and-tariff under Regulatory Information, and at the Board's offices located at 44 South Clinton Avenue, 2nd Floor, Trenton, NJ, 08625-0350. Any member of the public who wants to inspect the Petition at the Board may contact the Board's Division of Case Management at (609) 292-0806 to schedule an appointment.

PLEASE TAKE NOTICE that the following date, time and location for public hearings have been scheduled on the above filing so that members of the public may present their views:

_____ (DATE TBD)
4:30 pm and 5:30 pm
Hunterdon County Complex, 314 NJ-12, Building #1, Flemington, New Jersey 08822

_____ (DATE TBD)
4:30 pm and 5:30 pm
Liberty Hall Corporate Center, 1085 Morris Avenue, Union, New Jersey 07083

The public is invited to attend, and interested persons will be permitted to make a statement of their views on the proposed rate increase. Information provided at the public hearings will become part of the record and be considered by the Board in making its decision. To encourage full participation in this opportunity for public comment, please submit any requests for accommodations, including, but not limited to, an interpreter, listening devices and/or mobility assistance, 48 hours prior to these hearings. In addition, members of the public may submit written comments concerning the Petition to the BPU, regardless of attending the hearings, by addressing the comments to the following: Aida Camacho-Welch, Secretary, Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350 or by email to board.secretary@bpu.nj.gov. Written comments should reference the name of the Petition and the above docket number in the subject line. Written comments will be provided the same weight as statements made at the hearings. Hearings will continue, if necessary, on such additional dates and at such locations as the Board may designate, to ensure that all interested persons are heard.

Elizabethtown Gas Company
Christie McMullen – President and Chief Operations Officer

**BEFORE THE
NEW JERSEY BOARD OF PUBLIC UTILITIES**

**DIRECT TESTIMONY
OF
THOMAS KAUFMANN
Manager, Rates and Tariffs**

**On Behalf Of
Elizabethtown Gas Company**

April 30, 2020

**ELIZABETHTOWN GAS COMPANY
DIRECT TESTIMONY OF
THOMAS KAUFMANN**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A.** My name is Thomas Kaufmann. My business address is 520 Green Lane, Union, New
4 Jersey 07083.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Elizabethtown Gas Company (“Elizabethtown” or “Company”) as
7 Manager of Rates and Tariffs.

8 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL RESPONSIBILITIES.**

9 **A.** I am responsible for designing and developing rates and rate schedules for regulatory
10 filings with the New Jersey Board of Public Utilities (“Board”) and internal
11 management purposes. I also oversee daily rate department functions, including tariff
12 administration, monthly parity pricing, competitive analyses and preparation of
13 management reports.

14 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
15 **BACKGROUND.**

16 **A.** In June 1977, I graduated from Rutgers University, Newark, N.J. with a Bachelor of
17 Arts degree in Business Administration, majoring in accounting and economics. In
18 July 1979, I graduated from Fairleigh Dickinson University, Madison, N.J. with a
19 Master of Business Administration, majoring in finance.

20 My professional responsibilities have encompassed financial analysis,
21 accounting, planning, and pricing in manufacturing and energy services companies in

1 both regulated and unregulated industries. In 1977, I was employed by Allied
2 Chemical Corp. as a staff accountant. In 1980, I was employed by Celanese Corp. as
3 a financial analyst. In 1981, I was employed by Suburban Propane as a Strategic
4 Planning Analyst, promoted to Manager of Rates and Pricing in 1986 and to Director
5 of Acquisitions and Business Analysis in 1990. In 1993, I was employed by
6 Concurrent Computer as a Manager, Pricing Administration. In 1996, I joined NUI
7 Utilities Inc., now part of South Jersey Industries, Inc. ("SJI"), as a Rate Analyst, was
8 promoted to Manager of Regulatory Support in August 1997, Manager of Regulatory
9 Affairs in February 1998, and named Manager of Rates and Tariffs in July 1998.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

11 **A.** The purpose of my testimony is to support Elizabethtown's proposed Rider rates
12 related to the investments made pursuant to the Company's Infrastructure Investment
13 Program ("IIP"), which was approved by Board Order dated June 12, 2019 in BPU
14 Docket No. GR18101197 (the "IIP Order"). Pursuant to the IIP Order, cost recovery
15 for IIP projects is effectuated by an annual adjustment to the Company's tariff Rider
16 "F" ("IIP Rider"). The proposed rate adjustment will become effective on October 1,
17 2020 and is currently based on the revenue requirements associated with IIP
18 investments made and anticipated for the period July 1, 2019 through June 30, 2020,
19 which for the first year may also include IIP non-construction expenditures such as
20 planning and engineering for IIP projects incurred as of July 1, 2019. This testimony
21 provides an overview of the IIP cost recovery mechanism and the calculation of the
22 associated revenue requirement and rate design. It also addresses certain Minimum
23 Filing Requirements ("MFRs") as set forth in the IIP Order.

24

1 **Q. DOES YOUR TESTIMONY INCLUDE ANY ILLUSTRATIVE SCHEDULES?**

2 **A.** Yes. My testimony includes schedules supporting the development of proposed IIP
3 rates, and proposed tariff sheets that were prepared by me or under my direction and
4 supervision as well as Company financial statements. These schedules contain
5 information responsive to MFRs as referenced in the MFR Index attached to the
6 Petition. The MFRs were set forth in Appendix D to the May 29 Stipulation attached
7 to the IIP Order. The schedules are as follows:

8 Schedule TK-1: Revenue Requirement and Residential Bill Impact

9 Schedule TK-2: Summary of Schedules TK-3, TK-4 and the Proposed Rider F
10 IIP Rates inclusive of sales tax

11 Schedule TK-3: Revenue Requirement Allocation

12 Schedule TK-4: Proof of Revenue

13 Schedule TK-5: Weather Normalization Clause (“WNC”) Margin Revenue
14 Factor

15 Schedule TK-6: Earnings Test

16 Schedule TK-7: In-Service amounts by month

17 Schedule TK-8: Depreciation Calculation

18 Schedule TK-9: Weighted Average Cost of Capital (“WACC”)

19 Schedule TK-10: Revenue Expansion Factor

20 Schedule TK-11: Proposed Tariff sheets – clean

21 Schedule TK-12: Proposed Tariff sheets - redline

22 Schedule TK-13: Income Statement

23 Schedule TK-14: Balance Sheet

24

1 **II. ANNUAL IIP FILING**

2 **Q. WHY IS THE COMPANY SUBMITTING THIS FILING WITH BPU?**

3 **A.** The Company’s Annual IIP filing is being made in compliance with the IIP Order,
4 which authorizes Elizabethtown to seek cost recovery for completed IIP projects in
5 accordance with the approved annual cost recovery filing schedule, shown below:

Filing Year	Initial 9+3 Filing	Program Year Ending Date	12+0 Update Filing	Rates Effective on or Before
1	April 30, 2020	June 30, 2020	July 15, 2020	Oct 1, 2020
2	April 30, 2021	June 30, 2021	July 15, 2021	Oct 1, 2021
3	April 30, 2022	June 30, 2022	July 15, 2022	Oct 1, 2022
4	April 30, 2023	June 30, 2023	July 15, 2023	Oct 1, 2023
5	April 30, 2024	June 30, 2024	July 15, 2024	Oct 1, 2024
Residual *	April 30, 2025	June 30, 2025	July 15, 2025	Oct 1, 2025

6 *Residual Filing for restoration spending occurring after June 30, 2024.

7 **Q. IS THIS FILING SUBMITTED IN ACCORDANCE WITH THE IIP ORDER?**

8 **A.** Consistent with the requirement contained in N.J.A.C. 14:3-2A.6(b), Elizabethtown is
9 permitted to make annual filings to recover IIP costs when eligible in-service amounts
10 exceed ten (10%) percent of the total proposed program spending, except however,
11 given the nature of the work, the Signatory Parties recognize that the April 2025 filing
12 may be less than 10% of total program spending as it will reflect residual spending
13 associated with restoration work occurring after June 30, 2024. Based on the total
14 approved program budget of \$300 million, the eligible in-service amounts must exceed
15 \$30 million to allow for the annual roll-in. As shown on Schedule TK-7, the Company
16 is currently projecting a total of approximately \$60.0 million (excluding the costs of
17 the Independent Monitor and methane leak study and Accumulated Funds Used During
18 Construction, “AFUDC”) in service as of June 30, 2020.

19 **Q. PLEASE DESCRIBE THE IIP COST RECOVERY MECHANISM APPROVED**

1 **BY THE BOARD.**

2 **A.** The IIP cost recovery process is effectuated by annual rate adjustment filings (“Annual
3 Filings”) made in April of each year. With this Annual Filing, Elizabethtown is seeking
4 cost recovery of IIP investments that are placed in service during the period July 1,
5 2019 to June 30, 2020 totaling \$60.0 million (excluding the independent monitor,
6 methane leak study and AFUDC), with a Rider rate adjustment to be effective October
7 1, 2020. Included with this filing is actual data for projects placed in service through
8 March 31, 2020, and projected data through June 30, 2020. The Company will provide
9 an updated filing with actual data through June 30, 2020 no later than July 15, 2020.

10 **Q. WHAT IS THE FORECASTED REVENUE REQUIREMENT PROPOSED**
11 **FOR THE IIP RATE ADJUSTMENT TO TAKE PLACE ON OCTOBER 1,**
12 **2020?**

13 **A.** The Company is proposing a revenue requirement of approximately \$6.5 million,
14 excluding Sales and Use Tax (“SUT”). The calculation of the revenue requirement
15 associated with the proposed IIP Rate Adjustment is provided in the attached Schedule
16 TK-1.

17 **Q. HOW ARE THE REVENUE REQUIREMENTS ASSOCIATED WITH THE IIP**
18 **RATE ADJUSTMENT CALCULATED?**

19 **A.** IIP revenue requirements are calculated utilizing the following formula, approved in
20 the IIP Order:

21 Revenue Requirement = ((IIP Rate Base * After-Tax WACC) – O&M Credit +
22 Advanced Leak Detection expense (net of tax) + Depreciation Expense (net of
23 tax)) * Revenue Factor.

24 **Q. HOW IS THE IIP RATE BASE CALCULATED?**

1 **A.** IIP Rate Base is calculated as the gross IIP Investment Costs for the IIP projects placed
2 in-service during the program period, plus the costs of an Independent Monitor, a
3 methane leak study and AFUDC, less depreciation expense and applicable deferred
4 income taxes.

5 **Q. WHAT TYPES OF EXPENDITURES ARE INCLUDED IN THE IIP**
6 **INVESTMENT COSTS?**

7 **A.** Pursuant to the IIP Order, the Company is allowed to recover IIP project capital
8 expenditures, including actual costs of engineering, design and construction, property
9 acquisitions, if any, and monitoring, including actual labor, materials, overhead and
10 capitalized AFUDC. In addition, the IIP Investment Costs for program year one
11 include \$157,000 for a one-time advanced leak detection study and \$30,000 of
12 Independent Monitor costs as of June 30, 2020. These costs are reflected in the rate
13 base as shown on Schedule TK-1.

14 **Q. HOW DID THE COMPANY CALCULATE AFUDC FOR IIP PROJECTS?**

15 **A.** In accordance with the IIP Order, the AFUDC rate applied to IIP Projects is determined
16 by applying the Modified FERC Uniform System of Accounts methodology
17 ("Modified FERC Method"), including compounding of AFUDC on a monthly basis.
18 The Modified FERC Method is as follows: (a) if the Company's total CWIP balance,
19 including all CWIP associated with IIP Projects is less than or equal to the Company's
20 outstanding short-term debt ("S/T debt") balance at each month-end, the applicable
21 AFUDC rate is equal to the Company's monthly cost of S/T debt; (b) if the Company's
22 total CWIP balance, including all CWIP associated with IIP Projects, is greater than
23 the Company's outstanding S/T debt balance, the applicable AFUDC rate for IIP
24 Projects is a monthly AFUDC calculation based on a blend of the S/T debt balance and

1 the Company's WACC rate; or (c) if the Company has no short-term debt balance at
2 month end, the AFUDC rate used is the adjusted WACC rate.

3 **Q. HOW IS DEPRECIATION EXPENSE CALCULATED?**

4 **A.** Depreciation expense is calculated as the IIP Investments by asset class multiplied by
5 the associated depreciation rate applied to the same asset in current base rates
6 established in the Company's 2016 base rate case in Docket No. GR16090826 ("2016
7 rate case") for the period through November 14, 2019, and thereafter from the most
8 recent base rate case, BPU Docket No. GR19040486 ("2019 rate case"). The
9 depreciation calculation and associated depreciation rates are shown in Schedule TK-
10 8.

