

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

**IN THE MATTER OF THE)
MERCER OF SOUTH JERSEY)
INDUSTRIES, INC. AND)
BOARDWALK MERGER SUB)
INC.)** **BPU DOCKET NO. GM22040270**

**DIRECT TESTIMONY OF JOHN A. ROSENKRANZ
ON BEHALF OF THE NEW JERSEY DIVISION OF RATE COUNSEL**

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Attachment JAR-1

**I/M/O the Merger of South Jersey Industries, Inc. and Boardwalk Merger Sub, Inc.
BPU Docket No. GM22040270**

**DIRECT TESTIMONY OF JOHN A. ROSENKRANZ ON BEHALF OF DIVISION OF
RATE COUNSEL**

1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Would you please state your name, position, and business address.**

3 A. My name is John Rosenkranz. I am an independent consultant affiliated with Synapse
4 Energy Economics, Inc. Synapse is an energy consulting company located at 485
5 Massachusetts Avenue, Cambridge, Massachusetts.

6 **Q. On whose behalf are you submitting testimony in this proceeding?**

7 A. I am submitting testimony on behalf of the New Jersey Division of Rate Counsel (“Rate
8 Counsel”)

9 **Q. Please describe your professional background.**

10 A. My experience is summarized in my resume, which is attached as **Attachment JAR-1**. I
11 have experience in the areas of natural gas supply planning, gas pipeline and storage
12 project development, and gas contracting. In recent years I have been retained as an
13 expert witness in cost of gas reviews, fuel adjustment cases, and long-term contract
14 approval proceedings before the Maine Public Utilities Commission, New Hampshire
15 Public Utilities Commission, Massachusetts Department of Public Utilities, and North
16 Carolina Utilities Commission. In New Jersey, I have assisted Rate Counsel in its review
17 of annual cost of gas filings, asset management agreements, and merger proposals.

1 **Q. Please describe your educational background.**

2 A. I have a Bachelor of Arts degree in economics from George Washington University. I
3 also completed all course requirements for a Doctor of Philosophy in economics from
4 Northwestern University.

5 **Q. Have you previously testified before the New Jersey Board of Public Utilities**
6 **(“BPU” or “Board”)?**

7 A. Yes, I have. I filed testimony in BPU Docket No. GM15101196, which concerned the
8 merger of Southern Company and AGL Resources, Inc.

9 **II. PURPOSE AND SUMMARY**

10 **Q. What is the purpose of your testimony in this proceeding?**

11 A. In February 2022 South Jersey Industries, Inc. (“SJI”) entered into an agreement to be
12 acquired by IIF US Holding 2 LP (“IIF US 2”). The purpose of my testimony is to
13 examine the potential impact of this proposed transaction on competition in retail markets
14 for natural gas and the gas commodity costs charged to South Jersey Gas Company
15 (“SJG”) and Elizabethtown Gas Company (“ETG”) customers.

16 **Q. Please summarize your findings and recommendations regarding the proposed**
17 **change in control.**

18 A. The change in control should not be approved by the Board as the Joint Petitioners
19 currently propose. This is because the proposed change of control is likely to expand the
20 opportunities for SJG and ETG to enter into gas supply transactions with affiliates.
21 These affiliate gas supply transactions have the potential to reduce competition and

1 increase costs for SJG and ETG customers. To help address this risk, the Board should
2 not approve this transaction without requiring the following safeguards:

- 3 1. Ensure that affiliated¹ and non-affiliated market participants have equal access to gas
4 supply and capacity offered by the gas utilities by requiring SJG and ETG to comply
5 with the Board’s affiliate rules when dealing with all affiliates;
- 6 2. Improve transparency concerning the availability of gas supply and pipeline capacity
7 in the New Jersey market by requiring the information on affiliate gas supply
8 transactions that SJG and ETG file with the Board to be made publicly available; and
- 9 3. Ensure that the gas utilities do not favor their affiliates when contracting for gas
10 transportation and storage services by requiring Board approval for all SJG and ETG
11 gas transportation and storage service agreements with an affiliate.

12 **III. THE PROPOSED TRANSACTION**

13 **Q. Please describe the Joint Petitioners in this proceeding.**

14 A. On April 25, 2022, IIF US 2, NJ Boardwalk Holdings LLC, Boardwalk Merger Sub, Inc.,
15 SJI, SJI Utilities, Inc., ETG, and SJG (“Joint Petitioners”) applied to the BPU for
16 approval of the proposed transaction (the “Joint Petition”). IIF US 2 is a limited
17 partnership that invests in critical infrastructure assets that provide essential services,
18 including natural gas, electricity, water and wastewater.² IIF US 2 invests in the United
19 States, and a related partnership, IIF Int’l Holding L.P., invests outside the U.S. As of

¹ For the purposes of this testimony, “affiliate” refers to any entity that is related, either directly or indirectly, by common ownership or control.

