



Agenda Date: 9/23/20  
Agenda Item: 2D

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 9<sup>th</sup> Floor**  
**Post Office Box 350**  
**Trenton, New Jersey 08625-0350**  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF )  
ELIZABETHTOWN GAS COMPANY FOR )  
APPROVAL OF A RATE ADJUSTMENT )  
PURSUANT TO THE INFRASTRUCTURE )  
INVESTMENT PROGRAM ("IIP") ) DOCKET NO. GR20050327

**Parties of Record:**

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

BY THE BOARD:

On April 30, 2020, Elizabethtown Gas Company ("ETG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking authority to establish rates to recover annualized increases in the revenue requirements associated with its Infrastructure Investment Program ("IIP") ("April 2020 Petition"). By this Order, the Board considers a stipulation of settlement ("Stipulation") executed by ETG, Board Staff, and the New Jersey Division of Rate Counsel (collectively, "Parties") intended to resolve the Company's requests related to the April 2020 Petition.

**BACKGROUND**

By Order dated June 12, 2019, the Board authorized ETG to invest up to \$300 million in the Company's IIP over the five (5) year period, July 1, 2019 through June 30, 2024, to replace up to 250 miles of cast iron, bare steel mains, and related services.<sup>1</sup> The Company was also authorized to install excess flow valves ("EFVs") on new service lines ("IIP Projects"). The Company's \$300 million program cost cap excludes Allowance for Funds Used during Construction ("AFUDC") and certain baseline capital spending amounts which are to be recovered by the Company through base rates.<sup>2</sup>

<sup>1</sup> In re the Petition of Elizabethtown Gas to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR18101197, Order dated June 12, 2019 ("June 2019 Order").

<sup>2</sup> The program cost cap is derived by applying a cost per mile cap of \$1.2 million per mile to the 250 IIP miles over the five (5) year term.

**April 2020 Petition**

On April 30, 2020, ETG filed the April 2020 Petition, which represented the first annual filing for cost recovery related to the IIP. In the April 2020 Petition, the Company sought to recover \$6.48 million in revenue requirements associated with the plant in-service during the period July 1, 2019 through June 30, 2020. The IIP investments projected to be in service were approximately \$60.0 million, excluding AFUDC and costs related to the independent monitor and methane leak survey. The April 2020 Petition included actual data through March 31, 2020 and projected data through June 30, 2020.

On July 15, 2020, ETG updated the April 2020 Petition to include actual IIP expenditures through June 30, 2020. The update had the effect of increasing the proposed revenue requirements by \$0.35 million from \$6.48 million to \$6.83 million. The updated calculations are shown in the following table:

<b>Elizabethtown Gas Company</b>	
<b>Infrastructure Investment Program ("IIP")</b>	
<b>Revenue Requirement Roll In</b>	
	<b>June 2020</b>
	<b>Roll-In October 1</b>
Plant In Service (excluding AFUDC)	\$62,835,119
Monitor	\$35,000
Advanced Leak Detection (ALD) Report	\$157,000
AFUDC	\$282,912
Total Plant In Service	\$63,310,031
Book Depreciation, half year	(\$602,551)
	(\$497,990)
Rate Base	\$62,209,490
Rate of Return- net of tax	6.5165%
	\$4,053,881
O&M Reduction. for Leak Repairs	(\$64,701)
Advanced Leak Detection expense, net of tax	\$0
Depreciation Exp. Net of tax	\$866,347
Allowable Net Income	\$4,855,527
Revenue Factor	1.406762
<b>Revenue Requirement</b>	<b>\$6,830,571</b>

After publication of notice in newspapers of general circulation in the Company's service territory, telephonic public hearings were held at 4:30 p.m. and 5:30 p.m. on August 18, 2020.<sup>3</sup> No members of the public attended or filed comments related to the Company's filing.

