

Dominick DiRocco, Esq.  
Vice President, Rates & Regulatory Affairs

July 31, 2024

**Electronic Filing**

Sherri L. Golden  
Board Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue, 1st Floor  
P. O. Box 350  
Trenton, NJ 08625-0350

**Re: In the Matter of the Petition of Elizabethtown Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions**

**BPU Docket No. GR24020158, OAL Docket No. PUC 03991-2024**

Dear Secretary Golden,

Enclosed for filing in the above-referenced matter, please find Elizabethtown Gas Company's 12+0 Update, which consists of the Supplemental Direct Testimony of Thomas Kaufmann, the Engineering Panel, John L. Houseman, Ann Bulkley and supporting documents, which have been filed electronically today in the above-referenced matter through the Board's e-filing program.

The 12+0 Update includes the following changes that are addressed further in supplemental testimony:

- Accounting actuals for April-June 2024 as well as updated projections for the Post Test Year
- Revised WACC rate based on actual debt issuances in June 2024
- Removal of IIP 2 capital from the Post Test Year
- Correction to depreciation rates that were inadvertently changed in the 9+3 Update

In addition, the 12+0 Update includes a request for authorization to create a regulatory asset related to the appeal of a property tax reassessment for the Company's Erie Street property, Block 743, Lot 1. As a result of these changes, the Company's requested revenue requirement in the 12+0 Update is \$72.8 million, a decrease of \$4.9 million from the Company's 9+3 Update revenue requirement of \$77.7 million.

In accordance with the BPU's March 19, 2020 and June 10, 2020 Orders issued in Docket No. EO20030254, hard copies are not being submitted at this time, but can be provided at a later time, if needed.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Dominick DiRocco". The signature is written in black ink and is positioned above the printed name.

Dominick DiRocco

Enclosures

cc: Service List (Electronic Mail)

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF  
INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE, CHANGES TO DEPRECIATION  
RATES AND OTHER TARIFF REVISIONS**

**BPU DOCKET NO. GR24020158  
OAL DOCKET NO. PUC 03991-2024**

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF :  
ELIZABETHTOWN GAS COMPANY FOR :  
APPROVAL OF INCREASED BASE TARIFF : BPU DOCKET NO. GR24020158  
RATES AND CHARGES FOR GAS SERVICE, : OAL DOCKET NO. PUC 03991-2024  
CHANGES TO DEPRECIATION RATES AND :  
OTHER TARIFF REVISIONS :

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12+0 Update

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July 31, 2024

12+0 UPDATE

Supplemental Direct Testimony & Schedules

Of

Thomas Kaufmann



**IN THE MATTER OF THE PETITION OF  
ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF  
INCREASED BASE TARIFF RATES AND CHARGES  
FOR GAS SERVICE, CHANGES TO DEPRECIATION  
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**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**THOMAS KAUFMANN**

**On Behalf Of  
Elizabethtown Gas Company**

**Exhibit P-3A**

**12+0 Update**

**July 31, 2024**

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

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

2 **A.** My name is Thomas Kaufmann and I am the Manager of Rates and Tariffs for  
3 Elizabethtown Gas Company (“Elizabethtown” or “Company”). My business address is  
4 520 Green Lane, Union, New Jersey 07083.

5 **Q. ARE YOU THE SAME THOMAS KAUFMANN WHO PREVIOUSLY**  
6 **SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?**

7 **A.** Yes, I am.

8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

9 **A.** The purpose of my supplemental direct testimony is to provide a 12+0 Update to  
10 Elizabethtown Gas Company’s (“ETG” or “Company”) rate filing in this proceeding. The  
11 Company’s 12+0 Update reflects actual data for the twelve months ending June 30, 2024,  
12 as well as updated forecasts of changes in capital expenditures through December 31, 2024,  
13 and changes in certain revenues and expenses through March 31, 2025. In addition to my  
14 supplemental direct testimony, the Company’s 12+0 Update includes testimony and  
15 schedules of the Engineering Panel, John L. Houseman and Ann E. Bulkley.

16 **Q. DO YOU SPONSOR ANY SCHEDULES IN YOUR SUPPLEMENTAL**  
17 **TESTIMONY?**

18 **A.** Yes. I am sponsoring the following Schedules, which were prepared and/or compiled  
19 under my direction and supervision and support the Company’s calculation of its revenue  
20 requirement and rate base:

- 21
- Schedule TK-1 – Revenue Requirement;

- 1       • Schedule TK-2 – Statement of Rate Base;
- 2       • Schedule TK-3 – Operating Income Statement;
- 3       • Schedule TK-4 – Summary of Pro Forma Adjustments to Operating Income excluding
- 4       annualization and normalization adjustments;
- 5       • Schedule TK-5 – Post Test Year Annualization and Normalization Adjustments to
- 6       Revenue and Cost of Gas;
- 7       • Schedule TK-6 – Derivation of Revenue Expansion Factor;
- 8       • Schedule TK-7 – Rider Adjustment;
- 9       • Schedule TK-8 – Proposed Infrastructure Investment Program (“IIP”) Revenue Roll-
- 10       In to Base Rates from IIP Rider F;
- 11       • Schedule TK-9 – Payroll Expense;
- 12       • Schedule TK-10 – Employee Benefits Expense;
- 13       • Schedule TK-11 – Allocated Service Company Expense;
- 14       • Schedule TK-12 – Rate Case Expense;
- 15       • Schedule TK-13 – Other O&M Expense;
- 16       • Schedule TK-14 – Inflation Adjustment;
- 17       • Schedule TK-15 – Revenue Taxes;
- 18       • Schedule TK-16 – Customer Deposits;
- 19       • Schedule TK-17.1 – Cash Working Capital (Test Year);
- 20       • Schedule TK-17.2 – Cash Working Capital (Post-Test Year); and
- 21       • Schedule TK-18 – Inventories.

1 **Q. PLEASE DESCRIBE THE PROPOSED REVENUE REQUIREMENT INCREASE**  
2 **THAT IS REFLECTED IN THE COMPANY'S 12+0 UPDATE.**

3 **A.** As set forth on Schedule TK-1 (12+0), the Company's 12+0 Update supports an increased  
4 revenue requirement of \$72,811,708 in this proceeding. This compares to a proposed  
5 revenue requirement increase of \$77,678,539 in the Company's 9+3 Update and a proposed  
6 increase of \$75,558,923 in the Company's initial filing.

7 **Q. WHAT ARE THE COMPONENTS OF THE DIFFERENCE IN THE COMPANY'S**  
8 **REVENUE REQUIREMENT ON SCHEDULE TK-1 IN THE 12+0 UPDATE AS**  
9 **COMPARED TO THE 9+3 UPDATE?**

10 **A.** The components of the revenue requirement difference are as follows:

11 (i) a decrease in rate base of \$46.5million primarily resulting from the removal of IIP  
12 2 amounts on Schedule EP-4 per the Board's Order dated July 24, 2024 in Docket  
13 Nos. GR18101197 and GR23120882as discussed further in the Engineering Panel's  
14 Supplemental Testimony;

15 (ii) an increase in the rate of return of 0.02% resulting from an increase in the  
16 Company's cost of long-term debt as discussed in the Supplemental Testimony of  
17 Ann E. Bulkley;

18 (iii) a decrease in operating expenses of \$0.3 million made up of decreases in general  
19 and administrative expenses of \$0.3 million, outside services of \$0.4 million,  
20 management fee expenses of \$0.3 million and other expenses of \$0.3 million,

1 partially offset by higher customer account expenses of \$1.0 million as discussed  
2 further below;

- 3 (iv) an increase in depreciation expense of \$0.5 million as discussed further below; and
- 4 (v) a decrease in income taxes and excess deferred tax amortization of \$0.2 million.

5 The net of the above expense changes results in no change in adjusted net operating income.

6 The adjustments described above, are grossed up by the proposed revenue factor as  
7 set forth on Schedule TK-1 (12+0) to derive the revenue requirement decrease of \$4.9  
8 million reflected in the 12+0 Update as compared to the 9+3 Update.

9 **Q. DID THE COMPANY MAKE ANY CORRECTIONS IN THE 12+0 UPDATE?**

10 **A.** Yes. In preparing the Company's 12+0 Update, the Company noted incorrect depreciation  
11 rates for certain FERC accounts in the 9+3 Update. Those rates have been corrected in  
12 the 12+0 Update to those proposed in the Company's initial filing. This correction is also  
13 identified in the Company's updated response to S-ETG-REV-54 in which a revised Excel  
14 model for the 9+3 Update was provided.

15 In addition, on Schedule TK-10 the Company revised the capitalized benefits  
16 amount for the Test Year on Line 2 to exclude pension expense as it is not included in the  
17 pre-capitalized employee benefits for the Test Year on Line 1 of this schedule. This  
18 change resulted in an approximate \$9,000 increase in the Company's revenue requirement  
19 in the 12&0 Update. The Company has also added the calculated test year capitalized  
20 benefits percentage to Schedule TK-10 which is used to derive the post test year  
21 capitalized benefit amount.

1 **Q. DID THE COMPANY MAKE ANY ADDITIONAL ADJUSTMENTS TO O&M**  
2 **EXPENSES?**

3 **A.** Yes. As shown on Line 9 on Schedule TK-13 (12+0), the Company has adjusted the  
4 customer uncollectible expenses by \$5.3 million, bringing the Test Year total to \$9.9  
5 million. When the Company updated its uncollectibles expense in the 12+0 Update for  
6 actual data for April, May and June 2024, total uncollectibles expense for the test year was  
7 \$4.6 million. This amount includes the impact of approximately \$4.0 million related to  
8 non-recurring credits issued to customers pursuant to the Board’s January 25, 2023 Order  
9 in BPU Docket No. GM22040270 which approved the merger of IIF US Holding 2, LP  
10 and South Jersey Industries, Inc., Elizabethtown’s parent company, as well as supplemental  
11 Home Energy Assistance Program (“HEAP”) credits applied in the second quarter of 2024.  
12 To normalize these amounts, the Company made a proforma adjustment to uncollectible  
13 expense of \$5.3 million to reflect an annual amount of \$9.9 million, which was the  
14 Company’s actual 2023 uncollectibles expense.