² Gilbert Direct Testimony 6:11:12

1 December 31, 2021 IIF US 2 and IIF Int’l Holding L.P. controlled 18 companies with a
2 gross asset value of approximately \$40 billion.³

3 **Q. Does IIF US 2 currently have investments in the natural gas industry?**

4 A. Yes. The IIF US 2 portfolio of companies currently includes two companies in the
5 natural gas industry: Summit Utilities Inc., which has gas distribution subsidiaries in
6 Arkansas, Colorado, Maine, Missouri, Oklahoma and Texas;⁴ and Enstor Gas, which
7 operates natural gas storage facilities in Alabama, Mississippi, Texas, and New Mexico.⁵

8 **Q. What standard of review applies to the proposed transaction?**

9 A. The Joint Petitioner’s state that because the proposed transaction involves an indirect
10 change of control of two New Jersey gas distribution companies (“GDCs”) the
11 transaction must be approved by the Board.⁶ I understand that the New Jersey change of
12 control statute requires that the Board evaluate the impact of the acquisition of control on
13 competition and rates:

14 In considering a request for approval of an acquisition of control, the
15 board shall evaluate the impact of the acquisition on competition, on the
16 rates of ratepayers affected by the acquisition of control, on the employees
17 of the affected public utility or utilities, and on the provision of safe and
18 adequate utility service at just and reasonable rates.⁷

19 Additionally, the language in N.J.A.C. 14:1-5.14(c) states:

20 The Board shall not approve a merger, consolidation, acquisition and/or
21 change in control unless it is satisfied that positive benefits will flow to
22 customers and the State of New Jersey and, at a minimum, that there are
23 no adverse impacts on any of the criteria delineated in 48:2-51.1.

³ Gilbert Direct Testimony 10:14:17

⁴ Gilbert Direct Testimony 11:23-26

⁵ Joint Petitioners’ response to RCR-POL-1.

⁶ Joint Petition pp. 6-7

⁷ N.J.S.A. 48:2-51.1.

1 Therefore, in addition to evaluating the impact on competition and rates, the Board also
2 must determine that there are positive benefits to customers as a result of the change in
3 control.

4 **Q. How do the Joint Petitioners address the impact of the proposed transaction on**
5 **competition and rates?**

6 A. The Joint Petitioners claim that the proposed transaction will not have an adverse impact
7 on competition for natural gas utility service in New Jersey,⁸ or on the rates and charges
8 for utility services provided by ETG and SJG.⁹ The Joint Petitioners do not propose to
9 make any changes to the SJG or ETG tariffs or procedures as a result of the transaction.¹⁰

10 The Joint Petitioners’ position on competition and rates is stated as follows in the
11 testimony of Melissa J. Orsen:

12 The Proposed Transaction will not adversely impact the market for natural
13 gas distribution services in New Jersey. There will be no changes to
14 SJG’s or ETG’s tariffs or procedures governing their natural gas
15 transportation or third-party supplier programs as a result of the Proposed
16 Transaction. The BPU and other regulators will retain their authority to
17 regulate SJG and ETG, as they do now, and these utilities will continue to
18 comply with all applicable requirements related to affiliated standards
19 after the closing of the Merger.¹¹

20
21 This business-as-usual attitude is reflected in merger commitment number 16, which
22 states that “Boardwalk and SJI will comply with applicable New Jersey and federal
23 affiliate standards, including those relating to retail access and customer choice.”¹²

⁸ Joint Petition, ¶16, (“The proposed Merger will not have an adverse impact on competition for natural gas utility service in New Jersey.”).

⁹ Joint Petition, ¶22 (“The Proposed Transaction will not have an adverse impact on the rates and charges for utility services provided by ETG and SJG.”).

¹⁰ Id.

¹¹ Orsen Direct Testimony 15:8-14.

¹² Joint Petition, Exhibit C.

1 However, as discussed below, the affiliate standards that the Joint Petitioners refer to may
2 not apply to all gas supply transactions between SJG or ETG and their affiliates.

3 **Q. What are the New Jersey affiliate standards that relate to retail access and customer**
4 **choice?**

5 A. The Electric Discount and Energy Competition Act (N.J.S.A. 48:3-49 et seq.) gave New
6 Jersey GDC customers the choice to either buy Basic Gas Supply Service (“BGSS”) from
7 the gas utility, or contract for stand-alone gas distribution service and buy natural gas
8 from a Third Party Supplier (“TPS”). To promote competition in the retail gas market,
9 the Board was directed to establish rules governing transactions between gas utilities and
10 their affiliates.