11 **Q. HOW HAS THE COMPANY CALCULATED DEFERRED INCOME TAXES?**

12 **A.** Deferred taxes are calculated by multiplying the difference in the Company's book and
13 tax depreciation expense for the plant subject to the IIP by the effective income tax rate
14 for the period. The tax rate used in the calculation of the deferred tax benefit for
15 Elizabethtown is 28.11% and includes Corporate Business Tax. The Company's
16 deferred income tax calculation and related factors are shown in Schedule TK-1.

17 **Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL ("WACC")**
18 **UTILIZED IN CALCULATING THE REVENUE REQUIREMENT?**

19 **A.** Pursuant to the IIP Order, the return on IIP Rate Base proposed in this Annual Filing
20 is based on the WACC approved in the Company's most recent base rate case, Docket
21 No. GR19040486, which was calculated utilizing a 9.60% return on equity ("ROE")
22 and an equity level in the capital structure of 51.50%. This results in a WACC of
23 7.131%, or 6.5165% on an after-tax basis. This calculation is included in Schedule
24 TK-9.

1 **Q. WHAT IS THE O&M CREDIT UTILIZED IN THE CALCULATION OF THE**
2 **REVENUE REQUIREMENT?**

3 **A.** Pursuant to the IIP Order, the operations and maintenance (“O&M”) credit is \$90,000
4 per year, or \$64,701 net of tax. This credit reflects an O&M savings associated with
5 leak repair on facilities replaced in connection with the IIP. The total O&M credit of
6 \$64,701 is reflected in Schedule TK-1.

7 **Q. WHAT IS THE ADVANCED LEAK DETECTION O&M EXPENSE**
8 **REFLECTED IN THE REVENUE REQUIREMENT?**

9 **A.** If the Company were to incur O&M expenses related to advanced leak detection, other
10 than the previous study included in rate base and discussed above, it will include these
11 costs in the revenue requirement for recovery on an after-tax basis. The Company has
12 incurred \$0 costs to date, as reflected in Schedule TK-1.

13 **Q. WHAT IS THE REVENUE FACTOR UTILIZED IN THE CALCULATION OF**
14 **THE REVENUE REQUIREMENT?**

15 **A.** The revenue factor adjusts the revenue requirement to reflect Federal and State income
16 taxes, as well as the costs associated with the Board and the Division of Rate Counsel
17 annual assessments (collectively Public Utility Assessment Tax), and Bad Debt.
18 Pursuant to the IIP Order, the Company is using the revenue factor that was utilized to
19 set rates in the Company’s most recent base rate case, which is 1.406762. The
20 calculation of the revenue factor is reflected on Schedule TK-10.

21 **III. RATE DESIGN AND CUSTOMER BILL IMPACTS**

22 **Q. WHAT CUSTOMER CLASSES AND CUSTOMERS WILL THE IIP RIDER BE**
23 **APPLIED TO?**

24 **A.** The IIP Rider is assessed to all firm customers on a rate per service class to those served

1 under Service Classifications RDS, SGS, GDS, NGV, LVD, EGF, and GLS including
2 certain firm, Board approved special contract customers served under the Company's
3 firm rate classes.

4 **Q. HOW IS THE REVENUE REQUIREMENT BEING ALLOCATED TO FIRM**
5 **RATE CLASSES AND FIRM SPECIAL CONTRACT CUSTOMERS?**

6 **A.** As shown on Schedule TK-3, and specified in the IIP Order, the Company is allocating
7 the revenue requirement for each applicable firm class and firm special contracts for
8 IIP based on the percentage of revenues approved in the Company's most recent base
9 rate case.

10 **Q. WHAT RATE DESIGN WAS UTILIZED FOR THE PROPOSED IIP RATE**
11 **ADJUSTMENT?**

12 **A.** Pursuant to the IIP Order, the IIP Rate Adjustment is effectuated by a volumetric
13 distribution charge calculated for each class utilizing the billing determinants used to
14 set rates in the Company's most recent base rate case. Schedule TK-3 sets forth the
15 IIP allocated revenue to each class divided by the respective therm billing determinants
16 from the Company's most recent base rate case to derive the proposed IIP rates, before
17 sales and use tax, shown on Schedule TK-4 Proof of Revenues. The revenue
18 requirement allocation, proof of revenues and proposed IIP rates by class inclusive of
19 taxes are summarized on Schedule TK-2.

20 The Margin Revenue Factor set forth in the Company's Weather Normalization
21 Clause ("WNC") tariff will also be revised to reflect the IIP rate adjustment, as shown
22 on Schedule TK-5.

1 **Q. WHAT IS THE IMPACT OF THE PROPOSED IIP RATE ADJUSTMENT FOR**
2 **A TYPICAL RESIDENTIAL CUSTOMER?**

3 **A.** The bill impact of the proposed IIP Rate Adjustment for a typical residential heating
4 customer using 100 therms in a winter month will be an increase of 1.98 from \$105.63
5 to \$107.61, an increase of 1.9%.

6 **IV. EARNINGS TEST**

7 **Q. HAS THE COMPANY PERFORMED AN EARNINGS TEST CALCULATION?**

8 **A.** Yes. The Company has performed an earnings test calculation pursuant to the IIP
9 Order, as shown on Schedule TK-6. The earnings test calculation was based on a ROE
10 determined based on the actual net income of the Company for the 12-month period
11 ended December 31, 2019 divided by the average of the beginning and ending common
12 equity balances for the corresponding period. The calculation also incorporates the
13 removal of certain income adjustments as shown on Schedule TK-6.

14 **Q. WHAT IS THE RESULT OF THE EARNINGS TEST?**

15 **A.** The calculated ROE is 5.85%, which meets the requirement of the IIP Order that the
16 calculated ROE be less than 10.10%, calculated as fifty (0.50%) basis points plus
17 9.60%, the ROE approved by the Board in the Company's most recent base rate case.

18 **V. MINIMUM FILING REQUIREMENTS (MFRS)**

19 **Q. IN ADDITION TO THE SCHEDULES PREVIOUSLY REFERENCED IN**
20 **YOUR DIRECT TESTIMONY, ARE YOU SPONSORING ANY ADDITIONAL**
21 **SCHEDULES IN SUPPORT OF THE MFRS?**

22 **A.** Yes. Also attached to my Direct Testimony are the Company's Income Statement for
23 the 12 months ending December 31, 2019 and the Company's Balance Sheet as of

1 December 31, 2019. The information is attached hereto as Schedule TK-13 and TK-
2 14, respectively.

3 **Q. HAS THE COMPANY RECEIVED ANY OUTSIDE FUNDS OR CREDITS FOR**
4 **WORK RELATED TO ANY IIP PROJECTS?**

5 **A.** No, the Company has not received any such funds or credits.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A.** Yes, it does.

Schedule TK-1

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Revenue Requirement and Residential Bill Impact

		June 2020
		Roll-In Oct 1
		<hr/>
Plant In Service (excl AFUDC)		\$60,000,140
Monitor		\$30,000
Advanced Leak Detection (ALD) Report		\$157,000
AFUDC		\$381,427
Total Plant In Service		<hr/> \$60,568,567
Book Depreciation, half year		(\$547,814)
	6.5	<hr/> (\$484,478)
Rate Base		<hr/> \$59,536,275
Rate of Return - net of tax		<hr/> 6.5165%
		<hr/> \$3,879,681
O&M Red. for Leak Repairs - per Stip, net of tax	28.110%	(\$64,701)
Advanced Leak Detection expense, net of tax	28.110%	\$0
Depreciation Exp, net of tax	28.110%	\$787,647
Allowable Net Income		<hr/> \$4,602,627
Revenue Factor		<hr/> 1.406762
Revenue Requirement		<hr/> \$6,474,801
Cumulative Revenue Requirement		<hr/> \$6,474,801
Average Book Depreciation Rate		1.81%
Tax Depreciation Rate		3.750%
Bonus Depreciation Rate		0%
Half Year Book Depreciation		\$547,814
Tax Bonus Depreciation		\$0
Tax Depreciation		\$2,271,321
Deferred Income Tax Credit, (Bk - Tax)* Tax Rate		(\$484,478)
O&M Red. for Leak Repairs - per Stip		(\$90,000)
Advanced Leak Detection expense		\$0
<u>Residential Bill Impact:</u>		
		<hr/>
2019 Rate Case Billing Determinants		
% / \$\$\$ to RDS per STIP 2016 Case	65.984%	\$4,272,333
Rate Case Therms 2019	229,151,904	\$0.0186
per Therm w/ SUT	106.625%	\$0.0198
Annual Increase, w/tax	1,000	\$19.80
Cumulative Increase		\$19.80
1,000 therm Bill as of 4/1/20 before / after IIP	\$1,076.77	\$1,096.57
% Increase from Prior Bill		1.8%

Schedule TK-2

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Proposed Rates - Oct 1, 2020
Summary

	2019 Rate Case			2019 Rate Case			
	% of Base	Revenue	Revenue	Distribution	Rates	Sales Tax	Rates
	<u>Revenues</u>	<u>Requirement</u>	<u>Proof</u>	<u>Therms</u>	<u>Pre Tax</u>	<u>6.625%</u>	<u>w/ Tax</u>
Residential	65.984294%	\$4,272,352	\$4,262,225	229,151,904	\$0.0186	\$0.0012	\$0.0198
Small General Service	6.352028%	\$411,281	\$411,336	19,967,772	\$0.0206	\$0.0014	\$0.0220
General Delivery Service	23.568738%	\$1,526,029	\$1,527,123	124,156,335	\$0.0123	\$0.0008	\$0.0131
GDS Seasonal SP#1 <i>May-Oct</i>	0.017537%	\$1,135	\$1,153	426,917	\$0.0027	\$0.0002	\$0.0029
Natural Gas Vehicles	0.089335%	\$5,784	\$5,786	173,750	\$0.0333	\$0.0022	\$0.0355
Large Volume Demand	3.771645%	\$244,207	\$245,010	41,527,129	\$0.0059	\$0.0004	\$0.0063
Electric Generation	0.007290%	\$472	\$476	122,163	\$0.0039	\$0.0003	\$0.0042
Gas Lights ---- per Mantel	0.007680%	\$497	\$498	28,800	\$0.25	\$0.02	\$0.27
Firm Spec. Contracts	0.201453%	<u>\$13,044</u>	<u>\$13,613</u>	13,612,932	\$0.0010	\$0.0001	\$0.0011
		\$6,474,801	\$6,467,220				

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Revenue Requirement Allocation

Schedule TK-3

Plant In-Service as of >>> Revenue Requirement, Cum To Date >>>	<u>June 2020</u> \$6,474,801	Allocation per 2019 Rate Case		
		Base Revenues	Overall %	Allocation
Residential		\$124,740,797	65.984294%	\$4,272,352
Small General Service		\$12,008,268	6.352028%	\$411,281
General Delivery Service		\$44,555,802	23.568738%	\$1,526,029
General Delivery Service SP#1 May - Oct		\$33,153	0.017537%	\$1,135
Natural Gas Vehicles		\$168,885	0.089335%	\$5,784
Large Volume Demand Combined with FTS, 2019 Rate Case		\$7,130,151	3.771645%	\$244,207
Electric Generation		\$13,782	0.007290%	\$472
Gas Lights		\$14,518	0.007680%	\$497
Firm Base Rate Revenues		\$188,665,356	99.798547%	\$6,461,757
Firm Special Contracts Avg.		\$380,840	0.201453%	\$13,044
Total Firm Revenues		\$189,046,196	100.000000%	\$6,474,801
Interruptible Revenues		\$6,911,221		
Other Revenues		\$1,587,043		
TOTAL REVENUES		\$197,544,460		\$6,474,801

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Schedule TK-4
Consisting of 3 Pages