15 **Q. IN PREPARING THE 12+0 UPDATE, HAS THE COMPANY MADE ANY MAJOR**  
16 **CHANGES IN THE ASSUMPTIONS AND FORECAST METHODOLOGIES**  
17 **THAT WERE USED IN PREPARING THE COMPANY’S INITIAL FILING**  
18 **AND/OR 9+3 UPDATE?**

19 **A.** No. It has not.

20 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

21 **A.** Yes, it does.

**ELIZABETHTOWN GAS COMPANY  
REVENUE REQUIREMENT**

<u>Line</u>		<u>REFERENCE</u>
1	Adjusted Rate Base	\$1,813,498,457      TK-2
2	Rate of Return	8.33%
3	Required Operating Income	151,064,421
4	Adjusted Net Operating Income	99,327,566      TK-3
5	Income Deficiency	51,736,855
6	Revenue Factor	1.407347      TK-6
7	Operating Revenue Adjustment to Base Rates	\$72,811,708

ELIZABETHTOWN GAS COMPANY  
STATEMENT OF RATE BASE

Line No.	G/L Accounts	12 MONTHS ACTUAL BALANCES		12 MONTH RATE BASE 6/30/2024	POST TEST YEAR ADJUSTMENT	ADJUSTED RATE BASE 12/31/2024	REFERENCE TO RATEMAKING ADJUSTMENTS	
		AS OF Jun-24	TEST YEAR ADJUSTMENT					
1	Utility Plant In Service	10100, 10110	\$2,506,307,956	(\$103,000,738)	\$2,403,307,218	\$95,852,082	\$2,499,159,300	EP-1
2	Accumulated Depreciation & Amortization	10800, 10810, 10820, 10830, 10850, 29110, Acq Adj.	(\$494,139,849)	\$0	(\$494,139,849)	(\$8,930,503)	(\$503,070,352)	JLH-5
3	Net Utility Plant		\$2,012,168,107	(\$103,000,738)	\$1,909,167,369	\$86,921,579	\$1,996,088,948	
4	Pension/OPEB	Reg Asset: 16120 Accrued: 27500, 27510	\$22,058,540	(\$812,157)	\$21,246,383	(\$1,624,314)	\$19,622,069	JLH-9
5	Cash Working Capital		\$0	\$37,490,576	\$37,490,576	\$10,707,616	\$48,198,192	TK-17
6	Inventory Average Balances	14600, 14610	\$0	\$11,103,233	\$11,103,233	(\$1,452,706)	\$9,650,527	TK-18
7	Customer Deposits <sup>(1)</sup>	22000	(\$4,967,643)	\$0	(\$4,967,643)	(\$24,721)	(\$4,992,364)	TK-16
8	Customer Advances <sup>(1)</sup>	29430	(\$1,667,035)	\$0	(\$1,667,035)	\$0	(\$1,667,035)	
9	Deferred Income Taxes:							
10	Excess Protected ADIT	28110 Reg Liability	(\$76,472,651)	\$891,207	(\$75,581,444)	\$1,195,472	(\$74,385,972)	WP-1 TY Def Tax
11	Federal Income Tax	27000	(\$111,193,659)	(\$5,327,805)	(\$116,521,464)	(\$5,178,785)	(\$121,700,249)	JLH-6
12	NJ CBT	27000	(\$52,367,500)	(\$2,509,171)	(\$54,876,671)	(\$2,438,988)	(\$57,315,659)	JLH-7
13	Consolidated Tax Adjustment		\$0	\$0	\$0	\$0	\$0	Exhibit P-1 Sch-E
14	Total Rate Base		\$1,787,558,159	(\$62,164,855)	\$1,725,393,304	\$88,105,153	\$1,813,498,457	

<sup>(1)</sup> Represents Thirteen Month Averages of Account Balances



ELIZABETHTOWN GAS COMPANY  
OPERATING INCOME STATEMENT

Line No.	12 MONTHS ACTUAL Jun-2024	0 MONTHS PROJECTED DATA	TEST YEAR 12 MOS ENDED 6/30/2024	TEST & POST TEST YR. PRO FORMA ADJUSTMENTS	ANNUALIZATION & NORMALIZATION ADJUSTMENTS	POST TEST YEAR ENDED 3/31/2025	REVENUE DEFICIENCY	POST TEST YEAR 12 MOS ENDED 3/31/2025	
1	Operating Revenues	\$413,275,445	\$0	\$413,275,445	(\$22,465,474)	\$62,503,922	\$453,313,893	\$72,811,708	\$526,125,601
2	Cost of Sales-Rider Revenue Offsets *	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Cost of Sales Purchased Gas	(\$119,198,275)	\$0	(\$119,198,275)	\$0	(\$42,951,960)	(\$162,150,235)	\$0	(\$162,150,235)
4	Operating Margin Revenues	\$294,077,170	\$0	\$294,077,170	(\$22,465,474)	\$19,551,962	\$291,163,658	\$72,811,708	\$363,975,366
5	Operating Expenses:								
6	Operation & Maintenance Exps.	\$88,914,608	\$0	\$88,914,608	\$3,915,911	\$556,222	\$93,386,741	\$647,951	\$94,034,692
7	Depreciation Expense	\$66,887,477	\$0	\$66,887,477	6,656,324	\$0	\$73,543,801	\$0	\$73,543,801
8	Amortization Expense *	\$22,931,053	\$0	\$22,931,053	(\$19,466,639)	\$0	\$3,464,414	\$0	\$3,464,414
9	Taxes Other Than Income Taxes	\$5,431,758	\$0	\$5,431,758	\$163,204	\$169,136	\$5,764,098	\$197,028	\$5,961,126
10	Federal Income Taxes & NJ CBT	\$17,280,379	\$0	\$17,280,379	\$233,680	\$5,292,158	\$22,806,217	\$20,229,848	\$43,036,065
11	Excess Deferred Tax Amortization	(\$1,494,388)	\$0	(\$1,494,388)	(\$1,195,472)	\$0	(\$2,689,860)	\$0	(\$2,689,860)
12	Total Operating Expenses	\$199,950,887	\$0	\$199,950,887	(\$9,692,992)	\$6,017,516	\$196,275,411	\$21,074,827	\$217,350,238
13	Net Operating Income	\$94,126,283	\$0	\$94,126,283	(\$12,772,482)	\$13,534,446	\$94,888,247	\$51,736,881	\$146,625,128
14	Rate-making Adjustment - After Tax:								
15	Interest on Customer Deposits AT	\$112,830	\$0	\$112,830	\$69,730	\$0	\$182,560	\$0	\$182,560
16	CIC Rate Credit Adjustment AT	\$0	\$0	\$0	(\$4,621,879)	\$0	(\$4,621,879)	\$0	(\$4,621,879)
17	Adjusted Net Operating Income	\$94,013,453	\$0	\$94,013,453	(\$8,220,333)	\$13,534,446	\$99,327,566	\$51,736,881	\$151,064,447
18	Total Rate Base			\$1,725,393,304			\$1,813,498,457		\$1,813,498,457
19	Return on Rate Base			5.45%			5.48%		8.33%
20	Adjusted Net Income			\$56,054,800			\$59,430,600		\$111,167,481
21	Return on Equity			5.70%			5.75%		10.75%

\* Rider Offsets were previously in Cost of Sales, now in Depreciation & Amortization.

**ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME**

	<b>Test &amp; Post Test Year Pro Forma Adjustments</b>
1. Rider Operating Revenue Adjustments	
(a) Remove Rider Revenues Adjustments (TK-7)	\$ (35,503,822)
(b) IIF Bill Credit January 2024 (TK-7)	\$ 13,038,348
	<b>(22,465,474)</b>
2. Operation and Maintenance expenses	
(a) Annualization of Payroll (TK-9)	\$ 2,526,920
(b) Annualization of Benefits (TK-10)	\$ 231,948
(c) Annualization of Allocated Service Company Salaries & Benefits (TK-11)	\$ (862,000)
(d) Amortization of Rate Case expenses (TK-12)	\$ 429,333
(e) Non-Recoverable and Other Expense Adjustments (TK-13)	\$ 38,547
(f) Inflation Adjustment (TK-14)	\$ 1,551,163
	<b>3,915,911</b>
3. Depreciation Expense	
(a) Annualize Test Year Depreciation Expense (JLH-5)	\$ (947,517)
(b) Annualize Post Test Year Depreciation Expense (JLH-5)	\$ 3,625,973
(c) Test Year Income Statement Adj. to WP-1 Depreciation TY @ Current Rates	\$ 3,977,868
	<b>6,656,324</b>
4. Amortization Expense	
(d) Rider Revenue Offsets (TK-7) *	\$ (19,466,639)
	<b>(19,466,639)</b>
5. Taxes Other Than Income	
(a) FICA Payroll Tax Adjustment (TK-9)	\$ 193,309
(b) Adjustment for PUA (TK-15)	\$ (30,105)
(c) Extraordinary Item, if any	\$ -
	<b>163,204</b>
6. Excess Deferred Tax Amortization	
(a) Excess Deferred Tax Amortization	\$ (1,195,472)
	<b>(1,195,472)</b>
7. Taxes - Income - Current, Increase / (decrease)	
(a) Interest Synchronization Tax Expense Change (JLH-8)	\$ 4,094,384
(b) Income Tax effect of adjustments 1 - 5 times tax rate	\$ (3,860,704)
	<b>233,680</b>