11 Specifically, N.J.S.A. 48:3-57.9(k)1 directed that “[T]he board shall adopt, by rule,
12 regulation or order, such fair competition standards, affiliate relations standards,
13 accounting standards and reports as are necessary to ensure that gas public utilities or
14 their related competitive business segments do not enjoy an unfair competitive advantage
15 over other non-affiliated purveyors of competitive services...”¹³

16 In accordance with this statutory mandate, the Board adopted affiliate relations rules,
17 found at N.J.A.C. 14:4-3, which include the following measures to protect New Jersey
18 gas consumers by requiring gas utilities to give affiliated and non-affiliated market
19 participants equal access to capacity and gas supply:

- 20 • A gas utility “shall not unreasonably discriminate against any competitor in favor of

¹³ N.J.S.A. 48:3-57.9(k)1.

1 its affiliates(s)....”¹⁴

2 • A gas utility “shall provide access to utility information, services, and unused
3 capacity or supply on a non-discriminatory basis to all market participants,
4 including affiliated and non-affiliate companies.....”¹⁵

5 • If a gas utility “provides supply, capacity, service, or information to [an affiliate], it
6 shall make the offering available, via a public posting, on a non-discriminatory basis
7 to non-affiliated market participants....”¹⁶

8 • A gas utility making an offer to sell surplus gas and/or capacity to an affiliate “shall
9 make the offering available on a non-discriminatory basis to non-affiliated ...
10 marketers, via a public posting.”¹⁷

11 **Q. Do the Joint Petitioners address the impact of the proposed transaction on the gas**
12 **commodity costs charged to SJG and ETG customers?**

13 A. No, they do not. Gas utility customers pay a commodity charge for the natural gas they
14 consume, and a separate distribution charge to deliver the gas to the customer’s meter.
15 The Joint Petitioners address the impact of the proposed transaction on SJG and ETG
16 distribution rates, but do not consider the impact of the proposed transaction on the gas
17 cost component of ratepayers’ bills.

¹⁴ N.J.A.C. 14:4-3.3(a).

¹⁵ N.J.A.C. 14:4-3.3(e).

¹⁶ Id.

¹⁷ N.J.A.C. 14:4-3.3(f) and (g).

1 **Q. Please describe the gas supply costs that are included in BGSS rates.**

2 The BGSS rate calculation has three main components: (1) transportation and storage
3 demand costs, (c) gas commodity costs, and (3) asset optimization credits.¹⁸

4 Transportation and Storage Demand Costs

5 Each GDC has a portfolio of gas supply assets that it uses to supply gas to BGSS
6 customers and to provide balancing services for the customers that are supplied by third-
7 party gas marketers. Gas supply assets include long-term contracts with interstate
8 pipeline operators for the delivery of gas to the GDC distribution system, as well as
9 contracts with interstate pipelines and independent storage operators for gas storage
10 services. The GDCs pay monthly demand charges for the right to transport gas on the
11 pipeline, or to inject gas into storage for redelivery at a later date.

12 Gas Commodity Costs

13 Gas commodity costs are the costs to purchase gas. The GDCs buy gas in the producing
14 areas, such as the Marcellus shale gas area in Western Pennsylvania, at intermediate
15 trading points, or at the points where interstate pipelines deliver gas into the GDC
16 distribution system (often referred to as “city gates”).

17 Asset Optimization Credits

18 GDCs remarket or re-sell surplus transportation and storage capacity and gas supplies in
19 the wholesale market. Transactions that temporarily assign the GDC’s rights under
20 interstate transportation contracts to another party are known as “capacity release”
21 transactions. GDCs can also obtain value from gas transportation service contracts by

¹⁸ For purposes of this testimony, “BGSS” refers to the Periodic BGSS or BGSS-P rates charged by SJG and ETG.

1 using their pipeline capacity to buy and sell gas in the wholesale market as “off-system
2 sales”. Asset management arrangements (“AMAs”) are hybrid transactions that combine
3 a capacity release transaction with a gas purchase agreement. Revenue from capacity
4 release and AMA credits, and margins on off-system sales offset a portion of the fixed
5 demand costs associated with the optimized pipeline and storage assets.