### **STIPULATION**

Upon review of the April 2020 Petition and updates thereto, and subsequent to conducting and reviewing responses to discovery, the Parties executed the Stipulation, which provides as follows:<sup>4</sup>

- A. The Parties acknowledge that the Company's tariff will be updated to include an IIP rider with IIP rates shown on Appendix A of the Stipulation as well as the update to the Weather Normalization Clause Margin Revenue Factor ("MRF") changed to incorporate the IIP rates for the Residential, Small General Service and General Delivery Service classes. The MRF shall be redetermined each time base rates or IIP rates are adjusted. The tariff addition and rates will become final and effective upon Board approval. The prudence of the IIP Projects will be reviewed by the Board in a future ETG base rate proceeding.
- B. Upon Board approval, the Company will implement its IIP and MRF rates as those shown on Appendix A of the Stipulation, and these rates shall remain in effect until changed by order of the Board. The impact of the proposed rider rate for a residential customer using 100 therms inclusive of sales tax, would result in a bill increase of \$2.10 from \$106.14 to \$108.24 based upon rates in effect on July 1, 2020.
- C. The Company's future Annual Filings for cost recovery shall continue to comply with the Board Order dated June 12, 2019 in BPU Docket No. GR18101197.
- D. The parties agree to discuss the appropriate inputs for the earnings test prior to the next roll-in filing.
- E. If the Board approves the Stipulation in its entirety, all issues concerning the IIP and the costs recovered through this clause are deemed resolved for purposes of this proceeding, but remain subject to audit by the Board.

### **DISCUSSION AND FINDING**

After review of the record in this matter including the April 2020 Petition, updates thereto and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** the rate adjustments reflected in the Stipulation on a provisional basis, subject to refund and review for prudence in the base rate case that the Company has committed to file by June 2024 under the terms of the June 2019 Order, effective for service rendered on and after October 1, 2020. As a result of the Stipulation, a typical residential heating

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<sup>3</sup> Due to the COVID-19 pandemic, telephonic public hearings were held.

<sup>4</sup> Although summarized in this Order, the detailed terms of the stipulation are controlling, subject to the findings and conclusions of this Order. Each paragraph is numbered to coincide with the Stipulation.

customer using 100 therms in a winter month will see an increase in their annual bill of \$2.10 or approximately 2.0%.

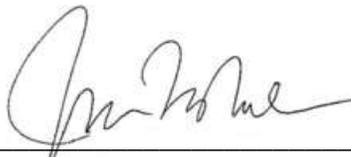
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by October 1, 2020.

The Company's costs, including those related to the IIP, remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

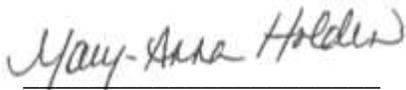
This Order shall be effective on September 30, 2020.

DATED: September 23, 2020

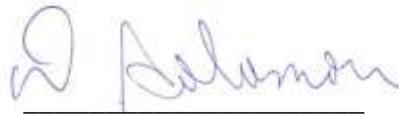
BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER

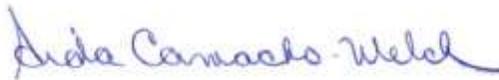


UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH  
SECRETARY

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. GR20050327

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September 3, 2020

Aida Camacho-Welch  
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NJ Board of Public Utilities  
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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. GR20050327**

Dear Secretary Camacho-Welch:

Enclosed for filing in the above-referenced proceeding is a Stipulation executed by representatives of Elizabethtown Gas Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel. It is respectfully requested that the Board consider the Stipulation at its next agenda meeting.

Should you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink that reads "Deborah M. Franco".