\* Previously in Cost of Sales - Rider Revenue Offsets

**ELIZABETHTOWN GAS COMPANY**  
**PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME**  
**POST TEST YEAR REVENUE & COST OF GAS ADJUSTMENTS**  
**ANNUALIZATION & NORMALIZATION ADJUSTMENTS**

Line No.		TK-7 Revenue	Annualization & Normalization	Net of
	<u>Test Year</u>	<u>Adjustments</u>	<u>Adjustments</u>	<u>Adjustments</u>
1	Income Statement			
2	Operating Revenues	\$413,275,445	(\$22,465,474)	\$62,503,922
3	Cost of Sales-Rider Revenue Offsets	\$0		\$0
4	Cost of Sales Purchased Gas	(\$119,198,275)	(\$42,951,960)	(\$162,150,235)
5	<b>Operating Margin Revenues</b>	<u>\$294,077,170</u>	<u>(\$22,465,474)</u>	<u>\$19,551,962</u>
		-	-	-
				Present
6	<u>Test Year per Annualized and Normalized Determinants at Current Rates plus IIP Roll-In:</u>			<u>Proof Revenues</u>
7	Total System Base Distribution Revenue including Other Revenues			\$278,654,921
8	IIP Revenue Requirement from Rider F to Base Rates			<u>\$12,508,737</u> TK-8 IIP Yrs 3&4
				<u>\$291,163,658</u> HSG-2-2 Present w/ IIP
9	<u>Net of Operating Margin Revenue Adjustments:</u>			
10	On-System Margin Sharing Credit ("OSMC") Revenue		(\$155,055)	
11	Energy Efficiency Program ("EEP") Revenue		(\$8,227,342)	
12	Remediation Adjustment Clause ("RAC") Revenue		(\$4,152,238)	
13	Clean Energy Program ("CEP") Revenue		(\$11,843,993)	
14	Infrastructure Investment Program ("IIP") Billed Revenue - Rider to Base Rates		(\$11,125,194)	
15	IIF Bill Credit January 2024		<u>\$13,038,348</u>	
			<u>(\$22,465,474)</u>	
			-	
16	<u>Annualization and Normalization Adjustments:</u>			
17	IIP Approved Revenue Requirement from Rider F to Base Rates (TK-8)		\$12,508,737	
18	Annualization Normalization		\$7,043,225	
19	Gas Sales Revenue, Increase / (Decrease)		<u>\$42,951,960</u>	
20	Operating Revenues		<u>\$62,503,922</u>	
21	Purchase Gas Cost, (Increase) / Decrease		<u>(\$42,951,960)</u>	
			<u>\$19,551,962</u>	
			-	

**ELIZABETHTOWN GAS COMPANY  
DERIVATION OF REVENUE EXPANSION FACTOR**

**Line  
No.**

1	Additional Required Revenue Percentage		100.0000%
2	Percentage Adjustment for Uncollectibles		0.8899%
3	BPU Assessments		0.2197%
4	Rate Counsel Assessments		<u>0.0509%</u>
5	Percentage of Income Before State Income Tax		98.8395%
6	State Income Tax Percentage	9.00%	<u>8.8956%</u>
7	Percentage of Income Before Federal Income Tax		89.9439%
8	Federal Income Tax Percentage	21.00%	<u>18.8882%</u>
9	Revenue Expansion Factor - Percent		<u>71.0557%</u>
10	Revenue Expansion Factor - Whole Number		<u><u>1.407347</u></u>

ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
RIDER and OTHER ADJUSTMENTS

Line No.		<u>TOTAL</u>
1	On-System Margin Sharing Credit (“OSMC”) Revenue	\$155,055
2	Energy Efficiency Program (“EEP”) Revenue	\$8,227,342
3	Remediation Adjustment Clause (“RAC”) Revenue	\$4,152,238
4	Clean Energy Program (“CEP”) Revenue	\$11,843,993
5	Infrastructure Investment Program (“IIP”) Billed Revenue - Rider to Base Rates	\$11,125,194
6	<b>Total Rider Revenue Adjustments</b>	<u><b>\$35,503,822</b></u>
7	IIF Bill Credit January 2024	<u>(\$13,038,348)</u>
8	<b>Net Revenue Adjustment</b>	<u><u><b>\$22,465,474</b></u></u>

**ELIZABETHTOWN GAS COMPANY  
INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)**

**SUMMARY OF APPROVED AND PROPOSED REVENUE REQUIREMENTS  
FROM RIDER "F" TO BASE RATES**

		<b>YEARS 3 and 4</b>	12 Months <u>Ending</u>	In-Service <u>Capital *</u>	Revenue <u>Requirement **</u>
Approved	07/15/22	Docket. No. GR22040316, Dated 9-28-22 Effective on: 10-1-22	Jun-22	\$58,167,862	\$6,300,195
Approved	07/17/23	Docket. No. GR23040270, Dated 9-27-23 Effective on: 10-1-23	Jun-23	\$58,402,300	\$6,208,542
IIP Revenue Requirement from Rider F to Base Rates				<b>\$116,570,162</b>	<b>\$12,508,737</b>

\* In-Service Capital consists of Mains and Services, capped at a \$1.2 M mile, Monitor, Methane Leak Survey in year 1 and applicable AFUDC amounts.

\*\* When base rates inclusive of the previously approved Revenue Requirements become effective, this amount will be removed from the computation in resetting the Rider F IIP rates, which may be zero if this case settles before year 5 IIP rates go into effect, which remain in Rider F until a future case.

**ELIZABETHTOWN GAS COMPANY**  
**PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME**  
**PAYROLL EXPENSE**

Line No.		<u>Test Year</u>	<u>Annualized Post Test Year *</u>	<u>Adjustment To Test Year</u>
1	<u>Payroll Expenses:</u>			
2	<u>Gross Expenses:</u>			
3	Fixed Payroll	\$38,274,727	\$42,212,469	\$3,937,742
4	Variable Compensation	\$2,091,568	\$2,091,568	\$0
5	Total Compensation	<u>\$40,366,295</u>	<u>\$44,304,037</u>	<u>\$3,937,742</u>
6	<u>Capitalized Payroll Expenses</u>			
7	Direct Payroll	(\$14,434,917)	(\$15,845,739)	(\$1,410,822)
8	Variable Compensation	(\$788,813)	(\$788,813)	\$0
9	Capitalized Compensation	<u>(\$15,223,730)</u>	<u>(\$16,634,552)</u>	<u>(\$1,410,822)</u>
10	Net Compensation Expense	\$25,142,565	\$27,669,485	\$2,526,920
11	Other Adjustment	\$0	\$0	\$0
12	<b>Pro Forma Payroll Adjustment (O&amp;M)</b>	<u>\$25,142,565</u>	<u>\$27,669,485</u>	<u>\$2,526,920</u>
13	FICA Tax Rate			7.65%
14	<b>Pro Forma FICA Payroll Tax Adjustment - Sch. TK-3 Taxes Other than Income</b>			<u>\$193,309</u>
15	<u>Lead Lag Test Year and Post Year:</u>			
16	Regular Payroll	<b>\$23,839,810</b>	\$26,366,730	<b>\$2,526,920</b>
17	Variable Compensation & Other Adj.	<b>\$1,302,755</b>	\$1,302,755	<b>\$0</b>
18	Net Compensation Expense	<u>\$25,142,565</u>	<u>\$27,669,485</u>	<u>\$2,526,920</u>

\*Additional Post Test Year months include a 4% merit increase effective March 1, 2024.

**ELIZABETHTOWN GAS COMPANY**  
**PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME**  
**EMPLOYEE BENEFITS EXPENSE \***

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<u>Line</u> <u>No.</u>	<u>Test Year</u>	<u>Annualized</u> <u>Post Test Year</u>	<u>Adjustment To</u> <u>Test Year</u>
<u>Employee Benefits Expenses:</u>			
1	\$8,202,731	\$8,565,207	\$362,476
2	(\$2,987,207)	(\$3,117,735)	(\$130,528)
3	<b>\$5,215,524</b>	<b>\$5,447,472</b>	<b>\$231,948</b>
	Capitalized Benefits	36.4%	36.4%

\* Medical, 401k, Dental, Pharmacy, etc., excluding Pension Expenses.



**ELIZABETHTOWN GAS COMPANY**  
**PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME**  
**ALLOCATED SALARIES & BENEFITS EXPENSE TO ETG**

---

Line  
No.