6 IV. **AFFILIATE GAS SUPPLY TRANSACTIONS**

7 **Q. How can affiliate gas supply transactions cause BGSS rates to be higher?**

8 A. Affiliate gas supply transactions can increase the costs that GDCs use to set BGSS rates
9 by creating opportunities for self-dealing. BGSS customers will pay more for gas if the
10 GDC sells natural gas or releases pipeline capacity to an affiliate at a below-market price,
11 or buys natural gas or a gas-related service (such as an asset management service or gas
12 storage service) from an affiliate at an above-market price. BGSS customers will also
13 incur higher costs if the GDC contracts with an affiliate for gas transportation or storage
14 service that the GDC does not need. Over-contracting for gas transportation or storage
15 service to benefit an affiliate will cause the GDC’s gas costs to be higher, even if the
16 service is provided at a reasonable price, because, by favoring its affiliate, the GDC is no
17 longer acting on behalf of customers to obtain a mix of gas supply assets that provides a
18 reliable supply of gas at the lowest reasonable cost.

19 **Q. Can affiliate transactions also reduce competition and increase costs in retail gas 20 markets?**

21 A. Yes. The potential for self-dealing does not only impact a GDC’s BGSS customers.
22 Retail choice customers can incur higher costs if gas utility affiliates are given

1 preferential access to pipeline capacity or gas supply that the gas utility makes available
2 to the market through capacity release or off-system sales. If pipeline capacity and gas
3 supply is not offered to all market participants on equal terms, TPSs may find it more
4 difficult to obtain the pipeline transportation services or gas supplies that they need to
5 serve retail customers. With less competition, the prices charged by TPSs are likely to be
6 higher.

7 **Q. Is there evidence that TPSs rely on gas supply or capacity that is sold or released by**
8 **New Jersey GDCs?**

9 A. Yes. In 2019 the Board solicited stakeholder comments on the question of whether
10 GDCs and TPSs would have sufficient gas capacity to meet the needs of New Jersey
11 natural gas customers.¹⁹ Comments submitted in that proceeding by TPSs revealed that
12 the TPSs generally do not enter into long-term contracts for gas transportation and
13 storage services, but use short-term pipeline capacity releases and gas purchases at GDC
14 city gates to meet customer requirements. This includes pipeline capacity and gas supply
15 that the TPSs acquire from GDCs through capacity release and off-system sales. One
16 TPS commented as follows:

17 Direct Energy will use sources such as its own capacity under contract,
18 third-party capacity, and spot purchases to meet its obligations to
19 customers. However, it is important to note that New Jersey markets are
20 significantly constrained because the GDCs have fully subscribed the
21 capacity of key pipelines, so TPSs are often unable to obtain competitively
22 priced capacity or any capacity at all in certain locations.²⁰

23 A second TPS, Marathon Energy, stated:

¹⁹ In the Matter of the Exploration of Gas Capacity and Related Issues, BPU Docket No. GO19070846.

²⁰ In the Matter of the Exploration of Gas Capacity and Related Issues, BPU Docket No. GO19070846, Public Comments of Direct Energy and Centrica Business Solutions, October 22, 2019, p. 4.

1 Marathon buys its gas at the city gate.... It does not contract for released
2 capacity on a long-term basis to meet its design day forecast. It is active
3 in the secondary capacity release markets mostly with the GDCs, so it
4 does have capacity to certain GDC [city] gates on a month to month
5 basis.²¹

6 **Q. Do SJG and ETG enter into affiliate gas supply transactions today?**

7 A. Yes. Both SJG and ETG have extensive commercial dealings with South Jersey
8 Resource Group (“SJRG”). SJRG is an SJI subsidiary that provides wholesale
9 commodity marketing and risk management services, primary in the mid-Atlantic
10 region.²² SJRG sells gas to SJG, and buys gas from SJG through off-system sales. SJG
11 also releases pipeline and storage capacity to SJRG under long term and short term
12 arrangements.

13 With respect to ETG, SJRG provides capacity management and natural gas supply
14 services under a multi-year Asset Management Agreement or AMA (“SJRG AMA”).²³
15 Under the terms of the SJRG AMA, SJRG is ETG’s primary gas supplier and ETG
16 assigns most of its long-term contracts for gas transportation and storage capacity to
17 SJRG. The stipulation that the Board approved in BPU Docket No. GR21040723
18 obligates ETG to bring these gas supply activities in-house when the SJRG AMA expires
19 in 2024.

²¹ In the Matter of the Exploration of Gas Capacity and Related Issues, BPU Docket No. GO19070846, Public Comments of Marathon Energy, October 21, 2019, pp. 2-3.

²² Joint Petitioners’ response to RCR-POL-10 (Attachment RCR-POL-10.1, p. 36).