Proof of Revenues
\$6,474,801

<u>Component</u>	<u>per IIP Stipuation Determinants per 2019 Rate Case</u>		<u>Proposed Rider F Rates Pre Tax</u>	
	<u>Amount</u>	<u>Units</u>	<u>Rate</u>	<u>Revenue Proof</u>
<u>Residential Service</u>	271,494	Customers		RDS
Customer Charge	3,257,928	Bills	\$0.00	\$0
Distribution Charge	229,151,904	Therms	\$0.0186	\$4,262,225
Total Base Rate Revenues				\$4,262,225
<hr/>				
<u>Small General Service</u>	16,054	Customers		SGS
Customer Charge	192,648	Bills	\$0.00	\$0
Distribution & Demand, combined	19,967,772	Therms	\$0.0206	\$411,336
Total Base Rate Revenues				\$411,336
<hr/>				
<u>General Delivery Service</u>	6,935	Customers		GDS
Customer Charge	83,220	Bills	\$0.00	\$0
Demand Charge	16,495,116	Therms	\$0.000	\$0
Distribution Charge	124,156,335	Therms	\$0.0123	\$1,527,123
	May-Oct		May-Oct	
Distribution Charge (Lg. A/C, Dist. Gen.)	426,917	Therms	\$0.0027	\$1,153
Total Base Rate Revenues	124,583,252	Total Therms		\$1,528,276
<hr/>				
<u>Electric Generation Firm Service</u>	4	Customers		EGF
Customer Charge	48	Bills	\$0.00	\$0
Demand Charge	9,300	Therms	\$0.000	\$0
Distribution Charge, tariff rate	122,163	Therms	\$0.0039	\$476
Total Base Rate Revenues				\$476
<hr/>				
<u>Large Volume Demand Combined with FTS, 2019 Rate Case</u>				LVD / FTS
<u>Large Volume Demand</u>	50	Customers		
Customer Charge	600	Bills	\$0.00	\$0
Demand Charge	4,228,944	Therms	\$0.000	\$0
Distribution Charge	41,527,129	Therms	\$0.0059	\$245,010
Total Base Rate Revenues				\$245,010

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Schedule TK-4
Consisting of 3 Pages

Proof of Revenues
\$6,474,801

<u>Component</u>	<u>per IIP Stipuation Determinants per 2019 Rate Case</u>		<u>Proposed Rider F Rates Pre Tax</u>	
	<u>Amount</u>	<u>Units</u>	<u>Rate</u>	<u>Revenue Proof</u>
FTS				
<u>Firm Transportation Service</u>	2019 Rate Case Combined with LVD			
Customer Charge				
Demand Charge				
Distribution Charge				
Total Base Rate Revenues				
NGV				
<u>Natural Gas Vehicles</u>	12 Customers 144 Bills			
Distribution Charge	173,750	Therms	\$0.0333	\$5,786
Fueling Charge	173,750	Therms	\$0.0000	\$0
Facilities Charge	173,750	Therms	\$0.0000	\$0
Total Base Rate Revenues			\$0.0333	\$5,786
GLS				
<u>Gas Lights Service</u>	13 Customers 156 Bills			
Service Charge			\$0.25	
Distribution Charge	28,800	Therms	\$0.0173	\$498
Total Base Rate Revenues				\$498
Total Firm Rate Class	415,554,770	Therms		\$6,453,607
CSI				
<u>Closed Tariff 2 Kean Meters Left</u>				
<u>Interruptible Cogeneration Sales Service</u>				
Service Charge	24	Bills	\$0.00	\$0
Distribution Charge, retain 20%	1,236	Therms	\$0.0000	
Total Base Rate Revenues				\$0
IS				
<u>Interruptible Sales Service</u>				
Service Charge	0	Bills	\$0.00	\$0
Demand Charge	127,560	Therms	\$0.0000	\$0
Distribution Charge, retain 20%	0	Therms	\$0.0000	
Total Base Rate Revenues				\$0

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Schedule TK-4
Consisting of 3 Pages

Proof of Revenues
\$6,474,801

<u>Component</u>	<u>per IIP Stipuation Determinants per 2019 Rate Case</u>		<u>Proposed Rider F Rates Pre Tax</u>	
	<u>Amount</u>	<u>Units</u>	<u>Rate</u>	<u>Revenue Proof</u>
ITS-IS				
<u>Interruptible Transportation Service</u>		13 Customers		
Service Charge		156 Bills	\$0.00	\$0
Demand Chg., retain 1st \$0.08/ 20% thereafter	274,704	Therms	\$0.000	\$0
Distribution Charge, retain 20%	2,123,735	Therms	\$0.0000	
Total Base Rate Revenues				\$0
*Amount is the 1st \$0.08 per therm				
ITS-CSI				
<u>Interruptible Cogeneration Transportation Service</u>		0 Customers		
Service Charge		0 Bills	\$0.00	\$0
Demand Charge, retain 20%		0 Therms	\$0.000	
Distribution Charge, retain 20%		0 Therms	\$0.0000	
Total Base Rate Revenues				\$0
ITS-LVD				
<u>Interruptible LVD Sales Service</u>		40 Customers		
Service Charge		480 Bills	\$0.00	\$0
Demand Charge	4,578,708	Therms	\$0.000	\$0
Distribution Charge	38,783,827	Therms	\$0.0000	\$0
Tariff Flex Revenues	333,212	Therms	\$0.0000	\$0
Total Base Rate Revenues	39,117,039	Total Therms		\$0
FYI ex Flex ='s				
Total Interruptible Rate Class Revenues				\$0
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$6,453,607
<u>Other Revenues</u>				
Special Contracts Firm				\$13,613
Special Contracts Interruptible				\$0
Other Miscellaneous Revenues				\$0
Total Other Revenues				\$13,613
TOTAL SYSTEM INCLUDING OTHER REVENUES				\$6,467,220
Change				\$6,467,220
Target Change				\$6,474,801
Difference				(\$7,581)

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Weather Normalization Clause ("WNC") Margin Revenue Factor

Classes	Distribution Charge, including taxes (\$/ therm) a	less SUT tax 6.625% b	Margin Revenue, Distribution Charge excluding taxes, (\$/ therm) c = a - b	Class Sales for period October through May (therms) * d	Ratio of Class Sales to Total Sales for Period e= d / sum of d	Weighted Margin Revenue in Distribution Rate (\$/ therm) f = c * e
Base Rates						
RDS	\$0.4382	\$0.0272	\$0.4110	213,931,646	62.53%	\$0.2570
SGS	\$0.3807	\$0.0237	\$0.3570	18,706,736	5.47%	\$0.0195
GDS	\$0.2301	\$0.0143	\$0.2158	109,505,461	32.01%	\$0.0691
				<u>342,143,843</u>	100.01%	<u>\$0.3456</u>
IIP Rates						
RDS	\$0.0198	\$0.0012	\$0.0186	213,931,646	62.53%	\$0.0116
SGS	\$0.0220	\$0.0014	\$0.0206	18,706,736	5.47%	\$0.0011
GDS	\$0.0131	\$0.0008	\$0.0123	109,505,461	32.01%	\$0.0039
				<u>342,143,843</u>	100.01%	<u>\$0.0166</u>
					Total	<u><u>\$0.3622</u></u>

* Therms per 2019 Rate Case

Schedule TK-6

Elizabethtown Gas Company
Infrastructure Investment Program ("IIP")
Earnings Test, per N.J.A.C. 14:3-2A.6(h) *

January-19		Through	December-19
<u>Regulated Jurisdictional Net Income Excess / (Deficiency):</u>			
Net Income (including IIP and WNC margin revenue, net of tax)			\$34,243,161
less: IIP and WNC margin revenue disallowance if any, both net of tax			<u>\$0</u>
1	Net Income		\$34,243,161
2	Less:		
	Non-firm Sales & Transportation margins, net of tax		\$91,919
	Off-system Sales & Capacity Release, net of tax		\$54,814
	Amort. of Pension/OPEB Regulatory Assets, net of tax ***		\$2,883,008
	Other income (expense), net of tax		<u>\$290,226</u>
			\$3,319,967
3	Regulated Jurisdictional Net Income (L1-L2) **		<u><u>\$30,923,194</u></u>
4	Common Equity Beginning, Ending and Average Balances		
	December-18 Beginning Equity		\$511,592,929
	December-19 Ending Equity		\$545,836,090
	Average Beginning & Ending Month Common Equity		<u>\$528,714,510</u>
5	ROE (L3/L4) *		<u><u>5.85%</u></u>
Rate of Return on Equity, 2019 Rate Case			9.60%
ROE Test: Rate of Return on Equity, 2019 Rate Case plus 50 Basis Points			<u>0.50%</u> <u>10.10%</u>

* IIP STIP N.J.A.C. 14:3-2A.6(h) An earnings test shall be required, where Return on Equity (ROE) shall be determined based on the actual net income of the utility for the most recent 12-month period divided by the average of the beginning and ending common equity balances for the corresponding period.

** Net Income is adjusted to exclude non-jurisdictional allocated income taxes and to exclude interest and related income tax amounts of non-jurisdictional acquisition adjustment amounts.

*** Represents the amortization of the Pension and Other Post-Employment Benefits regulatory assets consistent with the BPU Order Amounts Per BPU Order 6-30-17 GR16090826 and Stipulated to in 2019 Rate Case Per BPU Order 11-13-19 GR19040486. The amortization was not recorded in the books and records consistent with Generally Accepted Accounting Principles and therefore is included as an adjustment above to reflect the expense for regulatory reporting purposes.

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Actual / Projected In-Service Expenditures

Schedule TK-7

	In-Service			In-Service			In-Service			In-Service
Periods:	Mains	Services	IIP Program	Monitor	ALD Study	In-Service Pre AFUDC	AFUDC Mains	AFUDC Services	AFUDC Total	Total with AFUDC
12 mos Ending										
Jun-20	\$46,379,772	\$13,620,368	\$60,000,140	\$30,000	\$157,000	\$60,187,140	\$305,723	\$75,704	\$381,427	\$60,568,567
Monthly Spending:										
Jun-19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jul-19	\$175,471	\$0	\$175,471	\$0	\$0	\$175,471	\$113	\$0	\$113	\$175,584
Aug-19	\$118,188	\$196,470	\$314,658	\$0	\$0	\$314,658	\$924	\$283	\$1,207	\$315,865
Sep-19	\$1,463,536	\$443,760	\$1,907,296	\$0	\$0	\$1,907,296	\$11,321	\$2,756	\$14,077	\$1,921,373
Oct-19	\$1,703,984	\$1,056,435	\$2,760,419	\$0	\$0	\$2,760,419	\$9,634	\$2,619	\$12,253	\$2,772,672
Nov-19	\$226,094	\$410,419	\$636,513	\$0	\$0	\$636,513	\$0	\$0	\$0	\$636,513
Dec-19	\$4,380,974	\$3,735,054	\$8,116,028	\$0	\$0	\$8,116,028	\$50,571	\$31,235	\$81,806	\$8,197,834
Jan-20	\$657,915	\$163,223	\$821,138	\$0	\$0	\$821,138	\$0	\$0	\$0	\$821,138
Feb-20	\$2,497,193	\$2,581,356	\$5,078,549	\$0	\$0	\$5,078,549	\$24,738	\$16,781	\$41,519	\$5,120,068
Mar-20	\$220,273	\$11,771	\$232,044	\$0	\$0	\$232,044	\$0	\$0	\$0	\$232,044
Apr-20	\$18,588,502	\$5,021,880	\$23,610,382	\$0	\$0	\$23,610,382	\$81,542	\$22,030	\$103,572	\$23,713,954
May-20	\$9,790,652	\$0	\$9,790,652	\$25,000	\$157,000	\$9,972,652	\$75,913	\$0	\$75,913	\$10,048,565
Jun-20	\$6,556,990	\$0	\$6,556,990	\$5,000	\$0	\$6,561,990	\$50,967	\$0	\$50,967	\$6,612,957