<u>Allocated Service Company Salaries &amp; Benefits Expenses:</u>		
1	Annualized Post Test Year Expenses	\$3,788,989
2	Less: Test Year Expenses	<u>(\$4,650,989)</u>
3	<b>Pro Forma Allocated Expense Adjustment</b>	<b><u><u>(\$862,000)</u></u></b>

**ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
RATE CASE EXPENSES**

Line No.	Category	Expense
1	Legal Expenses	\$900,000
2	Consultant Expenses	\$215,000
3	Newspaper Notices	\$900
4	Court Reporting	\$600
5	Postage & Office Supplies	\$0
6	Miscellaneous Expenses	\$1,500
7	Contingency/Rebuttal Witnesses	<u>\$170,000</u>
8	Total Rate Case Expenses	<u><u>\$1,288,000</u></u>
9	<b>Pro Forma Adjustment per Amortization Period</b>	<b>3</b> <u><u>\$429,333</u></u>

ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
NON-RECOVERABLE AND OTHER EXPENSE ADJUSTMENTS

Line No.		Proposed In This Case	Adjustment to Test Year
1	<b><u>Management Fee Expense, Adjustments per 12 Mos June 2024</u></b>		
2	Membership Dues & Subscriptions	(\$417,573)	
3	Advertising	(\$127,792)	
4	Conferences and Seminars	(\$168,031)	
5	Travel Expense	(\$173,244)	
6	Entertainment Non-Deductible	(\$88,882)	
7	Meals and Entertainment	(\$178,934)	(\$1,154,456)
8	<b><u>Company Expense, Adjustments</u></b>		
9	51380 - Customer Account Expense 12+0 Adjustment	\$5,255,284	
10	51350 - Membership Dues & Subscriptions	(\$183,467)	
11	51410 - Charitable Contributions	(\$573,322)	
12	51420 - Travel and Entertainment	(\$101,696)	
13	51390 - Advertising Expense	(1,834,217)	
14	EE O&M Expense	(1,587,565)	
15	51130 Awards and Bonus - IIF Acq. Accrual of the Residual Retention Bonus	(\$113,423)	
16	51350 Subscription related to ETG Hedge Program	\$3,706	
17	51350 Subscription related to developing Third Party Supplier Cash Outs	\$10,168	\$875,468
18	<b><u>BPU Energy and Water Benchmarking Docket No. QO21071023 *</u></b>		
19	Deferred Development & Implementation Costs, not capitalized	\$12,500	
20	Deferred Subscription Fees, 4/23 - 6/24	\$68,297	
21	Deferred Amount	\$80,797	
22	Proposed Recovery Years	3	\$26,932
23	9 Mos. Of Year 2 PTY Expenses 7/24 -3/25		\$51,223
24	<b><u>Transmission Integrity Management Program (TIMP) *</u></b>		
25	Deferred Expenses	\$0	
26	Proposed Recovery Years	3	\$0
27	<b><u>BPU Management Audit *</u></b>		
28	Deferred BPU Contract Total	\$718,140	
29	Proposed Recovery Years	3	\$239,380
30	<b>Total Pro Forma Adjustment - Other O&amp;M Expense</b>		<b>\$38,547</b>

\* See the Direct Testimony of J. Houseman.

**ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
O&M INFLATION ADJUSTMENT**

<u>Line No.</u>	<u>Description</u>	<u>Index</u>
1	<u>Calculation of Inflation Rate</u>	
2	GDPIPD Index Value at the Midpoint of the Test Year:	
3	December 1, 2023	123.3
4	January 1, 2024	124.2
5	Average	123.8
6	GDPIPD Index Value at the End of the Post-Test Year:	
7	March 1, 2025	127.7
8	April 1, 2025	128.0
9	Average	127.9
10	Projected Inflation Rate	3.3118%
11	<u>Calculation of O&amp;M Inflation Adjustment</u>	
12	Post-Test Year Total O&M Expenses	\$93,386,741
13	Less: Normalizing Adjustments	
14	Annualization of Payroll (TK-9)	\$27,669,485
15	Annualization of Benefits (TK-10)	\$5,447,472
16	Annualization of Allocated Service Company Costs (TK-11)	\$3,788,989
17	Amortization of Rate Case expenses (TK-12)	\$429,333
18	Other Operations and Maintenance Expenses (TK-13)	\$38,547
19	Total Normalizing Adjustments	\$37,373,826
20	Less: Items Not Subject to Inflation	
21	Pension / OBEP (TK-17.2)	(\$1,372,485)
22	Uncollectibles (TK-17.2)	\$10,547,951
23	Total Items Not Subject to Inflation	\$9,175,466
24	Residual O&M Expenses	\$46,837,449
25	Inflation Rate	3.3118%
26	Pro Forma Adjustment to O&M Expense	\$1,551,163

ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
REVENUE TAXES - TAXES OTHER THAN INCOME

<u>Line No.</u>		
1	<b><u>PUA Adjustments</u></b>	
2	Removed IIP Rider Revenues (TK-7) *	(\$11,125,194)
3	Other	<u>\$0</u>
4	Total Revenue Adjustment	(\$11,125,194)
5	PUA Tax Rate, sum of the BPU and RC Assessment Factors	<u>0.2706%</u>
6	<b>Pro Forma Adjustment to PUA</b>	<b><u><u>(\$30,105)</u></u></b>

\* Removed PUA per its replacement with IIP amount on Schedule TK-8 which includes PUA.

ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME  
CUSTOMER DEPOSITS

Line No.	Month	Actual and Projected Data	Number of Customers	Number of Customers with Deposits	Percentage of Customers with Deposits	Average Deposit Per Customer	Rate Base for Customer Deposits	Customer Deposit Rate	Monthly Interest	13 Month Avg. Rate Base for Customer Deposits	
1	Dec-22	Actual	309,896	30,453	9.83%	\$157	\$4,783,297	0.06%	\$206		
2	Jan-23	Actual	310,772	30,587	9.84%	\$159	\$4,869,903	1.40%	\$5,610		
3	Feb-23	Actual	311,905	30,624	9.82%	\$159	\$4,869,086	1.40%	\$5,529		
4	Mar-23	Actual	312,360	30,790	9.86%	\$161	\$4,948,404	1.40%	\$5,101		
5	Apr-23	Actual	312,583	30,657	9.81%	\$161	\$4,926,911	1.40%	\$5,664		
6	May-23	Actual	312,594	30,639	9.80%	\$162	\$4,962,851	1.40%	\$5,737		
7	Jun-23	Actual	312,565	30,371	9.72%	\$163	\$4,949,550	1.40%	\$5,815		
TY	Jul-23	Actual	312,637	29,823	9.54%	\$165	\$4,916,631	1.40%	\$5,684		
2	Aug-23	Actual	312,870	29,590	9.46%	\$166	\$4,920,483	1.40%	\$5,801		
3	Sep-23	Actual	313,200	29,314	9.36%	\$167	\$4,894,513	1.40%	\$4,794		
4	Oct-23	Actual	313,910	29,042	9.25%	\$169	\$4,917,619	1.40%	\$5,739		
5	Nov-23	Actual	314,761	28,924	9.19%	\$172	\$4,963,521	1.40%	\$5,963		
6	Dec-23	Actual	315,569	28,713	9.10%	\$174	\$5,004,847	1.40%	\$5,093	\$4,917,509	
7	Jan-24	Actual	315,969	28,755	9.10%	\$175	\$5,035,954	5.06%	\$21,901	\$4,936,944	
8	Feb-24	Actual	316,240	28,811	9.11%	\$172	\$4,967,770	5.06%	\$20,916	\$4,944,472	
9	Mar-24	Actual	316,313	28,775	9.10%	\$174	\$5,011,116	5.06%	\$16,544	\$4,955,398	
10	Apr-24	Actual	316,100	28,873	9.13%	\$175	\$5,047,980	5.06%	\$21,754	\$4,963,057	
11	May-24	Actual	315,997	28,669	9.07%	\$175	\$5,006,122	5.06%	\$21,302	\$4,969,151	
12	Jun-24	Actual	315,728	28,290	8.96%	\$175	\$4,943,248	5.06%	\$21,457	\$4,967,643	
PTY	Jul-24	Projected	316,444	28,353	8.96%	\$175	\$4,961,775	5.06%	\$21,323	\$4,968,583	
2	Aug-24	Projected	316,724	28,378	8.96%	\$175	\$4,966,150	5.06%	\$21,342	\$4,972,392	
3	Sep-24	Projected	317,102	28,412	8.96%	\$175	\$4,972,100	5.06%	\$20,678	\$4,976,363	
4	Oct-24	Projected	317,836	28,478	8.96%	\$175	\$4,983,650	5.06%	\$21,417	\$4,983,219	
5	Nov-24	Projected	318,602	28,547	8.96%	\$175	\$4,995,725	5.06%	\$20,777	\$4,989,228	
6	Dec-24	Projected	319,154	28,596	8.96%	\$175	\$5,004,300	5.06%	\$21,506	\$4,992,364	
7	Jan-25	Projected	319,491	28,626	8.96%	\$175	\$5,009,550	5.06%	\$21,529	\$4,992,726	
8	Feb-25	Projected	319,789	28,653	8.96%	\$175	\$5,014,275	5.06%	\$19,464	\$4,991,059	
9	Mar-25	Projected	320,062	28,678	8.96%	\$175	\$5,018,650	5.06%	\$21,568	\$4,994,972	
<b>Post-Test Year Annualization of Interest</b>											
10	Mar-25	Projected	320,062	28,678	8.96%	\$175	\$5,018,650	5.06%	\$253,944		
<b>Rate Base Test Year Adjustment</b>											
			<b>Rate Base PTY Pro-Forma Adjustment</b>			<b>Income Statement Interest Pro-Forma Adjustment</b>			<b>After Tax</b>		
									Pre Tax	71.89%	
									Actual	\$156,948	\$112,830
									Projected	\$0	\$0
									<b>Test Year Interest</b>	<b>\$156,948</b>	<b>\$112,830</b>
11	Actual Ending	Jun-24	13 mo average	TY ending	Jun-24	13 mo average					
			\$4,967,643								
12	TY ending	Jun-24	\$4,967,643	To BS PTY Ending	Dec-24	\$4,992,364	<b>Post Test Year Annualized Interest</b>	<u>\$253,944</u>	\$182,560		
13	Test Year Adjustment		<u>\$0</u>	Pro-Forma PTY Adjustment		<u>\$24,721</u>	<b>Pro-Forma Adjustment</b>	<u>\$96,996</u>	<u>\$69,730</u>		