²³ In the Matter of the Petition of Elizabethtown Gas Company to Review its Basic Gas Supply Service Rate and its Conservation Incentive Program Rates, BPU Docket No. GR22060366, Petition dated June 1, 2022 (“ETG 2022-23 BGSS”) Exhibit P-2 4:1-6.

1 **Q. Do the Board’s affiliate rules apply to these transactions?**

2 A. According to the Joint Petitioners, the Board’s affiliate rules at N.J.A.C. 14:4-3 that
3 protect gas consumers by prohibiting nondiscriminatory behavior do not apply to gas
4 supply and pipeline capacity release transactions between SJG or ETG and SJRG because
5 SJRG does not serve retail customers in New Jersey.²⁴ This statement appears to be
6 based on the language in N.J.A.C. 14:4-3.1(a)1 which states in part:

7 N.J.A.C. 14:4-3.3 through 3.5 set forth standards of conduct applicable to
8 transactions, between an electric public utility or gas public utility,
9 including a related competitive business segment of an electric or gas
10 public utility, and a related competitive business segment of the electric or
11 gas public utility holding company providing or offering competitive
12 services to retail customers in New Jersey....

13 The Joint Petitioners would presumably take the same position with respect to any future
14 transactions between SJG or ETG and other companies owned and controlled by IIF US 2
15 that offer natural gas or gas-related services only in wholesale markets.²⁵

16 **Q. Have affiliate gas supply transactions between SJG and SJRG been an issue in**
17 **SJG’s annual BGSS review proceedings?**

18 A. Yes. There are two recent instances where SJG releases of pipeline capacity to SJRG
19 raised concerns. First, SJG was found to be releasing capacity to SJRG for terms longer
20 than one year at the pipeline’s tariff rate. Under Federal Energy Regulatory Commission
21 (“FERC”) rules, this prevented other market participants from bidding against SJRG by
22 offering a higher price for the released capacity.²⁶ In the stipulation that was approved in

²⁴ Joint Petitioners’ response to RCR-POL-14.

²⁵ Joint Petitioners’ response to RCR-POL-15.

²⁶ 18 CFR §284.8(h)(1)(iii)

1 BPU Docket No. GR18060609, SJG agreed that it would initially solicit bids for
2 available pipeline capacity by posting the capacity for a period of one year or less.²⁷

3 In the second example, SJG agreed that two long-term contracts for gas transportation
4 service that SJG had permanently assigned to SJRG without competitive bidding would
5 be returned to SJG.²⁸

6 **Q. Are there other examples of apparent self-dealing involving SJG?**

7 A. Yes. SJG entered into an agreement with PennEast Pipeline Company, LLC (“PennEast”)
8 for 105,000 Dth/day of transportation capacity when another SJI subsidiary was one of
9 the PennEast owners.²⁹ In comments submitted to the FERC, Rate Counsel observed
10 that because two-thirds of the capacity then under contract was held by affiliates of the
11 owners, “[t]his self-dealing undermines the assertion of need” for the PennEast project.³⁰
12 PennEast announced that it was cancelling the project in September 2021.³¹

13 **Q. Do SJG and ETG currently submit information on affiliate gas supply transactions**
14 **to the Board?**

15 A. Yes. New Jersey GDCs are required to include information on affiliate gas supply
16 transactions in their annual BGSS filings. Minimum Filing Requirement number 13

²⁷ In the Matter of the Petition of South Jersey Gas Company to Revise the Level of its Basis Gas Supply Service Charge and Conservation Incentive Program Charges, BPU Docket No. GR18060609, Decision and Order dated May 8, 2019.

²⁸ In the Matter of the Petition of South Jersey Gas Company to Revise the Level of its Basis Gas Supply Service Charge and Conservation Incentive Program Charge, BPU Docket No. GR21060881, Decision and Order dated July 13, 2022.

²⁹ Comments of the New Jersey Division of Rate Counsel dated September 12, 2016 in FERC Docket No. CP15-558, p. 4.

³⁰ Id.

³¹ In the Matter of the Petition of South Jersey Gas Company to Revise its Basis Gas Supply Service Rates and its Conservation Incentive Program Rates, BPU Docket No. GR22060366, Petition dated June 1, 2022 (“SJG 2022-23 BGSS”), Exhibit E, page 19:13-15.