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Annualized Depreciation

Schedule TK-8

	In-Service Depreciation		Monitor	ALD Study		AFUDC Depreciation		Full Year
	Mains	Services				Mains	Services	
	376	380	376	376		376	380	
2016 Percentages	<u>1.36%</u>	<u>1.88%</u>	<u>1.36%</u>	<u>1.36%</u>	Depreciation	<u>1.36%</u>	<u>1.88%</u>	Depreciation
Average 2016 & 20	<u>1.49%</u>	<u>2.32%</u>	<u>1.49%</u>	<u>1.49%</u>	Expense	<u>1.49%</u>	<u>2.32%</u>	Expense
2019 RC 11-15-19	<u>1.60%</u>	<u>2.70%</u>	<u>1.60%</u>	<u>1.60%</u>	Pre AFUDC	<u>1.60%</u>	<u>2.70%</u>	W/ AFUDC
End Date								
Jun-20	733,520	352,279	480	2,512	1,088,791	4,840	1,997	1,095,628
Monthly Spending:								
May-19	0	0	0	0	0	0	0	0
Jun-19	0	0	0	0	0	0	0	0
Jul-19	2,386	0	0	0	2,386	2	0	2,388
Aug-19	1,607	3,694	0	0	5,301	13	5	5,319
Sep-19	19,904	8,343	0	0	28,247	154	52	28,453
Oct-19	23,174	19,861	0	0	43,035	131	49	43,215
Nov-19	3,369	9,522	0	0	12,891	0	0	12,891
Dec-19	70,096	100,846	0	0	170,942	809	843	172,594
Jan-20	10,527	4,407	0	0	14,934	0	0	14,934
Feb-20	39,955	69,697	0	0	109,652	396	453	110,501
Mar-20	3,524	318	0	0	3,842	0	0	3,842
Apr-20	297,416	135,591	0	0	433,007	1,305	595	434,907
May-20	156,650	0	400	2,512	159,562	1,215	0	160,777
Jun-20	104,912	0	80	0	104,992	815	0	105,807

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Weighted Average Cost of Capital ("WACC")

Rate Case 2019			FIT at	21%
	Capitalization			
	Ratios	Rate	Cost %	After Tax
				28.110%
Long Term Debt	48.50%	4.510%	2.187%	1.5722%
Short Term Debt	0.00%	0.000%	0.000%	0.0000%
Common Equity	51.50%	9.600%	4.944%	4.9440%
Total Capitalization	100.00%		7.131%	6.5162%
Settlement Adjustment				0.0003%
After Tax Black Box Settlement				6.5165%

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Revenue Expansion Factor

	Rate Case 11/15/2019
Revenue Increase	100.000%
	BPU + RC
BPU Assessments / BPU & RC	0.265%
RC Assessments	
Uncollectible Accounts Percentage	0.855%
Income before Corporate Business Tax	98.88000%
NJ Corporate Business Tax @ 9.00%	8.8992%
Income before Federal Income Taxes	89.9808%
Federal Income Taxes @ 21%	18.896%
Return	71.0848%
Revenue Factor (100% / Return %)	1.406771
Rounding to Settlement Factor	(0.000009)
Settlement Revenue Factor	1.406762

TABLE OF CONTENTS
(continued)

<u>RIDERS:</u>	<u>Sheet No.</u>
Rider “A” - Basic Gas Supply Service (“BGSS”)	104
Rider “B” - Weather Normalization Clause (“WNC”)	109
Rider “C” – On-System Margin Sharing Credit (“OSMC”)	114
Rider “D” – Societal Benefits Charge (“SBC”)	115
I. New Jersey Clean Energy Program (“CEP”)	115
II. Remediation Adjustment Clause (“RAC”)	118
III. Universal Service Fund (“USF”) and Lifeline	121
Rider “E” - Energy Efficiency Program (“EEP”)	124
Rider “F” - Infrastructure Investment Program (“IIP”)	125.1
Rate Summaries	126

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

ELIZABETHTOWN GAS COMPANY
B. P. U. NO. 17 – GAS

ORIGINAL SHEET NO. 125.1

RIDER "F"

INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")

Applicable to all RDS, SGS, GDS, NGV, LVD, EGF and GLS classes and Firm Special Contract customers receiving service through the Company's distribution system. The IIP rate shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU.

		Per Therm
RDS	Residential	\$0.0198
SGS	Small General Service	\$0.0220
GDS	General Delivery Service	\$0.0131
GDS	Seasonal SP#1 May-Oct	\$0.0029
NGV	Natural Gas Vehicles	\$0.0355
LVD	Large Volume Demand	\$0.0063
EGF	Electric Generation	\$0.0042
GLS	Gas Lights, per mantel	\$0.27
Firm Special Contracts		\$0.0011

The charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

The IIP is a five-year program to modernize and enhance the reliability and safety of the Company's gas distribution system by replacing its vintage, at-risk facilities which include aging cast iron mains, unprotected and bare steel mains and services, ductile iron and vintage plastic mains and vintage plastic and copper services. As part of the IIP, Elizabethtown is upgrading its legacy low pressure system to an elevated pressure system, and installing excess flow valves and retiring district regulators that are presently required to operate the existing low pressure system. The costs recovered through the IIP Rider rate include the Company's after-tax weighted average cost of capital as adjusted upward for the revenue expansion factor, depreciation expense and applicable taxes.

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

RIDER "B"

WEATHER NORMALIZATION CLAUSE ("WNC") (continued)METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)I. Definition of Terms as Used Herein (continued)

6. Degree Day Consumption Factor ("DDCF") - the variable component (use per degree day) of the gas sendout for each month of the winter period normalized for weather and adjusted for lost and unaccounted for gas. The DDCF shall be updated annually in the Company's WNC reconciliation filing annualizing to reflect the change in number of customers that has occurred since the base rate proceeding that established the initial degree day consumption factor in base rate cases. The base number of customers used to establish the normalized use in therms per Customer and the calculated DDCF approved in the Company's most recent base rate case are as follows:

<u>Month</u>	<u>Base Number of Customers</u>	<u>Therms per Degree Day</u>
October	293,159	51,818
November	293,834	62,593
December	294,633	69,064
January	295,059	68,081
February	295,322	67,808
March	295,477	63,693
April	295,126	52,489
May	294,483	54,279

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and other similar charges and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates are adjusted. The current Margin Revenue Factor is \$0.3622 per therm.

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

ELIZABETHTOWN GAS COMPANY
B. P. U. NO. 17 – GAS

~~ORIGINAL~~ ^{1ST} ~~REVISED~~ SHEET NO. 6

TABLE OF CONTENTS
(continued)

<u>RIDERS:</u>	<u>Sheet No.</u>
Rider "A" - Basic Gas Supply Service ("BGSS")	104
Rider "B" - Weather Normalization Clause ("WNC")	109
Rider "C" – On-System Margin Sharing Credit ("OSMC")	114
Rider "D" – Societal Benefits Charge ("SBC")	115
I. New Jersey Clean Energy Program ("CEP")	115
II. Remediation Adjustment Clause ("RAC")	118
III. Universal Service Fund ("USF") and Lifeline	121
Rider "E" - Energy Efficiency Program ("EEP")	124
<u>Rider "F" - Infrastructure Investment Program ("IIP")</u>	<u>125.1</u>
Rate Summaries	126

Date of Issue: ~~November 14, 2019~~ ^{xxx1}

Effective: Service Rendered
on and after ~~November 15,~~
~~2019~~ ^{xxx2}

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated ~~November 13, 2019~~ ^{xxx3} in Docket No. ~~GR19040486~~ ^{xxx4}

ELIZABETHTOWN GAS COMPANY
B. P. U. NO. 17 – GAS

ORIGINAL SHEET NO. 125.1

RIDER "F"

INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")

Applicable to all RDS, SGS, GDS, NGV, LVD, EGF and GLS classes and Firm Special Contract customers receiving service through the Company's distribution system. The IIP rate shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU.

	<u>Per Therm</u>
<u>RDS Residential</u>	<u>\$0.0198</u>
<u>SGS Small General Service</u>	<u>\$0.0220</u>
<u>GDS General Delivery Service</u>	<u>\$0.0131</u>
<u>GDS Seasonal SP#1 May-Oct</u>	<u>\$0.0029</u>
<u>NGV Natural Gas Vehicles</u>	<u>\$0.0355</u>
<u>LVD Large Volume Demand</u>	<u>\$0.0063</u>
<u>EGF Electric Generation</u>	<u>\$0.0042</u>
<u>GLS Gas Lights, per mantel</u>	<u>\$0.27</u>
 <u>Firm Special Contracts</u>	 <u>\$0.0011</u>

The charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

The IIP is a five-year program to modernize and enhance the reliability and safety of the Company's gas distribution system by replacing its vintage, at-risk facilities which include aging cast iron mains, unprotected and bare steel mains and services, ductile iron and vintage plastic mains and vintage plastic and copper services. As part of the IIP, Elizabethtown is upgrading its legacy low pressure system to an elevated pressure system, and installing excess flow valves and retiring district regulators that are presently required to operate the existing low pressure system. The costs recovered through the IIP Rider rate include the Company's after-tax weighted average cost of capital as adjusted upward for the revenue expansion factor, depreciation expense and applicable taxes.

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

RIDER "B"

WEATHER NORMALIZATION CLAUSE ("WNC") (continued)METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)I. Definition of Terms as Used Herein (continued)

6. Degree Day Consumption Factor ("DDCF") - the variable component (use per degree day) of the gas sendout for each month of the winter period normalized for weather and adjusted for lost and unaccounted for gas. The DDCF shall be updated annually in the Company's WNC reconciliation filing annualizing to reflect the change in number of customers that has occurred since the base rate proceeding that established the initial degree day consumption factor in base rate cases. The base number of customers used to establish the normalized use in therms per Customer and the calculated DDCF approved in the Company's most recent base rate case are as follows:

<u>Month</u>	<u>Base Number of Customers</u>	<u>Therms per Degree Day</u>
October	293,159	51,818
November	293,834	62,593
December	294,633	69,064
January	295,059	68,081
February	295,322	67,808
March	295,477	63,693
April	295,126	52,489
May	294,483	54,279

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and other similar charges and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates are adjusted. The current Margin Revenue Factor is \$0.~~3456~~3622 per therm.

Date of Issue: ~~November 14, 2019~~xxx1Effective: Service Rendered
on and after ~~November 15,~~
~~2019~~xxx2Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083Filed Pursuant to Order of the Board of Public Utilities
Dated ~~November 13, 2019~~xxx3 in Docket No. ~~GR19040486~~xxx4

Elizabethtown Gas Company
Statements of Income
YTD December 2019

		<u>YTD 2019</u>
<u>Utility Operating Income</u>		
400	Operating Revenues	\$ 325,132,721
<u>Operating Expenses</u>		
401	Operation Expenses	218,015,119
402	Maintenance Expenses	6,116,206
403	Depreciation	28,449,579
404-405	Amort. & depl. Of Utility Plant	-
408.1	Taxes Other Than Income Taxes	3,814,711
409.1	Income Taxes - Federal	-
409.1	Income Taxes - Other (State)	-
410.1	Provision for Deferred Income Taxes	7,799,117
411.4	Investment Tax Credit Adjustments - Net	(38,078)
	Total Operating Expenses	<u>264,156,653</u>
Net Operating Income (Loss)		<u>60,976,068</u>
<u>Other Income (Deductions)</u>		
415-421.1	Other Income	806,987
426.1-426.5	Miscellaneous Income Deductions	(214,899)
409.2-410.2	Income Taxes	32,924
	Net Other Income (Deductions)	<u>625,011</u>
<u>Interest Charges</u>		
427	Interest on Long - Term Debt	23,494,927
428/ 428.1	Amort of Debt Disc and Exp & Loss on Reacquired Debt	1,111,041
430	Interest on Debt to Assoc. Companies	-
431	Other Interest Expense	4,294,355
432	Allowance for Borrowed Funds	(1,542,404)
	Net Interest Charges	<u>27,357,918</u>
Net Income (Loss)		<u>\$ 34,243,161</u>

Note: This financial statement was prepared on a regulatory basis in accordance with the Uniform System of Accounts.