ELIZABETHTOWN GAS COMPANY  
LEAD-LAG STUDY  
WORKING CAPITAL REQUIREMENT  
TEST YEAR

Line	Description	Test Year Expenses	Average Daily Expenses	Revenue Lag Days	Ref.	Expense Lead Days	Ref.	Net (Lead)/Lag Days	Working Capital Requirement
1	Gas Costs and O&M Expenses								
2	Purchased Gas Costs	\$ 119,198,275	326,571	58.65	A	(40.22)	B	18.4300	\$ 6,018,704
3	Regular Payroll	23,839,810	65,315	58.65	A	(9.92)	C	48.7300	3,182,800
4	Variable Compensation	1,302,755	3,569	58.65	A	(251.29)	C	(192.6400)	(687,532)
5	Pension/OPEB	(1,372,485)	(3,760)	58.65	A	-		58.6500	(220,524)
6	Retirement Savings Plan	1,547,145	4,239	58.65	A	(23.59)	C	35.0600	148,619
7	Group Insurance	3,668,381	10,050	58.65	A	(42.91)	C	15.7400	158,187
8	Uncollectible Expense	9,900,000	27,123	58.65	A	(274.24)	C	(215.5900)	(5,847,448)
9	Service Company Charges	28,902,236	79,184	58.65	A	(42.88)	C	15.7700	1,248,732
10	Other Third-Party O&M Expenses	21,126,766	57,882	58.65	A	(39.15)	C	19.5000	1,128,699
11	Total Gas Costs and O&M Expenses	\$ 208,112,883				.			\$ 5,130,237
12	Income Taxes								
13	Excess Deferred Tax Amortization	\$ (1,494,388)	(4,094)	58.65		-		58.6500	\$ (240,113)
14	Federal Income Taxes	21% 11,747,707	32,185	58.65	A	(37.00)	D	21.6500	696,805
15	State Income Tax	9% 5,532,672	15,158	58.65	A	(37.00)	D	21.6500	328,171
16	Total Income Taxes	\$ 15,785,991							\$ 784,863
17	Taxes Other Than Income Taxes	\$ 5,431,758	14,882	58.65	A	(17.82)	E	40.8300	\$ 607,632
18	Depreciation Expense	\$ 66,887,477	183,253	58.65	A	-		58.6500	\$ 10,747,788
19	Amortization Expense	\$ 22,931,053	62,825	58.65	A	-		58.6500	\$ 3,684,686
20	Interest Expense								
21	Interest on Long-Term Debt	\$ 39,037,919	106,953	58.65	A	-	F	58.6500	\$ 6,272,793
22	Interest on Short-Term Debt	-	-	58.65	A	-	F	58.6500	-
23	Interest on Customer Deposits	112,830	309	58.65	A	(250.43)	F	(191.7800)	(59,260)
24	Total Interest Expense	\$ 39,150,749							\$ 6,213,533
25	Return	\$ 54,975,534	150,618	58.65	A	-		58.6500	\$ 8,833,746
26	Other Adjustments								
27	Incidental collections								\$ 1,985,982
28	Employee deductions								(497,891)
29	Total Other Adjustments	\$ -	\$ -						\$ 1,488,091
30	Total	\$ 413,275,445	\$ 348,753						\$ 37,490,576

ELIZABETHTOWN GAS COMPANY  
LEAD-LAG STUDY  
WORKING CAPITAL REQUIREMENT  
POST TEST YEAR

Line	Description	Adjustments to Test Year Expenses	Adjusted Test Year to Post Test Year Expenses	Average Daily Expenses	Revenue Lag Days	Ref.	Expense Lead Days	Ref.	Net (Lead)/Lag Days	Working Capital Requirement
1	Gas Costs and O&M Expenses									
2	Purchased Gas Costs	\$42,951,960	\$ 162,150,235	444,247	58.65	A	(40.22)	B	18.4300	\$ 8,187,472
3	Regular Payroll	2,526,920	26,366,730	72,238	58.65	A	(9.92)	C	48.7300	3,520,158
4	Variable Compensation	-	1,302,755	3,569	58.65	A	(251.29)	C	(192.6400)	(687,532)
5	Pension/OPEB	0	(1,372,485)	(3,760)	58.65	A	-		58.6500	(220,524)
6	Retirement Savings Plan	0	1,547,145	4,239	58.65	A	(23.59)	C	35.0600	148,619
7	Group Insurance	231,948	3,900,329	10,686	58.65	A	(42.91)	C	15.7400	168,198
8	Uncollectible Expense	647,951	10,547,951	28,898	58.65	A	(274.24)	C	(215.5900)	(6,230,120)
9	Service Company Charges	(862,000)	28,040,236	76,823	58.65	A	(42.88)	C	15.7700	1,211,499
10	Other Third-Party O&M Expenses	2,575,265	23,702,031	64,937	58.65	A	(39.15)	C	19.5000	1,266,272
11	Total Gas Costs and O&M Expenses	-	\$ 256,184,927							\$ 7,364,042
12	Income Taxes									
13	Excess Deferred Tax Amortization		\$ (2,689,860)	(7,369)	58.65		-		58.6500	\$ (432,192)
14	Federal Income Taxes	21.00%	29,334,512	80,369	58.65	A	(37.00)	D	21.6500	1,739,989
15	State Income Tax	9.00%	13,815,312	37,850	58.65	A	(37.00)	D	21.6500	819,453
16	Total Income Taxes		\$ 40,459,964							\$ 2,127,250
17	Taxes Other Than Income Taxes		\$ 5,961,126	16,332	58.65	A	(17.82)	E	40.8300	\$ 666,836
18	Depreciation Expense		\$ 73,543,801	201,490	58.65	A	-		58.6500	\$ 11,817,389
19	Amortization Expense		\$ 3,464,414	9,492	58.65	A	-		58.6500	\$ 556,706
20	Interest Expense									
21	Interest on Long-Term Debt		\$ 33,467,867	91,693	58.65	A	-	F	58.6500	\$ 5,377,794
22	Interest on Short-Term Debt		-	-	58.65	A	-	F	58.6500	-
23	Interest on Customer Deposits		182,560	500	58.65	A	(250.43)	F	(191.7800)	(95,890)
24	Total Interest Expense		\$ 33,650,427							\$ 5,281,904
25	Return		\$ 117,596,554	322,182	58.65	A	-		58.6500	\$ 18,895,974
26	Other Adjustments									
27	Incidental collections									\$ 1,985,982
28	Employee deductions									(497,891)
29	Total Other Adjustments		\$ -	\$ -						\$ 1,488,091
30	Total		\$ 530,861,213	\$ 540,004						\$ 48,198,192



**ELIZABETHTOWN GAS COMPANY**  
**CASH WORKING CAPITAL**  
**GAS INVENTORIES AND MATERIALS & SUPPLIES**  
**TEST YEAR AND POST TEST YEAR 13 MONTH AVERAGES**

<u>Line</u>		<u>Test Year</u>	<u>Post Test Year</u>
1	LNG & Gas Stored Underground	\$10,666,780	\$9,214,074
2	Materials and Supplies *	\$436,453	\$436,453
3	<b>Total</b>	<b>\$11,103,233</b>	<b>\$9,650,527</b>

\* Based on 13 Mo. through: Jun-24

12+0 UPDATE

Supplemental Direct Testimony & Schedules

Of

The Engineering Panel

Michael P. Scacifero

Ian Azar

**IN THE MATTER OF THE PETITION OF  
ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF  
INCREASED BASE TARIFF RATES AND CHARGES  
FOR GAS SERVICE, CHANGES TO DEPRECIATION  
RATES AND OTHER TARIFF REVISIONS**

**BPU DOCKET NO. GR24020158**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**THE ENGINEERING PANEL**

**MICHAEL P. SCACIFERO  
IAN AZAR**

**On Behalf Of  
Elizabethtown Gas Company**

**Exhibit P-4A**

**12+0 Update**

**July 31, 2024**

**ELIZABETHTOWN GAS COMPANY  
SUPPLEMENTAL DIRECT TESTIMONY OF  
THE ENGINEERING PANEL**

1 **Q. PLEASE INTRODUCE THE MEMBERS OF THE PANEL.**

2 **A.** The members of the Engineering Panel are Michael P. Scacifero and Ian Azar.

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

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

7 [Mr. Azar] My name is Ian Azar and I am the Senior Director of Construction Operations  
8 for Elizabethtown. My business address is 520 Green Lane, Union, New Jersey 07083.

9 **Q. ARE YOU THE SAME MICHAEL P. SCACIFERO AND IAN AZAR WHO**  
10 **PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?**

11 **A.** Yes, we are.

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

13 **A.** The purpose of our supplemental direct testimony is to provide a 12+0 Update to  
14 Elizabethtown’s rate filing in this proceeding. The Company’s 12+0 Update reflects actual  
15 data for the twelve months ending June 30, 2024, as well as updated forecasts of capital  
16 expenditures through December 31, 2024 and revenues and expenses through March 31,  
17 2025. We will discuss the removal of IIP 2 program capital from the updated forecast of  
18 capital expenditures and the inclusion of two new large projects on Schedule EP-4.

1 **Q. DO YOU SPONSOR ANY SCHEDULES IN YOUR SUPPLEMENTAL**  
2 **TESTIMONY?**

3 **A.** Yes. We are sponsoring the following schedules supporting the Company’s capital  
4 expenditures utilized in rate base in the 12+0 Update reflecting actuals through June 2024,  
5 and which were prepared by us or under our supervision or direction:

- 6 • Schedule EP-1 – Utility Plant in Service (“UPIS”);
- 7 • Schedule EP-2 – Test Year Plant Additions;
- 8 • Schedule EP-2.1 – Test Year Large Capital Projects;
- 9 • Schedule EP-3 – Post-Test Year Plant Additions; and
- 10 • Schedule EP-4 – Post-Test Year Large Capital Projects.

11 **Q. PLEASE DESCRIBE THE REMOVAL OF IIP 2 PROJECTS FROM SCHEDULE**  
12 **EP-4 IN THE 12+0 UPDATE FILING.**

13 **A.** As noted in our Direct Testimony (at page 22), in the event that the IIP 2 program proposal  
14 filed with the Board on December 11, 2023 in BPU Docket No. GR23120882 was  
15 approved while this rate case was pending, the Company would remove investments  
16 included in the related Board-approved program from the post-test year expenditures in  
17 this proceeding. While the Company’s proposed IIP 2 will be held in abeyance per the  
18 Board Order dated July 24, 2024 in BPU Docket Nos. GR18101197 and GR23120882  
19 (“July 2024 Order”), an IIP Extension program for the period from July 1, 2024 through  
20 December 31, 2025 was approved by the Board. As such, the IIP 2 projects were removed  
21 from Schedule EP-4. In accordance with the July 2024 Order, it is expected that this  
22 spending will now be completed as part of the IIP Extension program or as part of the  
23 DIMP projects.