1 states: “The GDC’s filing should have disclosure of all gas supply and capacity
2 transactions with any affiliates during the reconciliation or forecasted periods. The
3 disclosure should provide the nature, terms, and conditions of any such transactions, the
4 dates of the transactions, and evidence that the gas supply or capacity resource
5 transactions were at market rates.”³²

6 **Q. What information on affiliate gas supply transactions do SJG and ETG currently**
7 **report?**

8 A. SJG files detailed information on affiliate gas supply transactions. However, this
9 information is reported several months after the transactions occur, in a confidential
10 exhibit to the SJG BGSS filing that is only available to Board Staff and Rate Counsel.³³

11 ETG publicly reports its net gas purchases from SJRG by month.³⁴ ETG has additional
12 reporting requirements relating to the SJRG AMA, but this information is also
13 confidential to the public.

14 **Q. Is the proposed change of control likely to increase the opportunities for SJG and**
15 **ETG to enter into gas supply transactions with affiliates?**

16 A. Yes. There are several ways that the proposed change in control would lead to more gas
17 supply transactions with affiliates:

18 1. While the operations of existing IIF US 2 portfolio companies in the natural gas
19 industry do not appear to overlap with the gas supply activities of SJG or ETG today,

³² SJG 2022-23 BGSS, Exhibit C.

³³ SJG 2022-23 BGSS, page 5:8-12. (“Confidential Schedule MCM-10 contains affiliate transactions between South Jersey and [SJRG] for the May 2021 – April 2022 period. Confidential Schedule MCM-10 will be provided to Board Staff and Rate Counsel upon execution of a mutually acceptable Non-Disclosure Agreement.”)

³⁴ ETG 2022-23 BGSS, Schedule TK-8.

1 these companies could expand their operations into areas that would cause them to
2 transact with ETG and SJG in the future.

3 2. IIF US 2 could acquire other “critical infrastructure” companies that operate natural
4 gas pipelines or gas storage facilities that would provide services to SJG or ETG. The
5 recent acquisition of Enstor Gas, described as the largest privately owned gas storage
6 company in the U.S., is an example.³⁵ Because IIF US 2 is not a public company, the
7 Board and Rate Counsel may be unaware that gas supply transactions with newly-
8 acquired affiliates are occurring.

9 3. It is possible that enhanced access to capital resulting from proposed transaction³⁶
10 would cause SJI to expand SJRG’s gas commodity marketing business, allowing
11 SJRG to enter into more gas supply transactions with SJG and ETG.

12 **V. FINDINGS AND RECOMMENDATIONS**

13 **Q. Please provide your findings.**

14 A. My principal finding is that the change in control should not be approved as proposed.
15 This finding is based on the following reasons:

- 16 • The Joint Petition is deficient because the Joint Petitioners fail to address the impact
17 of the proposed transaction on competition in the wholesale and retail markets for
18 natural gas, or on the gas supply cost components of SJG and ETG customers’ bills.

³⁵ IIF US 2 acquired Enstor Gas from an affiliate of ArcLight Capital Partners, LLC in May 2022
(<https://www.businesswire.com/news/home/20220511006148/en/IIF-Acquires-Enstor-Gas-from-ArcLight>).

³⁶ Renna Direct Testimony, page 6:18-21 (“Simply put, the Proposed Transaction will provide benefits of cost effective and ongoing access to capital and long-term investment strategies, while maintaining the core operations of SJI’s operating utilities.”)

- 1 • The proposed transaction is likely to increase the opportunities for SJG and ETG to
2 engage in gas supply transactions with affiliates. IIF US 2 is expected to make more
3 investments in “critical infrastructure” companies. This could include natural gas
4 pipeline and gas storage operators, and gas marketing and trading companies, that
5 would provide gas supply or gas-related services to SJG or ETG.
- 6 • The Joint Petitioners’ interpret the Board’s affiliate relations rules to say that these
7 rules only apply to transactions with affiliated companies that serve retail customers
8 in New Jersey, and that the existing protections against preferential treatment do not
9 apply to gas supply and capacity transactions with affiliates that only operate in the
10 wholesale markets.
- 11 • Most of the information that SJG and ETG currently provide on affiliate gas supply
12 transactions is found in confidential reports that are only available to the Board and
13 Rate Counsel.

14 **Q. What are your recommendations?**

15 A. The Board should not approve the change in control transaction as proposed. The Board
16 should only approve the transaction if additional safeguards are imposed to help address
17 the risks that affiliate gas supply transactions will have a negative impact on competition,
18 and cause customers to pay higher costs. These safeguards would improve the potential
19 for New Jersey customers to see positive benefits as a result of this change in control.
20 With regard to the safeguards, I offer three recommendations:

- 21 1. To promote nondiscriminatory access to the interstate pipeline capacity and gas
22 supplies that are offered in wholesale markets, the Board should require SJG and

1 ETG to comply with the affiliate relations rules in N.J.A.C. 14:4-3 when transacting
2 with all affiliates of IIF US 2, including those that only operate in wholesale gas
3 markets, and not just affiliates that serve retail customers in New Jersey.