**Elizabethtown Gas Company
Balance Sheet**

**As of December 31,
2019**

Assets And Other Debits

Utility Plant

101	Utility Plant in Service	\$ 2,355,429,832
107	Construction Work in Progress	95,409,835
108	Accumulated Provision for Depreciation	(321,706,625)
	Net Utility Plant	<u>2,129,133,041</u>

Other Property And Investments

121	Non-utility Property	
122	Accumulated Provision for Depreciation	
124	Other Investments	8,523,293
176	Long Term Portion of Derivative Assets - Hedges	
	Total Other Property and Investments	<u>8,523,293</u>

Current And Accrued Assets

131	Cash	92,661
136	Temporary Cash Investments	-
142	Customer Accounts Receivable	76,086,577
143	Other Accounts Receivable	19,451,726
144	Accumulated Provisions for Uncollectible Accounts	(5,618,294)
146	Accounts Receivable from Associated Companies	-
154	Plant Materials & Operating Supplies	401,032
156	Other Materials and Supplies	-
163	Stores Expense Undistributed	-
164.1	Gas Stored Underground - Current	13,117,124
164.2	Liquefied natural gas stored	921,722
164.3	Liquefied Natural Gas Held for Processing	-
165	Prepayments	3,432,232
174	Miscellaneous Current and Accrued Assets	-
175	Derivative instrument assets - Current	9,110
	Total Current and Accrued Assets	<u>107,893,890</u>

Deferred Debits

175	Derivative instrument assets	15,303
181	Unamortized Debt Expense	6,536,221
182.3	Other Regulatory Assets	160,287,002
184	Clearing Accounts	-
186	Miscellaneous Deferred Debits	7,706,614
189	Unamortized Loss on Reacquired Debt	3,643,336
190	Accumulated Deferred Income Taxes	83,475,661
191	Unrecovered Purchased Gas Costs	5,301,452
	Total Deferred Debits	<u>266,965,589</u>

Total Assets And Other Debits

\$ 2,512,515,813

**Elizabethtown Gas Company
Balance Sheet**

**As of December 31,
2019**

Liabilities And Other Credits

Proprietary Capital

208-211	Other Paid-In Capital	\$ 1,183,797,343
216	Retained Earnings	29,202,523
219	Accumulated Other Comprehensive Income	-
	Total Proprietary Capital	<u>1,212,999,866</u>

Long-Term Debt

224	Other Long-Term Debt	675,000,000
	Total Long-Term Debt	<u>675,000,000</u>

Other Noncurrent Liabilities

228.3	Accumulated Provision for Pensions & Benefits	2,826,937
228.4	Accumulated Miscellaneous Operating Provisions	496,224
230	Asset Retirement Obligations	167,154,909
	Total Other Noncurrent Liabilities	<u>170,478,070</u>

Current And Accrued Liabilities

231	Notes Payable	103,700,000
232	Accounts Payable	10,688,769
234	Accounts Payable to Associated Companies	18,561,918
235	Customer Deposits	11,604,687
236	Taxes Accrued	-
237	Interest Accrued	1,287,058
241	Tax Collections Payable	-
242	Miscellaneous Current & Accrued Liabilities	23,185,942
243	Obligations Under Capital Leases	-
244	Derivative Instrument Liabilities - Current	5,467,220
245	(Less) Long Term Portion of Derivative Assets - Hedges	-
	Total Current and Accrued Liabilities	<u>174,495,594</u>

Deferred Credits

244	Derivative Instrument Liabilities	667,412
252	Customer Advances for Construction	1,674,001
253	Other Deferred Credits	101,407,380
254	Other Regulatory Liabilities	121,415,313
255	Accumulated Deferred Investment Tax Credits	-
282	Accumulated Deferred Other Property	50,498,953
283	Accumulated Deferred Other	3,879,225
	Total Deferred Credits	<u>279,542,283</u>

Total Liabilities And Other Credits

\$ 2,512,515,813

**Elizabethtown Gas Company
Balance Sheet**

**As of December 31,
2019**

Note: This financial statement was prepared on a regulatory basis in accordance with the Uniform System of Accounts.

Check \$ 0

Note 1 There was a reclass between FERC 189 and 182.3. The monthly amortization related to the Debt in FERC 189 was being recorded to FERC 182.3 from August 2019 to December 2019. We reclassified the five months of amortization from FERC 182.3 to FERC 189, to correct this in December 2019.

**BEFORE THE
NEW JERSEY BOARD OF PUBLIC UTILITIES**

**DIRECT TESTIMONY
OF
MICHAEL P. SCACIFERO
Director of Engineering Services**

**On Behalf Of
Elizabethtown Gas Company**

April 30, 2020

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.**

3 **A.** My name is Michael P. Scacifero and I am the Director of Engineering Services for
4 Elizabethtown Gas Company (“Elizabethtown” or the “Company”). My business
5 address is 520 Green Lane, Union, New Jersey 07083.

6 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL RESPONSIBILITIES.**

7 **A.** As Director of Engineering Services for Elizabethtown, I oversee engineering
8 planning design and budgeting for all of Elizabethtown’s distribution system
9 improvements, renewals, pressure improvements, Department of Transportation
10 projects and large new business projects. I am responsible for conducting system
11 modeling and analysis and providing engineering support to Field Operations and
12 Construction Operations. I am also involved with the development of
13 Elizabethtown’s capital budget and I am familiar with its components.

14 **Q. WHAT ARE YOUR PROFESSIONAL AND EDUCATIONAL**
15 **QUALIFICATIONS?**

16 **A.** I received a B.S. in Civil Engineering from New Jersey Institute of Technology in
17 1988. I am a Licensed Professional Engineer in the State of New Jersey. I have been
18 employed by Elizabethtown for 29 years in Engineering and Operations. Two of
19 those years were spent as a Project Engineer, five years as a Division Engineer, and
20 fourteen years as Manager of Engineering, Manager of Operations and, currently,
21 Director of Engineering Services. Prior to joining Elizabethtown, I was a Project
22 Engineer for four years with Johnson Engineering Inc. specializing in highway and
23 infrastructure design. Prior to that, I was employed for three years by the Township

1 of Warren, New Jersey as a Staff Engineer specializing in municipal engineering. I
2 am a member of the New Jersey Utilities Association.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A.** My testimony provides the status of both the actual in-service investments that were
5 made from July 1, 2019 through March 31, 2020 and those which are projected to be
6 made from April 1, 2020 through June 30, 2020 as part of the Company's
7 Infrastructure Investment Program ("IIP") approved by the New Jersey Board of
8 Public Utilities ("BPU" or the "Board") by order dated June 12, 2019 in Docket No.
9 GR18101197 ("IIP Order"). In accordance with the IIP order, the Company will
10 provide a 12+0 update by July 15, 2020 that contains actual in-service investments
11 through June 30, 2020. My testimony also provides certain information responsive to
12 the Minimum Filing Requirements ("MFRs") required to be provided in this filing by
13 the IIP Order.

14 **Q. DOES YOUR TESTIMONY INCLUDE ANY ILLUSTRATIVE SCHEDULES?**

15 **A.** Yes. My testimony includes the following schedules that were prepared by me or
16 under my direction and supervision:

17 Schedule MPS-1: Elizabethtown's actual baseline capital spending for
18 both the recovery period and the prior calendar years
19 2018 and 2019 (MFR Number 3);

20 Schedule MPS-2: Elizabethtown's overall approved IIP capital budget,
21 including Construction Work In Progress ("CWIP")
22 and In-Service amounts, broken down by major
23 categories, including both budgeted and actual amounts
24 (MFR Number 4);

Schedule MPS-3: IIP Project information, including the original budget, CWIP expenditures incurred to date, status of construction work completed to date, and estimated or actual construction completion date. (MFR Number 5.a.b.c.); and

Schedule MPS-4 Leak Metric Requirements.

II. OVERVIEW OF IIP

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY’S IIP.

A. Under the IIP, the Company is authorized to invest up to \$300 million (“Program Cost Cap”) in the Company’s gas distribution system over the five (5) year period, July 1, 2019 through June 30, 2024, to replace up to 250 miles of cast iron and bare steel mains and related services, as well as the installation of excess flow valves (“EFVs”) on new service lines (“IIP Projects”). This filing reflects investments associated with in-service IIP Projects during Year 1 of the IIP, which is the period July 1, 2019 through June 30, 2020.

Q. WHAT IS THE DERIVATION OF THE PROGRAM COST CAP?

A. The Program Cost Cap is derived by applying a cost per mile cap of \$1.2 million per mile to the an IIP mileage cap of 250 miles over the five (5) year term of the IIP. The \$300 million Program Cost Cap excludes Allowance for Funds Used During Construction (“AFUDC”) and the costs of the IIP Independent Monitor and the methane leak study, discussed further below.

1 **III. STATUS OF IIP PROJECTS**

2 **Q. PLEASE DESCRIBE THE YEAR ONE IIP PROJECTS THAT**
3 **ELIZABETHTOWN ANTICIPATES WILL BE PLACED IN-SERVICE BY**
4 **JUNE 30, 2020.**

5 **A.** With respect to Year One IIP Projects, as of March 31, 2020, the Company invested
6 \$46.0 million in CWIP, of which \$20 million was placed in-service, excluding
7 AFUDC. As of March 31, 2020, the Company has installed 17.36 miles of main,
8 2,136 services and 2,133 EFVs on new service lines. These in-service investments
9 include main, services and EFV projects located in the following 17 geographic
10 program areas depicted on Schedule MPS-3: Reference Numbers 1-15, 21 and 32.
11 The Company anticipates that by June 30, 2020 it will have placed in service a total
12 of \$60.0 million, excluding AFUDC and the costs of the Independent Monitor and
13 methane leak study, in Year 1 IIP Projects and will have installed 75.74 miles of main
14 and an estimated 4,388 of associated services and 4,385 EFVs. See Schedules MPS-2
15 and MPS-3 for IIP budget information, expenditures incurred to date for In-Service
16 and IIP Year 1 Project completion dates.

17 As required by the IIP Order, the IIP Projects and amounts are incremental to
18 the Company's normal capital spending budget. The Company's actual baseline
19 capital spending for both the recovery period (July 1, 2019 through June 30, 2020)
20 and the prior calendar year (12-months ending December 2019) is reflected in
21 Schedule MPS-1.

22 **Q. DO THE IN SERVICE AMOUNTS REFLECTED IN THIS FILING EXCEED**
23 **\$30 MILLION AS REQUIRED BY THE IIP ORDER?**

1 **A.** Yes. Under the IIP Order, Elizabethtown shall make annual filings to recover IIP
2 costs when eligible in-service amounts exceed 10% of total program spending.¹ As
3 noted above, Elizabethtown projects a total of \$60.0 million IIP plant-in-service as of
4 June 30, 2020.

5 **Q. IN ACCORDANCE WITH MFR NUMBER 5.d, PLEASE DISCUSS THE**
6 **ANTICIPATED IIP TIMELINE, ESTIMATED COMPLETION DATE AND**
7 **ANY UNANCTICPATED CHANGES.**

8 **A.** As noted above, the IIP timeline is from July 1, 2019 through June 30, 2024. All IIP
9 projects are expected to be completed by June 30, 2024. Elizabethtown does not
10 anticipate any changes to the IIP projects at this time. See Schedule MPS-3 for
11 further information regarding IIP Year 1 project status and completion dates.

12 **IV. PRIORITIZATION OF PROJECTS**

13 **Q. HOW HAS THE COMPANY PRIORITIZED THE IIP PROJECTS?**

14 **A.** As required by the IIP Order, the IIP projects are prioritized utilizing Elizabethtown's
15 Distribution Integrity Management Plan or "DIMP", which is a risk-based process
16 followed by the Company. Elizabethtown has integrated advanced leak detection or
17 "ALD" technology information and methane emission flow rates, as appropriate,
18 along with consideration of additional factors such as construction, efficiencies,
19 logistics and other risk factors within Elizabethtown's discretion, including the
20 prioritization ranking methodology within the Company's DIMP.

¹ There is an exception to this requirement -- the April 2025 filing may be less than 10% of total program spending to the extent it reflects residual spending associated with restoration work occurring after June 30, 2024.

1 **Q. HAS THE COMPANY COMPLETED A METHANE LEAK SURVEY FOR**
2 **ELIZABETHTOWN'S TARGETED IIP MILES USING ALD**
3 **TECHNOLOGY?**

4 **A.** Yes. In compliance with the IIP Order, that survey was completed on October 31,
5 2019, thereby satisfying the deadline of December, 2019. Under the IIP Order,
6 investments in years two (2) and (5) of the IIP are subject to completion of the
7 methane leak survey. As authorized by the IIP Order, the costs of the survey are
8 reflected in the cost recovery sought by this filing and supported by Company witness
9 Thomas Kaufmann.

10 **Q. DID THE COMPANY FILE THE METHANE LEAK SURVEY**
11 **INFORMATION WITH THE BOARD?**

12 **A.** Yes. In compliance with the IIP Order, the methane leak survey accompanied the
13 first semi-annual IIP status report that the Company submitted to the Board on
14 February 18, 2020. Copies were also provided to Board Staff, Rate Counsel and the
15 Environmental Defense Fund.