1 **Q. PLEASE DESCRIBE THE REMOVAL OF THE ERIE STREET M&R PROJECT**  
2 **FROM SCHEDULE EP-4 IN THE 12+0 UPDATE FILING.**

3 **A.** This project, which involves construction of a new building that will house the  
4 Measurement & Regulation Team, is no longer expected to be complete by the end of the  
5 post-test year. The associated costs have been removed from this case.

6 **Q. PLEASE DESCRIBE THE NEW LAKE LENAPE PROJECT INCLUDED ON**  
7 **SCHEDULE EP-4 IN THE 12+0 UPDATE FILING.**

8 **A.** Lake Lenape - Andover Twp (Large Strategic New Business) – This project is a  
9 distribution system expansion in Andover Township, Sussex County to convert a targeted  
10 297 residential customers to natural gas. The project will consist of installing 45,140 feet  
11 of a combined 2-inch, 4-inch, and 8-inch diameter main piping and associated services. A  
12 district regulator station will also be installed. The system will operate at 50 PSIG. This  
13 project is expected to be complete and in service by December 31, 2024.

14 **Q. PLEASE DESCRIBE THE NEW GREEN LANE RENOVATION PROJECT**  
15 **INCLUDED ON SCHEDULE EP-4 IN THE 12+0 UPDATE FILING.**

16 **A.** The project includes spending for new furniture, walls, carpeting and paint at the Green Lane  
17 location. This project is expected to be complete and in service by December 31, 2024.

18 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

19 **A.** Yes, it does.

ELIZABETHTOWN GAS COMPANY  
STATEMENT OF RATE BASE  
UTILITY PLANT IN SERVICE (UPIS)

<u>Line No.</u>			<u>Reference</u>
1	<b>Actual UPIS at 6/30/2024</b>	<b>\$2,505,829,513</b>	
2	UPIS Year 5 IIP Removal 7/1/2023 - 6/30/2024	(\$102,522,295)	
3	Projected Test Year Plant Additions	\$0	EP-2
4	Projected Test Year Large Projects	\$0	EP-2.1
5	Projected Test Year Plant Retirements	<u>\$0</u>	
6	<b>Projected Test Year Ending UPIS at 6/30/2024</b>	<b>\$2,403,307,218</b>	
7	Projected Post Test Year Plant Additions	\$74,575,209	EP-3
8	Projected Post Test Year Large Projects	\$41,118,273	EP-4 & EP-2.1 PTY, if any
9	Projected Post Test Year Plant Retirements	<u>(\$19,841,400)</u>	
10	<b>Projected Post Test Year Ending UPIS at 12/31/2024</b>	<b><u><u>\$2,499,159,300</u></u></b>	

**ELIZABETHTOWN GAS COMPANY  
TEST YEAR PLANT ADDITIONS  
12 MONTHS ENDING 6/30/2024  
Includes OH and AFUDC - Excluding Large Projects**

WP-2	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	
#'s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Test Year
1 New Business	5,103,905	5,706,339	4,460,324	5,093,834	6,591,800	4,591,745	4,376,493	4,551,573	3,520,363	4,600,539	3,332,362	4,330,769	56,260,046
2 Facilities	436,003	463,621	298,786	505,009	341,811	287,403	(104,920)	75,135	50,222	2,172	18,548	252,181	2,625,971
3 Fleet	937,819	9,478	71,057	164,394	256,373	390,371	28,945	127,619	27,302	2,204,247	166,322	123,084	4,507,011
4 Measurement Operations	7,597	213,159	1,117,077	271,336	200,313	864,811	432,663	155,771	141,283	284,083	182,597	558,639	4,429,329
5 LNG	20,801	45,880	11,527	2,273	4,383	36,263	906	19,110	174,140	(3,672)	3,732	119	315,462
6 Information Technology (IT)	271,203	394,654	399,794	396,431	590,126	1,414,059	376,946	180,153	212,123	216,592	1,329,391	331,558	6,113,030
7 Mandatory	502,552	402,310	685,368	46,800	635,391	647,333	609,233	473,578	634,884	677,217	1,098,493	964,703	7,377,862
8 Distribution Integrity Management (DIMP)	2,355,100	2,440,619	1,659,699	2,357,240	1,978,239	1,441,037	1,544,543	2,020,195	2,144,880	2,885,604	3,339,455	3,330,244	27,496,855
9 Distribution Integrity Management (DIMP-LD)	-	292,323	12,496	-	16,597	253	28,439	8,226	12,647	11,820	19,507	10,376	412,684
10 Transmission Integrity Mgt Prog (TIMP)	858	865	874	2,844	896	903	243	244	245	246	247	250	8,715
11 DOT	20,969	32,214	13,171	163,519	84,449	34,395	15,172	33,336	262,338	53,788	47,542	240,219	1,001,112
12 Periodic Testing (PT) Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Pressure Improvement (PRIM)	212,962	58,423	15,657	1,465,223	397,461	(80,373)	60,524	294	5,990	66,282	57,707	54,148	2,314,298
14 Corrosion Work	1,977	37,525	24,624	7,328	9	10,309	939	102,368	(45,414)	212,490	57,135	19,271	428,561
15 Relocation	9,334	505	(3)	-	-	(2,973)	-	(2,886)	-	-	-	-	3,977
16 Security	21	13,529	7,600	330	-	31,181	4,568	59,279	3,663	194,303	417	262	315,153
17 Tools and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
18 IIP Base Spending	502,992	908,034	552,408	939,905	401,430	184,754	15,925	57,320	(24,762)	2,008	557,157	29,770	4,126,941
<b>TOTAL ETG PLANT ADDITIONS</b>	<b>10,384,093</b>	<b>11,019,478</b>	<b>9,330,459</b>	<b>11,416,466</b>	<b>11,499,278</b>	<b>9,851,471</b>	<b>7,390,619</b>	<b>7,861,315</b>	<b>7,119,904</b>	<b>11,407,719</b>	<b>10,210,612</b>	<b>10,245,593</b>	<b>117,737,007</b>

Note Excludes IIP Year 5 amounts remaining under IIP, to be filed for under Rider F in 2024.



ELIZABETHTOWN GAS COMPANY  
TEST YEAR LARGE CAPITAL PROJECTS  
Not Included on Schedules EP-2, EP-3 or EP-4

FERC	Project Name	Type	Projected	Test Year (Includes Pre Test Year)			Post Test Year If Any Projected	Total At Dec-24
			In Service Date	Actual	Projected	Jun-24 Total		
37600	Whittier Street to W. Elizabeth Avenue-Mains	DIMP-LD	Aug-23	\$ 5,108,258	\$ -	\$ 5,108,258	\$ -	\$ 5,108,258
38210	Whittier Street to W. Elizabeth Avenue-Meter Installation	DIMP-LD	Aug-23	\$ 30,546	\$ -	\$ 30,546	\$ -	\$ 30,546
38000	Whittier Street to W. Elizabeth Avenue-Services	DIMP-LD	Aug-23	\$ 436,063	\$ -	\$ 436,063	\$ -	\$ 436,063
37600	Colonial -Mains	DIMP-LD	Sep-23	\$ 5,465,902	\$ -	\$ 5,465,902	\$ -	\$ 5,465,902
38210	Colonial-Meter Installation	DIMP-LD	Sep-23	\$ 61,507	\$ -	\$ 61,507	\$ -	\$ 61,507
38000	Colonial-Services	DIMP-LD	Sep-23	\$ 773,365	\$ -	\$ 773,365	\$ -	\$ 773,365
39100	Tracking & Traceability ETG	IT	Apr-24	\$ 3,915,595	\$ -	\$ 3,915,595	\$ 72,606	\$ 3,988,201
36320	Vaporizing Project	LNG	Apr-24	\$ 31,622,781	\$ -	\$ 31,622,781	\$ 557,437	\$ 32,180,218
37600	Vaporizing Project-Mains	LNG	Apr-24	\$ (10,371)	\$ -	\$ (10,371)	\$ 4,824	\$ (5,547)
38300	Edison Reliability-HS Regulator	PRIM	Jan-24	\$ (7,020)	\$ -	\$ (7,020)	\$ 321	\$ (6,699)
37600	Edison Reliability-Mains	PRIM	Jan-24	\$ 9,203,644	\$ -	\$ 9,203,644	\$ 565,000	\$ 9,768,644
39000	Erie Street Upgrades-Gas Ops (Moved to EP-4)	Gas Ops						
Totals				\$ 56,600,270	\$ -	\$ 56,600,270	\$ 1,200,188	\$ 57,800,458

**ELIZABETHTOWN GAS COMPANY  
POST-TEST YEAR PLANT ADDITIONS  
6 MONTHS ENDING 12/31/2024  
Includes OH and AFUDC - Excluding Large Projects**

(2,068,977)