Deborah M. Franco

DMF:slp  
Enclosures

cc: See attached Service List (with enclosures)

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY TO  
FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE  
INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)  
BPU DOCKET NO. GR20050327  
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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

<p><b>IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)</b></p>	<p><b>X</b> : : : : : : <b>X</b></p>	<p><b>BPU Docket No. GR20050327</b></p> <p><b>STIPULATION OF SETTLEMENT</b></p>
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**APPEARANCES:**

**Deborah M. Franco, Esq.**, Vice President, Clean Energy and Sustainability, SJI for Petitioner, Elizabethtown Gas Company

**Brian O. Lipman, Esq.**, Litigation Manager, **Felicia Thomas-Friel, Esq.** Managing Attorney Gas, Division of Rate Counsel, **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsel, and Kurt Lewandowski, Esq., Assistant Deputy Rate Counsel for the Division of Rate Counsel (**Stefanie A. Brand**, Director)

**Terel Klein**, Deputy Attorney General, for Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of the State of New Jersey)

**TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:**

This Stipulation of Settlement addresses the petition filed by Elizabethtown Gas Company (“ETG” or “Company”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) on April 30, 2020, and subsequently updated on July 15, 2020, for rate adjustments to cost recovery associated with the Company’s Infrastructure Investment Program (“IIP”) (“Petition”). The IIP was approved by the Board on June 12, 2019 in Docket No. GR18101197 (“IIP Order”).

**I. PROCEDURAL HISTORY**

1. The IIP Order authorized the Company to implement the IIP for five (5) years commencing July 1, 2019 and continuing until June 30, 2024. The IIP Order allowed the

Company to invest up to \$300 million, excluding Accumulated Funds Used During Construction (“AFUDC”), over the five (5) years, 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 and new service lines. The Board also approved an associated cost recovery mechanism that is effectuated by annual rate adjustment filings (“Annual Filings”) made in April of each year with 9&3 Schedules through June 30, 2020 with 12&0 updates filed by July 15<sup>th</sup> of each year.

2. On April 30, 2020, the Company filed the Petition seeking approval of a rate adjustment to provide for cost recovery associated with IIP projects placed in service from 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 2019. The Company provided actual IIP investment data for the period July 1, 2019 through March 31, 2020, and forecasted data for the period April 1, 2020 through June 30, 2020.

3. As part of the Petition, the Company sought authority to recover IIP revenue requirements of approximately \$6.5 million, excluding sales tax, associated with actual and projected IIP investments of approximately \$60.0 million, excluding AFUDC, and the costs of the IIP Independent Monitor and methane leak survey. The impact of the rates proposed in the Petition, as applicable to a typical residential heating customer using 100 therms of natural gas during a winter month, amounts to an increase of \$1.98, inclusive of sales tax, or 1.9%. The IIP investments, revenue requirement, and rate adjustment were supported by the direct testimony of Thomas Kaufmann, Manager, Rates and Tariffs and Michael Scacifero, Director, Engineering Services.

4. On July 15, 2020, the Company filed 12&0 Update Schedules, as required by the IIP Order, providing a full year of actual IIP investment data through June 30, 2020 (“July 2020 Update”). The July 2020 Update supported a revenue requirement of approximately \$6.8

million, excluding sales tax, associated with approximately \$62.8 million, excluding AFUDC, and the costs of the IIP Independent Monitor and methane leak survey. As a result of the July 2020 Update, the impact of the proposed rider rate for a residential customer using 100 therms inclusive of sales tax, would result in a bill increase of \$2.10 from \$106.14 to \$108.24 based upon rates in effect on July 1, 2020.

5. Notices setting forth the requested rate change and the date of the public hearings were placed in newspapers having circulation within ETG's service territory and served upon the appropriate county officials and clerks of all municipalities within the Company's service territory. Due to the COVID-19 pandemic, public hearings concerning the Company's July 2020 update were held telephonically on August 18, 2020. No members of the public attended the public hearings.

