



520 Green Lane
Union, NJ 07083

T: (908) 662-8448
F: (908) 662-8496

dfranco@sjindustries.com

Deborah M. Franco, Esq.
VP, Clean Energy & Sustainability

September 3, 2020

Aida Camacho-Welch
Office of the Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
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. 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 dark ink, appearing to read "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
SERVICE LIST**

Thomas Kaufmann
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
tkaufmann@sjindustries.com

Nick DiRocco
SJI Utilities
1 South Jersey Place
Atlantic City, NJ 08401
ddirocco@sjindustries.com

Joseph Costa
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
Joseph.Costa@bpu.nj.gov

Stacy Peterson
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
Stacy.Peterson@bpu.nj.gov

Kurt S. Lewandowski, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
klewando@rpa.nj.gov

Terel Klein, DAG
Department of Law & Public Safety
Richard J. Hughes Justice Complex
Public Utilities Section
25 Market Street, P.O. Box 112
Trenton, NJ 08625
Terel.Klein@law.njoag.gov

Michael Scacifero
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
mscacifero@sjindustries.com

Deborah M. Franco, Esq.
SJI Utilities
520 Green Lane
Union, NJ 07083
dfranco@sjindustries.com

James Giuliano
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
James.Giuliano@bpu.nj.gov

Stefanie A. Brand, Director
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
smassey@rpa.nj.gov

Brian Lipman, Esq.
Division of Rate Counsel
140 East Front Street 4th Floor
P.O. Box 003
Trenton, NJ 08625
blipman@rpa.nj.gov

Mr. Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870
rhenkes@optonline.net

Susan Potanovich
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
spotanovich@sjindustries.com

Stefany Graham
SJI Utilities, Inc.
3800 Atlantic Avenue
Atlantic City, NJ 08401
sgraham@sjindustries.com

Oneil Hamilton
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
Oneil.Hamilton@bpu.nj.gov

Maura Caroselli, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
mcaroselli@rpa.nj.gov

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
ftthomas@rpa.nj.gov

**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. GR20050327 STIPULATION OF SETTLEMENT
---	--	--

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 15th 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

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~~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 – GASORIGINAL SHEET NO. 125.1RIDER "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: xxx1Effective: Service Rendered
on and after xxx2Issued by: Christie McMullen, President
 520 Green Lane
 Union, New Jersey 07083Filed 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.

Date of Issue: ~~November 14, 2019~~ xxx1Effective: Service Rendered
on and after ~~November 15,~~
2019xxx2Issued 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

CLEAN

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	\$0.0210
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.

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 \$0.3633 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