4 2. To increase transparency concerning the availability of gas supply and pipeline
5 capacity in for New Jersey markets, the Board should require SJG and ETG to
6 publicly post, within 30 days of the transaction date, the information on affiliate gas
7 supply transactions that is required by BGSS Minimum Filing Requirement number
8 13 on their websites and retain this information on their websites for a period of at
9 least one year.

10 3. To ensure that the GDCs do not give preference to affiliates, the Board should require
11 that SJG and ETG will not contract with an affiliate or any entity in which an affiliate
12 has an ownership interest for gas transportation or storage service without prior
13 approval from the Board.

14 Merger Commitments related to these recommendations are appended to the testimony
15 submitted on behalf of Rate Counsel by witness Andrea C. Crane as Attachment ACC-2.

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does. I understand that the Board just released a SJG management audit and I
18 reserve the right to submit additional testimony regarding that audit or regarding any
19 other additional information at a later date.

ATTACHMENT
JAR-1

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PROFESSIONAL EXPERIENCE

North Side Energy, LLC, Acton, MA 2006 – Present
PRINCIPAL

Consultant to energy companies, government agencies and natural gas consumers. Project areas include:

- Gas distribution company resource planning and procurement practices.
- Fuel supply for power generation and electric-gas interface issues.
- Natural gas transmission and storage cost allocation.
- Market studies and avoided cost analysis.

Calpine Corporation, Boston, MA 2000 – 2006
DIRECTOR, GAS ORIGINATION

Developed and implemented fuel supply plans for gas-fired power plants in the Northeast U.S. and Eastern Canada. Negotiated and managed contracts with natural gas suppliers and transporters.

- Testified on the availability of natural gas supply and pipeline delivery capacity to support the permitting of a gas-fired power plant in the Midwest.
- Supported arbitration cases to enforce long-term natural gas contracts.

PG&E Gas Transmission, Boston, MA and Portland, OR 1997 – 1999
DIRECTOR, BUSINESS DEVELOPMENT

Identified and managed development projects and investment opportunities involving natural gas pipelines, underground storage and LNG peaking plants.

- Project manager for a natural gas storage feasibility study in the Pacific Northwest.
- Owner representative and management committee member for the Iroquois Gas Transmission System and Portland Natural Gas Transmission System partnerships.

MANAGER, PROJECT DEVELOPMENT – J. Makowski Company, Boston, MA 1992 – 1997
Supervised a team that provided project management and marketing support for natural gas pipeline and storage projects. Conducted regional gas market studies for internal projects and outside clients.

VICE PRESIDENT - EnerPro, Inc., Chicago, IL 1990 – 1992
Consultant to gas distribution companies. Helped clients define gas portfolio objectives, draft requests for proposals, evaluate suppliers, and negotiate long-term gas purchase contracts.

MANAGER, GAS MODELING GROUP - Planmetrics, Inc., Chicago, IL 1986 – 1990
Provided consulting support to gas distribution companies on gas dispatch modeling and cost forecasts.

ADVISORY ECONOMIST - Chicago Board of Trade, Chicago, IL 1983 – 1986
Researched commodity markets for futures and options trading potential. Prepared a natural gas futures trading proposal that was submitted to the Commodity Futures Trading Commission.

EDUCATION

Graduate study in Economics - Northwestern University, Evanston, IL
Completed all course and examination requirements for Ph.D.

Bachelor of Arts, Economics - George Washington University, Washington, DC

REGULATORY PROCEEDINGS

Natural Gas Supply Planning and Cost of Gas

National Grid Denial of Service Investigation

Case #: New York Public Service Commission Case 19-G-0678

Client: Eastern Environmental Law Center

Scope: Comments on National Grid Long-Term Capacity Report

Liberty Utilities (EnergyNorth) Proposed Transportation Agreement with Tennessee Gas Pipeline

Case #: New Hampshire PUC Docket 14-380

Client: Pipe Line Awareness Network for the Northeast, Inc.

Scope: Testimony on alternatives to a proposed long-term pipeline transportation contract.

Liberty Utilities (EnergyNorth) Granite Bridge Project

Case #: New Hampshire PUC Docket 17-198

Client: Pipe Line Awareness Network for the Northeast, Inc.

Scope: Testimony on proposed intrastate pipeline and LNG peaking facility.

Berkshire Gas Company 2016 Integrated Resource Plan

Case#: Massachusetts DPU Docket 16-103

Client: Town of Montague

Scope: Testimony on alternatives for ending moratorium on new gas service.