WP-2 #s	Jul-24 Projected	Aug-24 Projected	Sep-24 Projected	Oct-24 Projected	Nov-24 Projected	Dec-24 Projected	Post-Test Year
1 New Business	3,258,050	3,388,212	4,125,739	7,558,821	6,767,315	5,555,923	30,654,060
2 Facilities	429,655	375,588	448,265	648,393	472,247	71,223	2,445,371
3 Fleet	933,804	600,661	561,708	791,493	280,259	301,063	3,468,988
4 Measurement Operations	488,157	461,962	1,313,138	960,802	891,045	670,603	4,785,707
5 LNG	6,587	4,327	22,407	1,061	1,955	1,458	37,795
6 Information Technology (IT)	507,451	549,388	547,924	558,078	854,371	803,473	3,820,685
7 Mandatory	624,974	624,930	574,866	574,708	506,909	414,067	3,320,454
8 Distribution Integrity Management (DIMP)	3,198,304	3,196,288	3,230,881	3,377,793	3,231,986	2,768,266	19,003,518
9 Distribution Integrity Management (DIMP-LD)	446	446	446	446	446	446	2,676
10 Transmission Integrity Mgt Prog (TIMP)	302	22,842	56,741	63,521	241	241	143,888
11 DOT	173,497	172,971	115,947	115,426	114,908	114,393	807,142
12 Periodic Testing (PT) Meter	-	-	-	-	-	-	-
13 Pressure Improvement (PRIM)	422	422	422	422	422	422	2,532
14 Corrosion Work	69,637	126,137	126,137	69,637	97,887	13,137	502,572
15 Relocation	-	-	-	-	-	-	-
16 Security	8,272	8,272	93,022	121,272	8,272	8,272	247,382
17 Tools and Equipment	-	-	-	-	-	-	-
18 IIP Base Spending	780,721	778,490	855,119	936,597	1,230,403	751,109	5,332,439
<b>TOTAL ETG PLANT ADDITIONS</b>	<b>10,480,279</b>	<b>10,310,936</b>	<b>12,072,762</b>	<b>15,778,470</b>	<b>14,458,666</b>	<b>11,474,096</b>	<b>74,575,209</b>

Note IIP 2 amounts and notes are included on EP-4.

**ELIZABETHTOWN GAS COMPANY  
POST TEST YEAR LARGE CAPITAL PROJECTS  
Not Included on Schedules EP-2, EP-2.1 or EP-3**

FERC	Project Name	TYPE	Projected	Test Year (Includes Pre Test Year)			6 Months Post Test Year Projected	Total At Dec-24
			In Service Date	Actual	Projected	Total		
37600	Springfield Ave and Kenilworth-Mains	DIMP-LD	Dec-24	\$ 5,869,755	\$ -	\$ 5,869,755	\$ 10,903,752	\$ 16,773,507
38000	Springfield Ave and Kenilworth-Services	DIMP-LD	Dec-24	\$ 1,045	\$ -	\$ 1,045	\$ 837,454	\$ 838,499
37600	DOT-Bridge Replacements	DOT	Dec-24	\$ 16,819	\$ -	\$ 16,819	\$ 1,021,301	\$ 1,038,120
39100	SJI Server Blade Refresh - Shared	IT	Nov-24	\$ 765,498	\$ -	\$ 765,498	\$ 13,424	\$ 778,922
39100	SJI-TSA SD Major Projects	IT	Dec-24	\$ 849,368	\$ -	\$ 849,368	\$ 224,759	\$ 1,074,127
37600	Tamarack Rd Area - Byram	Large Strategic	Jul-24	\$ 1,671,243	\$ -	\$ 1,671,243	\$ 632,519	\$ 2,303,762
37600	Forest Lake - Byram	Large Strategic	Dec-24	\$ 297,171	\$ -	\$ 297,171	\$ 3,504,694	\$ 3,801,865
37900	Pennington Gate Station Upgrades -ETG	PRIM	Oct-24	\$ 827,308	\$ -	\$ 827,308	\$ 1,496,173	\$ 2,323,481
37600	S443 WASHINGTON 10 PSIG SYSTEM (175567)	PRIM	Dec-24	\$ 1,560,450	\$ -	\$ 1,560,450	\$ 2,976,575	\$ 4,537,025
39000	Erie Street M&R Project, removed in the 12+0	Facility		\$ -	\$ -	\$ -	\$ -	\$ -
39000	Erie Street Upgrades-Gas Ops (Moved From EP-2.1)	Gas Ops	Nov-24	\$ 46,703	\$ -	\$ 46,703	\$ 735,455	\$ 782,158
37600	Lake Lenape, Andover	Large Strategic	Dec-24	\$ 364,655	\$ -	\$ 364,655	\$ 3,801,964	\$ 4,166,619
39000	Green Lane Renovation	Facility	Dec-24	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000
37600	IIP 2 Post Test Year Mains	IIP	see note (1)	\$ -	\$ -	\$ -	\$ -	\$ -
38000	IIP 2 Post Test Year Services	IIP	see note (1)	\$ -	\$ -	\$ -	\$ -	\$ -
Totals				\$ 12,270,015	\$ -	\$ 12,270,015	\$ 27,648,070	\$ 39,918,085

**Note:**

(1) IIP 2 capital has been removed from the capital projections. The proposed IIP Extension capital is also not included in this case.

12+0 UPDATE

Supplemental Direct Testimony & Schedules

Of

John L. Houseman

**IN THE MATTER OF THE PETITION OF  
ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF  
INCREASED BASE TARIFF RATES AND CHARGES  
FOR GAS SERVICE, CHANGES TO DEPRECIATION  
RATES AND OTHER TARIFF REVISIONS**

**BPU DOCKET NO. GR24020158**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**JOHN L. HOUSEMAN**

**On Behalf Of  
Elizabethtown Gas Company**

**Exhibit P-5A**

**12+0 Update**

**July 31, 2024**

**ELIZABETHTOWN GAS COMPANY  
SUPPLEMENTAL DIRECT TESTIMONY OF  
JOHN L. HOUSEMAN**

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

2 **A.** My name is John L. Houseman. My business address is 1 South Jersey Plaza, Folsom,  
3 New Jersey 08037.

4 **Q. ARE YOU THE SAME JOHN L. HOUSEMAN WHO PREVIOUSLY SUBMITTED**  
5 **DIRECT TESTIMONY IN THIS PROCEEDING?**

6 **A.** Yes, I am.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

8 **A.** The purpose of my supplemental direct testimony is to provide a 12+0 Update to  
9 Elizabethtown's rate filing in this proceeding for actual data for the twelve months ending  
10 June 30, 2024, as well as updated forecasts for changes in capital expenditures through  
11 December 31, 2024, and changes in certain revenues and expenses through March 31,  
12 2025, and to explain the Company's request to establish a regulatory asset to permit the  
13 future recovery of differences in the amount of annual property taxes related to the  
14 Company's Erie Street property located at Block 74, Lot 1 in Elizabeth, New Jersey that  
15 are reflected in its proposed rates and the additional taxes the Company will pay for the  
16 Erie Street property, effective January 1, 2024.

17 **Q. DO YOU SPONSOR ANY SCHEDULES IN YOUR SUPPLEMENTAL**  
18 **TESTIMONY?**

19 **A.** Yes. I am sponsoring the following schedules which were prepared and/or compiled under  
20 my direction and supervision:

- 21
- Schedule JLH-5 – Pro Forma Depreciation Expense & Accumulated Depreciation;

- 1 • Schedule JLH-6 – Adjusted Deferred Federal Income Tax (“DFIT”) Included in Rate
- 2 Base;
- 3 • Schedule JLH-7 – Adjusted Deferred Corporate Business Tax (“DCBT”) Included in
- 4 Rate Base;
- 5 • Schedule JLH-8 – Interest Synchronization Adjustment; and
- 6 • Schedule JLH-9 – Pension & Other Post-Employment Benefits (“OPEB”) Regulatory
- 7 Assets.

8 **Q. PLEASE DESCRIBE THE NEED FOR THE PROPOSED DEFERRAL OF**

9 **ADDITIONAL PROPERTY TAXES.**

10 **A.** The City of Elizabeth recently reassessed properties owned by Elizabethtown. This

11 reassessment included a significant change in the property taxes for the Company’s Erie

12 Street property located at Block 743 Lot 1. In the second quarter of 2024, the Company

13 learned that as a result of the reassessment, the Company’s property taxes for Block 743

14 Lot 1 will be \$1.046 million annually backdated to January 1, 2024. Property taxes for this

15 property included in the Company’s income statement for the test year ending June 30,

16 2024 are \$456,210 and do not include this increase in annual taxes. The Company has filed

17 a formal tax appeal with the City of Elizabeth.

18 In this 12+0 Update filing, the Company requests authority to create a regulatory

19 asset to capture the difference between actual annual taxes incurred for this property

20 effective January 1, 2024 and the test year income statement amount of \$456,210, as well

21 as the legal costs associated with filing the appeal, until the effective date of new rates

22 following the date on which the appeal is decided. In a future rate case, the Company will

23 request recovery of the deferred asset, after it has been adjusted for the results of the appeal.

1 **Q. WHY IS THE COMPANY LIMITING ITS DEFERRAL REQUEST TO**  
2 **PROPERTY TAXES ASSOCIATED WITH THE ERIE STREET PROPERTY?**

3 **A.** The Company is not aware of that any of its other properties are likely to experience a  
4 similarly significant increase in property taxes in the foreseeable future. In general,  
5 property taxes increase modestly from year to year. The Erie Street property is unique in  
6 that its tax liability is being increased by over one hundred percent and the Company  
7 believes that there are reasonable grounds to challenge the recent assessment. Authorizing  
8 the proposed deferral will permit the Company to avoid increasing rates to recover the  
9 increased assessment and provide the Company an incentive to challenge what it believes  
10 to be an unreasonable increase.

11 **Q. IF THE BOARD DOES NOT APPROVE THE REQUESTED DEFERRAL, WHAT**  
12 **IS THE APPROPRIATE RATEMAKING TREATMENT FOR THE INCREASE IN**  
13 **REAL ESTATE TAXES?**

14 **A.** If the Board does not approve the deferral request, it should establish rates that reflect  
15 annual real estate taxes of \$1.046 million for the Erie Street property. The Company does  
16 not believe that this result is in the best interests of customers or the Company.