16 **V. EFFECTIVENESS OF IIP AND OPEN LEAK INVENTORY REDUCTION**

17 **Q. IN ACCORDANCE WITH MFR NUMBER 5.e., PLEASE DISCUSS THE**
18 **EFFECTIVENESS OF THE IIP IN IMPROVING SYSTEM PERFORMANCE,**
19 **INCLUDING IDENTIFICATION OF IMPROVED FACILITIES.**

20 **A.** As reflected above and in Schedule MPS-3, as of March 31, 2020, Elizabethtown has
21 installed 47.6 miles of mains and just over 4,000 services and EFVs inclusive of
22 CWIP projects not yet in service. In accordance with the intent of the IIP, the
23 replacement of these facilities has and will enhance the Company's distribution
24 system safety and reliability to the benefit of Elizabethtown's customers. The IIP

work will also support the environment by helping to reduce Elizabethtown's open leak inventory as discussed below, and will facilitate economic development and employment in New Jersey.

Q. HAS THE COMPANY ENGAGED AN INDEPENDENT MONITOR THAT REVIEWS AND REPORTS ON THE EFFECTIVENESS OF THE IIP TO BOARD STAFF AND RATE COUNSEL?

A. Yes, as required by the IIP Order, following consultation with Board Staff and Rate Counsel, in December, 2019, Elizabethtown retained Jerry May to serve as the IIP Independent Monitor. In the first quarter of 2020, the Independent Monitor completed the first report and found that the IIP investments were effective in meeting IIP objectives and that they were cost effective and efficient. The Independent Monitor's results were reported to Board Staff and Rate Counsel. As discussed by Mr. Kaufmann, the Independent Monitor costs are reflected in the cost recovery sought by this filing as authorized by the IIP Order.

Q. PLEASE ADDRESS THE COMPANY'S OPEN LEAK INVENTORY REQUIREMENT AS REFLECTED IN THE IIP ORDER?

A. The IIP Order requires that the Company reduce its year-end open leak inventory by one (1) percent for each year of the IIP, except for certain extraordinary circumstances. This open leak reduction metric includes all post-approval open leaks subject to a cap for each year of the IIP. The cap for Year 1 of the IIP is 3,315, which is the average number of year-end open leaks the Company has experienced during the last five calendar years. Hereafter, the cap will be reduced by one (1) percent for each of the remaining four (4) years of the IIP as set forth in the IIP Order. In other words, by June 30, 2021, the Company must demonstrate a one (1) percent reduction

1 in the 3,315 cap. Subsequent years must be reduced by one (1) percent per year
2 measured against the previous year. Thus, for purposes of this filing, the Company
3 has satisfied the open leak target requirement contained in the IIP Order by
4 establishing the cap. In any event, as of March 31, 2020, the Company's actual open
5 leak inventory is 1,732. Please see Schedule MPS-4 for further information
6 concerning Elizabethtown's leak metric requirements.

7 **VI. BASELINE CAPITAL SPENDING**

8 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S BASELINE**
9 **CAPITAL SPENDING REQUIREMENTS.**

10 **A.** Pursuant to the IIP Order, the Company is required to maintain Baseline Capital
11 Spending amounts consisting of (1) a Total Capital Baseline Spend and (2) an IIP
12 Baseline Spend. These Baseline Capital Spending amounts are not recoverable
13 through the IIP recovery mechanism, but Elizabethtown shall seek recovery of these
14 Baseline Capital Spending amounts in a base rate case.

15 **Q. PLEASE DESCRIBE THE TOTAL CAPITAL BASELINE SPEND**
16 **REQUIREMENT.**

17 **A.** Under the IIP Order, the Total Capital Baseline Spend must equal an average annual
18 amount of \$79 million per IIP year or \$395 million over the five (5) year IIP
19 investment period beginning July 1, 2019 through June 30, 2024. The specific capital
20 investments made by the Company as part of the Total Capital Baseline Spend are
21 within the discretion of Elizabethtown and include certain investments that are
22 excluded from the IIP, such as vintage plastic mains and services and relocation of
23 meters, amongst other costs, as well as costs in excess of the \$1.2 million per mile

1 cap. The Company may also include up to \$10 million in new business expenditures
2 in Total Capital Baseline Spend.

3 **Q. IS THE COMPANY IN COMPLIANCE WITH ITS TOTAL CAPITAL**
4 **BASELINE SPEND REQUIREMENT?**

5 **A.** Yes. As reflected on Schedule MPS-1, the Company anticipates Total Capital
6 Baseline Spend of \$113.9 million for the recovery period ending June 30, 2020, with
7 new business spend at the cap of \$10 million as of June 30, 2020.

8 **Q. PLEASE DESCRIBE THE IIP BASELINE SPEND REQUIREMENT.**

9 **A.** The IIP Baseline Spend amount must equal \$6 million per IIP year or \$30 million
10 over the five (5) year IIP investment period beginning July 1, 2019 through June 30,
11 2024. The IIP Baseline Spend consists of expenditures on projects similar to those
12 eligible for recovery under the IIP.

13 **Q. IS THE COMPANY IN COMPLIANCE WITH THE IIP BASELINE SPEND**
14 **REQUIREMENT?**

15 **A.** Yes. As reflected on Schedule MPS-1, the Company anticipates IIP Baseline Spend
16 of \$6.1 million as of June 30, 2020.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

18 **A.** Yes, it does.

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Total Baseline Capital 12 Month Ending

Actual / Forecast

<u>Major Categories</u>	1/1/2018 thru 12/31/2018	1/1/2019 thru 12/31/2019	7/1/2019 thru 6/30/2020
IIP Baseline Spend in excess of \$6M per IIP Year *			\$148,362
New Business Investment IIP Cap**	\$23,717,201	\$29,133,013	\$10,000,000
Facilities (no breakout)	\$536,028	\$1,395,279	\$1,794,493
Fleet (no breakout)	\$705,156	\$1,255,519	\$2,510,830
Measurement Operations (SCADA, Measurement, Controls)	\$1,235,366	\$1,674,875	\$2,031,806
Peaking Ops	\$1,537,835	\$988,146	\$5,189,304
IT (Base Business)	\$20,522,841	\$50,299,489	\$50,045,351
Mandatory (no breakout)	\$1,778,883	\$2,573,885	\$2,773,872
Strategic (CNG Stations) - Not itemized	\$0	\$0	\$0
Strategic (Other)	\$390	\$0	\$0
Distribution Integrity Mgmt Pgm (DIMP)	\$57,448,661	\$61,716,820	\$25,562,519
Transmission Integrity Mgmt Pgm (TIMP) (General)	\$1,035,683	\$1,610,648	\$1,513,014
Renewals (incl. Relo, Marta, excl. DIMP & TRIMP)	\$25,162,424	\$2,181,379	\$392,749
DOT	\$263,039	\$716,004	\$442,653
Periodic Testing (PT) Meter	\$2,906,463	\$2,673,409	\$2,496,087
Pressure Improvement (PRIM)	\$1,217,980	\$1,848,420	\$1,910,352
Corrosion Work	\$1,174,973	\$183,492	\$350,991
Industrial Meters			\$0
Operations (Field) - Blk svcs, bollards, ert repl, etc.	\$497,778	\$827,853	\$943,972
Regulator Station (incl Vaults, Tin Whistles)	\$178,897	\$118,359	\$118,359
Relocation			\$31,979
Tools, incl blanket tools (NB, Field & Con Ops)	\$462,432	\$79,601	\$179,840
Rate Base Accruals	(\$312,365)	(\$32,077)	\$8,211
RBI Overheads & AFUDC	\$9,196,829	\$9,281,549	\$5,409,714
Total	\$149,266,494	\$168,525,663	\$113,854,458

* IIP Baseline Spend in excess of \$6M per IIP Year.

** New Business Capital Expenditures not to exceed \$10M per IIP Year.

IIP Baseline Spend & Forecast

<u>Major Categories</u>	1/1/2018 thru 12/31/2018	1/1/2019 thru 12/31/2019	7/1/2019 thru 6/30/2020
Infrastructure Investment Program - Base Spend (No OH, No AFUDC)	\$0	\$2,648,836	\$5,899,607
Infrastructure Investment Program - Base Spend (OH)	\$0	\$104,007	\$203,228
Infrastructure Investment Program - Base Spend (AFUDC)	\$0	\$16,154	\$45,527
Total	\$0	\$2,768,997	\$6,148,362
IIP Baseline Spend in excess of \$6M per IIP Year.			(\$148,362)
IIP Baseline Spend Requirement			\$6,000,000

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
IIP Capital for Years Ending June 30

Program Year 1 - 9+3

	Budget		
	Mains	Services	Total
Program Year 1	\$ 37,200,000	\$ 22,800,000	\$ 60,000,000
Program Year 2	\$ 37,200,000	\$ 22,800,000	\$ 60,000,000
Program Year 3	\$ 37,200,000	\$ 22,800,000	\$ 60,000,000
Program Year 4	\$ 37,200,000	\$ 22,800,000	\$ 60,000,000
Program Year 5	\$ 37,200,000	\$ 22,800,000	\$ 60,000,000
Post Program Year 5			\$ -
	\$ 186,000,000	\$ 114,000,000	\$ 300,000,000

	CWIP Actual as of March 31, 2020			CWIP Forecast			
	Mains	Services	Sub-Total	Mains	Services	Sub-Total	Total
Program Year 1	\$ 29,131,855	\$ 16,912,449	\$ 46,044,304	\$ 19,056,348	\$ 4,231,494	\$ 23,287,842	\$ 69,332,146
Program Year 2							
Program Year 3							
Program Year 4							
Program Year 5							
Post Program Year 5							
	\$ 29,131,855	\$ 16,912,449	\$ 46,044,304	\$ 19,056,348	\$ 4,231,494	\$ 23,287,842	\$ 69,332,146

	In-Service Actual as of March 31, 2020			In-Service Forecast			
	Mains	Services	Sub-Total	Mains	Services	Sub-Total	Total
Program Year 1	\$ 11,443,628	\$ 8,598,488	\$ 20,042,116	\$ 34,936,144	\$ 5,021,880	\$ 39,958,024	\$ 60,000,140
Program Year 2							
Program Year 3							
Program Year 4							
Program Year 5							
Post Program Year 5							
	\$ 11,443,628	\$ 8,598,488	\$ 20,042,116	\$ 34,936,144	\$ 5,021,880	\$ 39,958,024	\$ 60,000,140
	In-Service Miles of Main 17.36			In-Service Miles of Main 58.38			75.74
	In-Service Number of Service 2136			In-Service Number of Services 2252			4388
	In-Service Number of EFVs 2133			In-Service Number of EFVs 2252			4385

Note: Amounts exclude the costs for a program monitor, methane leak study and AFUDC.

Cost for 12 months ending June 30, 2025 represents spending to the extent it reflects residual spending associated with restoration work occurring after June 30, 2024.

In-service forecast based on current pandemic

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Schedule MPS-3
Consisting of 2 Pages

Construction Work In Progress ("CWIP")
IIP Programs and Projects
as of March 31, 2020