Berkshire Gas Company Long Term Contract Approval

Case#: Massachusetts DPU Docket 15-178

Client: Town of Montague

Scope: Testimony on alternatives to a proposed long-term gas transportation contract.

Summit Natural Gas Request for Contract Approvals

Case#: Maine PUC Docket 2019-00185

Client: Maine Public Advocate

Scope: Testimony on long-term gas transportation and asset management contracts.

Northern Utilities, Inc. Integrated Resource Plans

Case #: Maine PUC Dockets 2015-00018 and 2011-00526

Client: Maine Public Advocate

Scope: Prepare discovery requests and participate in technical conferences.

Northern Utilities, Inc. Cost of Gas Factor Cases

Case #: Annual, 2012 to present.

Client: Maine Public Advocate

Scope: Review cost of gas filings. Prepare discovery requests and participate in technical conferences.

South Jersey Gas Company Basic Gas Supply Service Reviews

Case #: Annual. 2013 to present

Client: New Jersey Division of Rate Counsel

Scope: Draft discovery requests, prepare written report, and support settlement negotiations.

Elizabethtown Gas Capacity Management

Case#: New Jersey BPU Dockets GO13040272 and GR21040723

Client: New Jersey Division of Rate Counsel

Scope: Prepare discovery requests and participate in settlement negotiations.

Cost Allocation and Rates

Union Gas 2014 Rate Case

Case #: Ontario Energy Board Case EB-2013-0365

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Testimony recommending changes to the allocation of transmission costs.

Northern Utilities Approval of Affiliated Interest Transaction

Case #: Maine PUC Dockets 2011-00302, 2012-00393, and 2013-00259

Client: Maine Public Advocate

Scope: Review proposed contract with pipeline affiliate. Examine rate implications for sales customers.

Granite State Gas Transmission, Inc. Rate Case

Case #: FERC Docket No. RP10-896

Clients: Maine Public Advocate and MPUC Staff

Scope: Review rate case application. Participate in settlement negotiations.

Maritimes & Northeast Rate Case

Case #: FERC Docket No. RP04-360

Client: Calpine Corporation

Scope: Testimony on distance-based rates.

Natural Gas Markets

Merger of The Southern Company and AGL Resources, Inc.

Case #: New Jersey BPU Docket GM15101196

Client: New Jersey Division of Rate Counsel

Scope: Testimony on potential affiliate preference in asset management arrangement.

Union Gas 2016 Dawn Parkway Expansion Project

Case #: Ontario Energy Board Case EB-2014-0261

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Testimony on U.S. customer demand for Canadian gas transportation services.

Ontario Natural Gas Market Review

Case #: Ontario Energy Board Cases EB-2014-0289 and EB-2010-0199

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Written and oral submissions on natural gas market issues.

Enbridge Gas Distribution GTA Project

Case #: Ontario Energy Board Case EB-2012-0451

Client: Green Energy Coalition

Scope: Prepare discovery requests on the need for a proposed expansion project.

Portland Natural Gas Transmission System Rate Case

Case #: FERC Docket RP10-729

Client: Maine Public Advocate

Scope: Rebuttal testimony on the market risks faced by the pipeline.

Natural Gas for Power Generation

Duke Energy Carolinas Fuel Charge Adjustment

Case #: North Carolina Utilities Commission Docket E-7, Sub 1228

Client: Sierra Club

Scope: Testimony on reporting requirements for natural gas supply costs.

Ontario Integrated Power System Plan

Case #: OEB Case EB-2007-0707

Client: Ontario Power Authority

Scope: Report on the implications of increased gas-fired power generation for the Ontario gas market.

Natural Gas Electricity Interface Review

Case #: OEB Case EB-2005-0551

Client: Association of Power Producers of Ontario

Scope: Written evidence on power generators' gas service needs. Expert witness at hearing.

Greenfield Energy Centre Leave to Construct

Case#: Ontario Energy Board Case EB-2005-0441

Client: Greenfield Energy Centre

Scope: Witness supporting application to construct a gas supply pipeline.

Rulemakings

Storage and Transportation Access Rules

Case #: Ontario Energy Board Case EB-2008-0052

Client: Ontario Energy Board Staff

Scope: Report on transporter and storage operator conduct and reporting requirements in other jurisdictions. Assist in drafting proposed rules and reviewing intervenor comments.

Guidelines for Pre-Approval of Long-Term Gas Supply Contracts

Case #: Ontario Energy Board Case EB-2008-0280

Client: Ontario Energy Board Staff

Scope: Assist Board Staff in evaluating policy options.