## **II. STIPULATED MATTERS**

A. ETG, Board Staff, and the New Jersey Division of Rate Counsel are the only parties to this proceeding (collectively, "Parties"). The Parties acknowledge that the Company's tariff will be updated to include an IIP rider with IIP rates shown on Appendix A as well as the update to the Weather Normalization Clause Margin Revenue Factor ("MRF") changed to incorporate the IIP rates for the Residential, Small General Service and General Delivery Service classes. The MRF shall be redetermined each time base rates or IIP rates are adjusted. The tariff addition and rates will become final and effective upon Board approval. The prudence of the IIP Projects will be reviewed by the Board in a future ETG base rate proceeding.

### **Effective Rates**

B. Upon Board approval, the Company will implement its IIP and MRF rates as those shown on Appendix A, and these rates shall remain in effect until changed by order of the

Board. The impact of the proposed rider rate for a residential customer using 100 therms inclusive of sales tax, would result in a bill increase of \$2.10 from \$106.14 to \$108.24 based upon rates in effect on July 1, 2020.

### **Future Filings**

C. The Company's future Annual Filings for cost recovery shall continue to comply with the Board Order dated June 12, 2019 in BPU Docket No. GR18101197.

D. The parties agree to discuss the appropriate inputs for the earnings test prior to the next roll-in filing.

### **All Issues Resolved**

E. If the Board approves this Stipulation in its entirety, all issues concerning the IIP and the costs recovered through this clause are deemed resolved for purposes of this proceeding, but remain subject to audit by the Board.

### **Entirety of Stipulation**

F. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If the Board does not adopt this Stipulation in its entirety in an Order, then any Party hereto is free to pursue its then-available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.

### **Binding Effect**

G. It is the intent of the Parties that the provisions hereof be approved by the Board, as appropriate, as being in the public interest. The Parties further agree that they consider this Stipulation to be binding on them for all purposes herein.

### **General Reservation**

H. It is specifically understood and agreed that this Stipulation represents a

negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. All rates remain subject to audit by the Board.

**WHEREFORE**, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof.

**ELIZABETHTOWN GAS COMPANY**

**STEFANIE A. BRAND,  
DIRECTOR, DIVISION OF  
RATE COUNSEL**

By:   
\_\_\_\_\_  
**Deborah M. Franco, Esq.**  
**VP, Clean Energy and Sustainability**

By:   
\_\_\_\_\_  
**Felicia Thomas-Friel, Esq.**  
**Managing Attorney - Gas**

**GURBIR S. GREWAL  
ATTORNEY GENERAL OF THE STATE OF NEW JERSEY  
Attorney for the Staff of the New Jersey Board of Public Utilities**

By:   
\_\_\_\_\_  
**Terel Klein**  
**Deputy Attorney General**

**Dated: September 3, 2020**

**BPU Docket No. GR20050327**

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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  
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</u>	<u>Residential</u>	<u>\$0.0210</u>
<u>SGS</u>	<u>Small General Service</u>	<u>\$0.0231</u>
<u>GDS</u>	<u>General Delivery Service</u>	<u>\$0.0139</u>
<u>GDS</u>	<u>Seasonal SP#1 May-Oct</u>	<u>\$0.0076</u>
<u>NGV</u>	<u>Natural Gas Vehicles</u>	<u>\$0.0374</u>
<u>LVD</u>	<u>Large Volume Demand</u>	<u>\$0.0066</u>
<u>EGF</u>	<u>Electric Generation</u>	<u>\$0.0044</u>
<u>GLS</u>	<u>Gas Lights</u>	<u>\$0.0194</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 or IIP rates are adjusted. The current Margin Revenue Factor is \$0.~~3456~~3633 per therm.

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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	\$0.0210
SGS	Small General Service	\$0.0231
GDS	General Delivery Service	\$0.0139
GDS	Seasonal SP#1 May-Oct	\$0.0076
NGV	Natural Gas Vehicles	\$0.0374
LVD	Large Volume Demand	\$0.0066
EGF	Electric Generation	\$0.0044
GLS	Gas Lights	\$0.0194
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.

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