Reference Number	Geographic Program Area Information			Project Budgets wo/ AFUDC			Project Actuals to Date wo/AFUDC			Miles of	Number of	Number	Est. or Actual Completion Date
	A/E	IIP Geographic Program Area	Status	Mains	Services	Total	Mains	Services	Total	Main	Services	of EFV's	
1	168913	Chilton St., Cherry St., and Westfield Ave - Phase 3	Completed - Mains, Service and Restoration	\$ 974,092	\$ 441,105	\$ 1,415,197	\$ 1,176,324	\$ 802,954	\$ 1,979,278	1.01	106	106	9/23/19
2	172043	Westfield Ave (Grove St to Highland Ave)	Completed - Mains, Service and Restoration	\$ 674,554	\$ 175,293	\$ 849,847	\$ 543,612	\$ 352,182	\$ 895,794	0.74	47	47	10/22/19
3	173438	Salem Rd, Ph. 3	Completed - Mains, Service and Restoration	\$ 978,120	\$ 821,588	\$ 1,799,708	\$ 964,304	\$ 578,209	\$ 1,542,513	1.70	203	203	10/9/19
4	175675	Grand Street	Completed - Mains, Service and Restoration	\$ 213,669	\$ 215,849	\$ 429,518	\$ 227,653	\$ 131,905	\$ 359,558	0.43	48	48	7/24/19
5	176826	Lake Avenue	Completed - Mains, Service and Restoration	\$ 69,035	\$ 42,266	\$ 111,301	\$ 61,165	\$ 39,360	\$ 100,525	0.17	9	9	8/27/19
6	177352	Congress St Phase II	Completed - Mains, Service and Restoration	\$ 1,108,730	\$ 422,869	\$ 1,531,599	\$ 1,106,738	\$ 500,182	\$ 1,606,920	1.54	187	187	11/6/19
7	500083	Main St	Completed - Mains, Service and Restoration	\$ 41,367	\$ 21,855	\$ 63,222	\$ 28,487	\$ 10,062	\$ 38,549	0.05	3	3	10/15/19
8	169283	Salem Ave (Conant St to Ridgeway Ave)	Restoration - Mains and Services 100% Complete	\$ 1,737,104	\$ 1,301,789	\$ 3,038,893	\$ 1,057,785	\$ 1,082,720	\$ 2,140,505	1.92	281	281	11/6/19
9	171369	Orange Ave and S 21st St	Restoration - Mains and Services 100% Complete	\$ 1,550,413	\$ 872,985	\$ 2,423,398	\$ 781,743	\$ 981,569	\$ 1,763,312	2.53	342	342	2/19/20
10	173001	South Ave (NJ 28) and Hetfield Ave	Restoration - Mains and Services 100% Complete	\$ 1,938,470	\$ 794,763	\$ 2,733,233	\$ 1,625,200	\$ 1,070,446	\$ 2,695,646	2.60	281	280	12/4/19
11	173843	Birchwood Ave EP DI Replacement	Restoration - Mains and Services 100% Complete	\$ 97,524	\$ 33,976	\$ 131,500	\$ 176,769	\$ 833	\$ 177,602	0.31	1	1	7/15/19
12	173886	Stiles St	Restoration - Mains and Services 100% Complete	\$ 123,386	\$ 131,585	\$ 254,971	\$ 230,158	\$ 240,670	\$ 470,828	0.04	20	20	11/25/19
13	174185	W Munsell Ave and W Stimpson Ave	Restoration - Mains and Services 100% Complete	\$ 953,278	\$ 639,667	\$ 1,592,945	\$ 625,871	\$ 684,606	\$ 1,310,477	1.24	131	129	2/25/20
14	174624	4th St and 5th St	Restoration - Mains and Services 100% Complete	\$ 1,726,688	\$ 1,249,783	\$ 2,976,471	\$ 1,437,107	\$ 1,476,262	\$ 2,913,369	1.79	317	317	2/20/20
15	176067	Mountain Ave and Parkway	Restoration - Mains and Services 100% Complete	\$ 229,150	\$ 68,467	\$ 297,617	\$ 200,392	\$ 44,869	\$ 245,261	0.13	17	17	10/16/19
16	176015	Cook Ave and Mountain Ave	Construction - Mains at 99% and Services at 40%	\$ 897,330	\$ 718,899	\$ 1,616,229	\$ 619,646	\$ 673,579	\$ 1,293,225	1.59	128	128	7/22/20
17	174755	Bender Ave and Sheridan Ave	Construction - Mains at 98% and Services at 78%	\$ 1,081,490	\$ 910,494	\$ 1,991,984	\$ 713,323	\$ 967,300	\$ 1,680,623	1.35	236	236	7/20/20
18	175728	Walnut St and E 7th Ave	Construction - Mains at 97% and Services at 67%	\$ 1,030,095	\$ 588,660	\$ 1,618,755	\$ 623,786	\$ 765,967	\$ 1,389,753	1.29	128	128	5/4/20
19	175326	Sheridan Ave and E 7th Ave	Construction - Mains at 97% and Services at 58%	\$ 1,055,924	\$ 531,435	\$ 1,587,359	\$ 754,248	\$ 594,644	\$ 1,348,892	1.28	96	96	6/15/20
20	174000	2nd Ave and 3rd Ave	Construction - Mains at 96% and Services at 41%	\$ 988,241	\$ 656,338	\$ 1,644,579	\$ 680,758	\$ 478,458	\$ 1,159,216	1.62	96	96	6/24/20
21	176044	Elmwood Ave	Construction - Mains at 93% and Services at 83%	\$ 802,194	\$ 292,046	\$ 1,094,240	\$ 645,096	\$ 334,175	\$ 979,271	0.68	58	58	4/15/20
22	174471	Birch Hill Rd and Knollwood Rd	Construction - Mains at 95% and Services at 13%	\$ 1,896,449	\$ 484,845	\$ 2,381,294	\$ 763,020	\$ 146,362	\$ 909,382	2.07	25	25	6/18/20
23	176824	Highland Ave and Birch Ave	Construction - Mains at 87% and Services at 94%	\$ 1,803,339	\$ 606,891	\$ 2,410,230	\$ 980,697	\$ 457,025	\$ 1,437,722	1.63	138	137	6/25/20
24	176009	Burkley Pl	Construction - Mains at 85% and Services at 42%	\$ 488,287	\$ 347,506	\$ 835,793	\$ 332,800	\$ 194,630	\$ 527,430	0.79	54	54	7/16/20
25	176344	Spring St (US Route 1) (E Jersey St to North Ave) Phase II	Construction - Mains at 84% and Services at 76%	\$ 776,494	\$ 373,232	\$ 1,149,726	\$ 787,016	\$ 248,653	\$ 1,035,669	0.87	38	38	4/20/20
26	500040	Irvington Ave and Riverside Dr	Construction - Mains at 94% and Services at 0%	\$ 1,189,497	\$ 690,340	\$ 1,879,837	\$ 881,153	\$ -	\$ 881,153	2.05	0	0	7/8/20
27	500086	Walnut St and Wheatshaf Rd	Construction - Mains at 70% and Services at 0%	\$ 443,861	\$ 272,044	\$ 715,905	\$ 214,207	\$ -	\$ 214,207	0.45	0	0	7/1/20
28	176479	Savitt Pl and Brighton St	Construction - Mains at 64% and Services at 0%	\$ 734,809	\$ 450,367	\$ 1,185,176	\$ 608,669	\$ 34,077	\$ 642,746	0.70	0	0	7/27/20
29	177266	Cross Ave and Alina St	Construction - Mains at 87% and Services at 0%	\$ 923,385	\$ 565,945	\$ 1,489,330	\$ 802,231	\$ 1,518	\$ 803,749	1.33	0	0	7/20/20
30	500022	W. Baltimore Ave and Lincoln St	Construction - Mains at 57% and Services at 27%	\$ 1,161,998	\$ 712,192	\$ 1,874,190	\$ 551,173	\$ 236,537	\$ 787,710	0.95	62	62	6/17/20
31	176079	Fairway Dr	Construction - Mains at 55% and Services at 40%	\$ 1,184,393	\$ 620,554	\$ 1,804,947	\$ 820,760	\$ 276,491	\$ 1,097,251	1.05	81	81	7/16/20
32	173738	Brookside Pl and 4th Ave	Construction - Mains at 47% and Services at 80%	\$ 565,554	\$ 274,514	\$ 840,068	\$ 555,226	\$ 267,485	\$ 822,711	0.48	85	85	6/16/20
33	177548	Durham Ave and Central Ave	Construction - Mains at 37% and Services at 0%	\$ 129,166	\$ 72,282	\$ 201,448	\$ 228,657	\$ 1,519	\$ 230,176	0.07	0	0	6/26/20
34	174716	Salem Rd, Ph. 4	Construction - Mains at 100% and Services at 91%	\$ 391,746	\$ 349,037	\$ 740,783	\$ 296,701	\$ 238,771	\$ 535,472	0.71	92	92	7/20/20
35	169317	Sweetland Ave and Eastern Pky	Construction - Mains at 100% and Services at 89%	\$ 1,371,574	\$ 1,063,744	\$ 2,435,318	\$ 686,351	\$ 1,246,731	\$ 1,933,082	2.24	395	395	6/15/20
36	175350	Main St	Construction - Mains at 100% and Services at 66%	\$ 757,702	\$ 441,039	\$ 1,198,741	\$ 610,537	\$ 593,521	\$ 1,204,058	1.13	103	103	6/15/20
37	175428	W Curtis St and Miltonia St	Construction - Mains at 100% and Services at 42%	\$ 1,017,220	\$ 561,560	\$ 1,578,780	\$ 571,255	\$ 488,786	\$ 1,060,041	1.55	73	73	4/6/20
38	500111	Harrison Ave and Mercer Ave	Construction - Mains at 100% and Services at 23%	\$ 708,530	\$ 434,260	\$ 1,142,790	\$ 496,464	\$ 152,033	\$ 648,497	1.12	46	46	7/21/20
39	169604	S Union Ave	Construction - Mains at 99% and Services at 100%	\$ 197,992	\$ 187,221	\$ 385,213	\$ 357,178	\$ 390,847	\$ 748,025	0.42	69	69	6/15/20
40	175254	Columbus Ave	Construction - Mains at 100% and Services at 1%	\$ 805,163	\$ 455,638	\$ 1,260,801	\$ 563,487	\$ 30,011	\$ 593,498	1.15	1	1	7/8/20
41	500065	W. Broad St	Construction - Mains at 100% and Services at 17%	\$ 474,982	\$ 291,118	\$ 766,100	\$ 291,501	\$ 60,524	\$ 352,025	0.60	15	15	5/27/20
42	500055	E Linden Ave EP DI Replacement	Construction - Mains at 0% and Services at 88%	\$ 131,936	\$ 80,864	\$ 212,800	\$ 173,713	\$ 23,225	\$ 196,938	0.00	7	7	4/30/20
43	177009	Hillside Ave and Mountainview Dr	Construction - Mains at 0% and Services at 0%	\$ 1,045,404	\$ 640,731	\$ 1,686,135	\$ 8,597	\$ 1,750	\$ 10,347	0.00	0	0	6/16/20
44	175987	W Curtis St and W Gibbons St	Construction - Mains at 100% and Services at 0%	\$ 485,451	\$ 297,534	\$ 782,985	\$ 209,571	\$ -	\$ 209,571	0.70	0	0	6/16/20
45	500105	Richfield Ave and Summit Ave	Construction - Mains at 100% and Services at 0%	\$ 677,883	\$ 415,477	\$ 1,093,360	\$ 223,375	\$ -	\$ 223,375	1.04	0	0	7/1/20
46	176447	Vauxhall Rd (Highland Ave to Fairtoute Ave)	Construction - Mains at 48% and Services at 0%	\$ 651,620	\$ 399,380	\$ 1,051,000	\$ 145,604	\$ 3,358	\$ 148,962	0.46	0	0	7/8/20
47	500071	W. Chestnut Street	Construction - Mains at 9% and Services at 0%	\$ 486,998	\$ 298,482	\$ 785,480	\$ 41,883	\$ 2,145	\$ 44,028	0.06	0	0	7/10/20
48	169229	North Ave (Riverside Dr to Newark Ave)	Pre-Construction	\$ 562,464	\$ 344,736	\$ 907,200	\$ 160,654	\$ -	\$ 160,654	0.00	0	0	11/16/20
49	169333	W Milton Ave and Bryant Ave, Ph 2	Pre-Construction	\$ 681,600	\$ 417,755	\$ 1,099,355	\$ 65,731	\$ -	\$ 65,731	0.00	0	0	6/17/20
50	172420	N Main St (NJ 29)	Pre-Construction	\$ 185,483	\$ 54,748	\$ 240,231	\$ 83,959	\$ -	\$ 83,959	0.00	0	0	6/17/20
51	173491	High St and Rector St	Pre-Construction	\$ 1,260,736	\$ 772,709	\$ 2,033,445	\$ 57,509	\$ -	\$ 57,509	0.00	0	0	9/29/20
52	173993	Park Ave and Coolidge Rd	Pre-Construction	\$ 444,024	\$ 294,870	\$ 738,894	\$ 26,776	\$ -	\$ 26,776	0.00	0	0	1/4/21
53	174280	Browning Ave and Edgewood Rd	Pre-Construction	\$ 846,911	\$ 519,074	\$ 1,365,985	\$ 28,863	\$ -	\$ 28,863	0.00	0	0	4/20/21
54	174533	Colfax Ave and Maplewood Ave	Pre-Construction	\$ 1,790,104	\$ 1,097,161	\$ 2,887,265	\$ 142,107	\$ -	\$ 142,107	0.00	0	0	2/11/21
55	174901	South Wood Ave (Tremley Point Rd) EP DI Replacement	Pre-Construction	\$ 160,487	\$ 98,363	\$ 258,850	\$ 78,749	\$ 210	\$ 78,959	0.00	0	0	6/18/20
56	175940	Wilbur Ave	Pre-Construction	\$ 504,661	\$ 309,309	\$ 813,970	\$ 73,409	\$ -	\$ 73,409	0.00	0	0	8/5/20
57	176053	N. Union St and Elm St	Pre-Construction	\$ 281,843	\$ 172,742	\$ 454,585	\$ 65,289	\$ -	\$ 65,289	0.00	0	0	2/24/21
58	176075	Lawrence Ave and Roanoke Rd	Pre-Construction	\$ 1,031,097	\$ 631,963	\$ 1,663,060	\$ 69,376	\$ 1,750	\$ 71,126	0.00	0	0	2/24/21
59	176115	Vauxhall Rd and Gustov Ave	Pre-Construction	\$ 667,656	\$ 409,209	\$ 1,076,865	\$ 57,584	\$ -	\$ 57,584	0.00	0	0	11/25/20
60	176394	Vauxhall Rd and Brookfall Ave	Pre-Construction	\$ 684,282	\$ 419,398	\$ 1,103,680	\$ 60,525	\$ -	\$ 60,525	0.00	0	0	9/9/20
61	176840	Route 22 Eastbound	Pre-Construction	\$ 254,100	\$ 155,738	\$ 409,838	\$ 20,764	\$ -	\$ 20,764	0.00	0	0	6/25/20
62	177350	E. Price St and Maple Ave	Pre-Construction	\$ 574,173	\$ 351,912	\$ 926,085	\$ 68,815	\$ -	\$ 68,815	0.00	0	0	8/12/20

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Schedule MPS-3
Consisting of 2 Pages

Construction Work In Progress ("CWIP")
IIP Programs and Projects
as of March 31, 2020

Reference Number	Geographic Program Area Information			Project Budgets wo/ AFUDC			Project Actuals to Date wo/AFUDC			Miles of	Number of	Number	Est. or Actual Completion Date
	A/E	IIP Geographic Program Area	Status	Mains	Services	Total	Mains	Services	Total	Main	Services	of EFV's	
63	500025	Monmouth Rd and Princeton Rd	Pre-Construction	\$ 2,000,117	\$ 1,225,878	\$ 3,225,995	\$ 40,305	\$ -	\$ 40,305	0.00	0	0	10/21/21
64	500031	Aldene Rd and W. 3rd Ave	Pre-Construction	\$ 1,325,129	\$ 812,176	\$ 2,137,305	\$ 41,834	\$ -	\$ 41,834	0.00	0	0	10/19/20
65	500034	Robin Rd EP DI Replacement	Pre-Construction	\$ 93,744	\$ 57,456	\$ 151,200	\$ 6,914	\$ -	\$ 6,914	0.00	0	0	6/17/20
66	500037	Central Ave and Maple Ave	Pre-Construction	\$ 1,840,160	\$ 1,127,840	\$ 2,968,000	\$ 95,266	\$ -	\$ 95,266	0.00	0	0	11/20/20
67	500043	Rose St and N. 4th St	Pre-Construction	\$ 521,870	\$ 319,856	\$ 841,726	\$ 67,413	\$ -	\$ 67,413	0.00	0	0	1/12/21
68	500068	Downer St and Palsted Ave	Pre-Construction	\$ 850,395	\$ 521,210	\$ 1,371,605	\$ 17,783	\$ -	\$ 17,783	0.00	0	0	2/17/21
69	500074	W. Grand Street	Pre-Construction	\$ 187,984	\$ 115,216	\$ 303,200	\$ 67,319	\$ -	\$ 67,319	0.00	0	0	7/1/20
70	500077	Halsted Rd and Hillside Rd	Pre-Construction	\$ 1,208,560	\$ 740,730	\$ 1,949,290	\$ 35,788	\$ -	\$ 35,788	0.00	0	0	9/23/20
71	500080	Gordon St and Market St	Pre-Construction	\$ 586,229	\$ 359,301	\$ 945,530	\$ 109,543	\$ -	\$ 109,543	0.00	0	0	2/1/21
72	500096	Pierce St and New Brunswick Ave	Pre-Construction	\$ 451,010	\$ 276,425	\$ 727,435	\$ 41,449	\$ -	\$ 41,449	0.00	0	0	8/3/20
73	500099	Montgomery St and E. Scott Ave	Pre-Construction	\$ 281,889	\$ 172,771	\$ 454,660	\$ 26,035	\$ -	\$ 26,035	0.00	0	0	7/1/20
74	500102	Center St and Hazel Ave	Pre-Construction	\$ 846,083	\$ 518,567	\$ 1,364,650	\$ 53,187	\$ -	\$ 53,187	0.00	0	0	9/4/20
75	500108	Arthur Terr and Kingston Ave	Pre-Construction	\$ 590,237	\$ 361,758	\$ 951,995	\$ 105,934	\$ -	\$ 105,934	0.00	0	0	1/5/21
76	500114	Pine St and Ripley Ave	Pre-Construction	\$ 798,749	\$ 489,556	\$ 1,288,305	\$ 41,688	\$ -	\$ 41,688	0.00	0	0	2/2/21
77	500117	McCandless St and Bower St	Pre-Construction	\$ 725,456	\$ 444,634	\$ 1,170,090	\$ 56,174	\$ -	\$ 56,174	0.00	0	0	10/22/20
78	500120	Clinton St	Pre-Construction	\$ 821,866	\$ 503,724	\$ 1,325,590	\$ 60,144	\$ -	\$ 60,144	0.00	0	0	2/24/21
79	500123	Rahway Ave	Pre-Construction	\$ 524,588	\$ 321,522	\$ 846,110	\$ 54,869	\$ -	\$ 54,869	0.00	0	0	7/13/20
80	500128	Middlesex Ave (NJ 27) and Main St	Pre-Construction	\$ 741,477	\$ 454,453	\$ 1,195,930	\$ 83,509	\$ -	\$ 83,509	0.00	0	0	4/20/21
81	500131	Gless Ave and High St	Pre-Construction	\$ 492,652	\$ 301,948	\$ 794,600	\$ 48,474	\$ -	\$ 48,474	0.00	0	0	2/19/21
82	500134	Oakland Terr and Stanley Terr	Pre-Construction	\$ 746,877	\$ 457,763	\$ 1,204,640	\$ 48,591	\$ -	\$ 48,591	0.00	0	0	1/5/21
83	500137	Hawthorne Ave and Leslie St	Pre-Construction	\$ 653,508	\$ 400,537	\$ 1,054,045	\$ 35,363	\$ -	\$ 35,363	0.00	0	0	12/28/20
84	500142	Gelb Ave EP DI Replacement	Pre-Construction	\$ 53,084	\$ 32,536	\$ 85,620	\$ 6,900	\$ -	\$ 6,900	0.00	0	0	6/16/20
85	500155	Hamilton St and Seminary Ave	Pre-Construction	\$ 600,659	\$ 368,146	\$ 968,805	\$ 40,876	\$ -	\$ 40,876	0.00	0	0	3/30/21
86	500158	Lincoln Ave E and Walnut Ave	Pre-Construction	\$ 467,818	\$ 286,727	\$ 754,545	\$ 40,498	\$ -	\$ 40,498	0.00	0	0	11/11/20
87	500169	Grove Ave	Pre-Construction	\$ 277,839	\$ 170,288	\$ 448,127	\$ 6,881	\$ -	\$ 6,881	0.00	0	0	7/17/20
88	500181	Bonna Villa Ave and Victory St	Pre-Construction	\$ 673,060	\$ 412,520	\$ 1,085,580	\$ 51,084	\$ -	\$ 51,084	0.00	0	0	11/3/20
89	500175	Colfax Ave and W. Lincoln Ave	Pre-Construction	\$ 657,116	\$ 402,749	\$ 1,059,865	\$ 74,954	\$ -	\$ 74,954	0.00	0	0	12/16/20
90	500239	Dowd Ave and York St	Pre-Construction	\$ 372,443	\$ 228,271	\$ 600,714	\$ 6,108	\$ -	\$ 6,108	0.00	0	0	6/18/20
91	500245	Myrtle Ave and Oak St	Pre-Construction	\$ 681,188	\$ 417,502	\$ 1,098,690	\$ 23,730	\$ -	\$ 23,730	0.00	0	0	12/16/20
92	500016	New York Place	On Hold	\$ 70,829	\$ 43,411	\$ 114,240	\$ 6,024	\$ -	\$ 6,024	0.00	0	0	2/1/21
93	169803	Hory St and Ludlow St	Design	\$ -	\$ -	\$ -	\$ 7,794	\$ -	\$ 7,794	0.00	0	0	2/16/22
94	172642	Center St EP DI Replacement	Design	\$ 429,586	\$ 263,294	\$ 692,880	\$ 34,986	\$ 3,538	\$ 38,524	0.00	0	0	8/12/20
95	500052	Progress St EP DI Replacement	Design	\$ 416,640	\$ 255,360	\$ 672,000	\$ 11,198	\$ -	\$ 11,198	0.00	0	0	9/16/20
96	500145	Westfield Ave EP DI Replacement	Design	\$ 264,306	\$ 161,994	\$ 426,300	\$ 1,518	\$ -	\$ 1,518	0.00	0	0	10/1/20
97	500149	Vauxhall Rd (Private Rd) EP DI Replacement	Design	\$ 187,042	\$ 114,638	\$ 301,680	\$ 9,551	\$ -	\$ 9,551	0.00	0	0	1/5/21
98	500152	Commerce Dr EP DI Replacement	Design	\$ 142,699	\$ 87,461	\$ 230,160	\$ 651	\$ -	\$ 651	0.00	0	0	11/12/20
99	500178	Knopf St and Laurita St	Design	\$ 577,642	\$ 354,038	\$ 931,680	\$ 78,297	\$ -	\$ 78,297	0.00	0	0	9/9/20
100	500242	Florida St and Geneva St	Design	\$ 679,706	\$ 416,594	\$ 1,096,300	\$ 17,249	\$ -	\$ 17,249	0.00	0	0	10/21/20
101	500261	Colonial Arms Rd and Nixon Rd	Design	\$ 751,204	\$ 460,416	\$ 1,211,620	\$ 220	\$ -	\$ 220	0.00	0	0	8/11/20
102	500267	Essex Ave and Spring St	Design	\$ 467,337	\$ 286,433	\$ 753,770	\$ 3,850	\$ -	\$ 3,850	0.00	0	0	10/14/20
103	500258	Globe Ave and Winfield Terr	Design	\$ 768,862	\$ 471,238	\$ 1,240,100	\$ 18,368	\$ -	\$ 18,368	0.00	0	0	8/5/20
104	500255	Kimball Ave and Canterbury Rd	Design	\$ 1,107,413	\$ 678,737	\$ 1,786,150	\$ 3,603	\$ -	\$ 3,603	0.00	0	0	10/7/20
105	500252	Oak Ave and Sherwood Pkwy	Design	\$ 944,359	\$ 578,801	\$ 1,523,160	\$ 2,722	\$ -	\$ 2,722	0.00	0	0	8/20/20
106	500264	Rose St and Newman St	Design	\$ 324,272	\$ 198,748	\$ 523,020	\$ 5,110	\$ -	\$ 5,110	0.00	0	0	1/2/22
		Totals		\$ 75,905,592	\$ 45,041,419	\$ 120,947,011	\$ 29,131,855	\$ 16,912,449	\$ 46,044,304	47.63	4,019	4,015	

Independent Monitor and Leak Detection costs were charged to 169229 but are not reflected on this report.

Please See Appendix A to Testimony Information pertaining to the following for the above projects:

- Work completed, including identified tasks completed, e.g. design phase, material procurement, permit gathering, phases of construction, etc.;
- Anticipated project timeline, including estimated completion date, with updates and expected and unanticipated changes, along with an explanation of the reasons for any changes; and
- A narrative discussion of the effectiveness of the project in improving system performance; including identification of improved facilities including specific feeders), where appropriate.

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program (“IIP”)

Leak Metrics

				April Filing	July Filing	March-31	June-30
				Actual	Actual	Actual	Actual
				March-31	June-30	Fav / (Un-Fav)	Fav / (Un-Fav)
	<u>5 Yr Avg</u>	<u>Reduction</u>	<u>Target</u>			<u>to Target</u>	<u>to Target</u>
2020	3,315	0%	3,315	1,732	-	1,583	-
2021	3,315	1%	3,282	-	-	-	-
2022	3,315	2%	3,249	-	-	-	-
2023	3,315	3%	3,216	-	-	-	-
2024	3,315	4%	3,182	-	-	-	-
	<u>Dec. Yr. End</u>						
2015	3,933						
2016	3,190						
2017	3,531						
2018	4,330						
2019	1,592						
5 Yr Avg	3,315						