17 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

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



**ELIZABETHTOWN GAS COMPANY**  
**PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME AND RATE BASE**  
**DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION**

Line No.	Utility Plant in Service	Depreciation Expense (Proposed Rates)
1	<b><u>Depreciation Expense:</u></b>	
2	\$2,403,307,218	\$69,917,828
3		<u>\$70,865,345</u>
4		(\$947,517)
5	\$95,852,082	<u>\$3,625,973</u>
6	<b><u>\$2,499,159,300</u></b>	<b><u>\$2,678,456</u></b>
7		
8	<b><u>Accumulated Depreciation &amp; Amortization Balance at Current Rates</u></b>	
9		(\$408,139,831)
10		<u>(\$86,000,018)</u> (1)
11		(\$494,139,849)
12		
13	<b><u>Accumulated Depreciation Test Year Adjustments per 0 Months of Projections</u></b>	
14		\$0
15		\$0 (2)
16		\$0
17		<u>\$0</u>
18		<b><u>(\$494,139,849)</u></b>
19		
20	<b><u>Accumulated Depreciation Changes plus 6 Months of Post Test Year Adjustments:</u></b>	
21		(\$1,812,987)
22		(\$34,958,914)
23		\$7,999,998 (3)
24		\$19,841,400
25		<u>\$0</u>
26		<b><u>(\$503,070,352)</u></b>

Notes:

2019 rate case in Docket No. GR19040486 in Order dated 11/13/19 effective 11/15/19 having a 10 Year Amortization:

Start Date and as of Dates:	Months	Monthly Amort.	Adj. & Balances
11/15/2019	120	<b>\$1,333,333</b>	(\$160,000,000)
6/30/2024	55.5	\$1,333,333	<u>\$73,999,982</u>
(1) Acquisition Adjustment Balance as of 6/30/2024			(\$86,000,018)
 <u>Balance Reductions Test Year and Post Test Year ending:</u>			
(2) 6/30/2024	0.0	\$1,333,333	\$0
(3) 12/31/2024	6.0	\$1,333,333	<u>\$7,999,998</u>
Acquisition Adjustment Balance as of 12/31/2024			<b><u>(\$78,000,020)</u></b>

**ELIZABETHTOWN GAS COMPANY  
CALCULATION OF ADJUSTED TEST YEAR  
DEFERRED FEDERAL INCOME TAX (DFIT) INCLUDED IN RATE BASE**

<u>Line No.</u>	<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DFIT IN RATE BASE</u>
1			(116,521,464)
2	<b><u>Adjustments to DFIT Through 12/31/2024:</u></b>		
3	34,958,914		
4	<u>1,812,987</u>		
5	36,771,901		
6	<u>(63,871,769)</u>		
7		(27,099,868)	
8	21%		(5,690,972)
9	<u>2,438,988</u>	21%	<u>512,187</u>
10			<u><u>(121,700,249)</u></u>

**ELIZABETHTOWN GAS COMPANY  
CALCULATION OF ADJUSTED TEST YEAR  
DEFERRED NJ CORPORATE BUSINESS TAX (CBT) INCLUDED IN RATE BASE**

<u>Line No.</u>	<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DCBT IN RATE BASE</u>
1	DCBT Rate Base Balance 6/30/2024		(54,876,671)
2	<b><u>Adjustments to DCBT Through 12/31/2024:</u></b>		
3	Test Year Book Depreciation at Proposed Rates	34,958,914	
4	Post Test Year Book Depreciation at Proposed Rates	<u>1,812,987</u>	
5	Sum of Test and Post Test Year Book Depreciation	36,771,901	
6	Tax Depreciation-Federal	<u>(63,871,769)</u>	
7	Federal Tax Depreciation Over Book		(27,099,868)
8	Pro Forma Adjustment - Deferred NJ CBT @	9.00%	<u>(2,438,988)</u>
9	<b><u>Adjusted DCBT Rate Base Balance 12/31/2024:</u></b>		<b><u>(57,315,659)</u></b>

ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO JUNE 30, 2024 OPERATING INCOME

INCOME TAXES - INTEREST SYNCHRONIZATION

Line No.

1	<u>Annualized Rate Base Interest Expense:</u>		
2	Adjusted Rate Base	\$1,813,498,457	
3	Total Weighted Cost of Long Term Debt	2.20%	\$39,896,966
4	CIC Rate Credit Adjustment *		<u>(\$6,429,099)</u>
5	Adjusted Annualized Rate Base Interest Expense		\$33,467,867
6	Less: 70100 Test Year Interest Expense		\$48,438,134
7	70100 - Removal of Debt Issuance Cost Amort. **	(\$724,140)	
8	70100 - Add Back Pre IIF Acq. Debt Issuance Cost Amort. **	\$319,452	<u>(\$404,688)</u>
9	Interest Expense Higher / (Lower) (L3-L4)		(\$14,565,579)
10	Income Tax Rate		<u>28.11%</u>
11	<b>Income Tax Expense (Increase) due to Lower Interest Expense</b>		<u><b>(\$4,094,384)</b></u>

\* per clause 35(ii) of the Board's Order in BPU Docket No. GM22040270

**ELIZABETHTOWN GAS COMPANY  
PRO FORMA ADJUSTMENTS TO RATE BASE  
PENSION AND OPEB REGULATORY ASSETS**

Line  
No.

1	Pension and OPEB as of 6/30/2024	<b>\$22,058,540</b>
2	Adjusted for amortization expense and net periodic benefit costs	<u>(\$812,157)</u>
3	Projected / Actual Pension and OPEB as of 6/30/2024	<b>\$21,246,383</b>
4	Adjusted for amortization expense and net periodic benefit costs	<u>(\$1,624,314)</u>
5	Projected Pension and OPEB as of 12/31/2024	<b>\$19,622,069</b>

12+0 UPDATE

Supplemental Direct Testimony & Schedules

Of

Ann E. Bulkley

**IN THE MATTER OF THE PETITION OF  
ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF  
INCREASED BASE TARIFF RATES AND CHARGES  
FOR GAS SERVICE, CHANGES TO DEPRECIATION  
RATES AND OTHER TARIFF REVISIONS**

**BPU DOCKET NO. GR24020158**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**ANN E. BULKLEY**

**The Brattle Group**

**On Behalf of  
Elizabethtown Gas Company**

**Exhibit P-7A**

**12+0 Update**

**July 31, 2024**

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1 **I. INTRODUCTION..... 1**

2 **II. UPDATED COST OF DEBT ..... 2**



**ELIZABETHTOWN GAS COMPANY  
SUPPLEMENTAL DIRECT TESTIMONY OF  
ANN E. BULKLEY**

**I. INTRODUCTION**

1  
2  
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19

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

**A.** My name is Ann E. Bulkley. I am a Principal at The Brattle Group. My business address is One Beacon Street, Suite 2600, Boston, Massachusetts 02108.

**Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS SUPPLEMENTAL TESTIMONY?**

**A.** I am submitting this supplemental direct testimony before the New Jersey Board of Public Utilities (“Board” or “BPU”) on behalf of Elizabethtown Gas Company (the “Company”), a wholly-owned subsidiary of South Jersey Industries, Inc. (“SJI”). In February 2023, SJI was acquired by IIF US Holding 2, LP (“IIF”), a private equity fund.<sup>1</sup>

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

**A.** Yes. I filed Direct Testimony and Schedules AEB-1 through 15 supporting that testimony on February 29, 2024.

**Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

**A.** The purpose of my supplemental direct testimony is to update Schedule AEB-15 based on changes that have occurred since the filing of my direct testimony.

**Q. ARE YOU SPONSORING ANY SCHEDULES IN SUPPORT OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

**A.** Yes. I am providing Schedule AEB-15 (12+0), which is an update to Schedule AEB-15.

---

<sup>1</sup> The acquisition of SJI by IIF (the “Merger”) was approved in the Board’s January 25, 2023 Order in BPU Docket No. GM22040270. Upon such acquisition, SJI became a privately-held company.

1 **II. UPDATED COST OF DEBT**

2  
3 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE CHANGES TO SCHEDULE**  
4 **AEB-15 THAT ARE PRESENTED IN UPDATED SCHEDULE AEB-15 (12+0).**

5 **A.** The Company issued \$200 million in long-term debt on June 12, 2024, which replaces the  
6 projected debt issuance of \$100 million that was originally presented in Schedule AEB-15.  
7 As shown on Schedule AEB-15 (12+0), page 1, the new long-term debt was issued on June  
8 12, 2024 in four tranches; 1) \$25 million at a coupon rate of 5.50 percent with a maturity  
9 date of July 15, 2034, 2) \$50 million at a coupon rate of 5.70 percent and a maturity date  
10 of July 15, 2039, 3) \$25 million with a maturity date of July 15, 2054 and a coupon rate of  
11 5.85 percent, and 4) \$100 million with a maturity date of September 1, 2054 at a coupon  
12 rate of 5.85 percent, for a total of \$200 million.

13  
14 **Q. WHAT IS THE COMPANY'S UPDATED PROPOSED COST OF LONG-TERM**  
15 **DEBT?**

16 **A.** As shown on Schedule AEB-15 (12+0), page 2, the Company is proposing a cost of long-  
17 term debt of 5.11 percent, which includes (1) the cost of the Company's long-term debt  
18 issued in June 2023 (referred to as "Refinanced Debt") solely to replace first mortgage  
19 bonds and senior notes that were redeemed by the Company as a result of a debt holder  
20 exercising a put in connection with the Merger (referred to as "CIC Debt"); (2) the cost of  
21 any debt issuances that existed prior to SJI's acquisition by IIF in February 2023 and were  
22 not tendered as a result of such acquisition; and, (3) \$200 million in new long-term debt  
23 issued in June 2024.

1 **Q. HAVE YOU EVALUATED THE REASONABLENESS OF THE COMPANY'S**  
2 **RECENT DEBT ISSUANCES?**

3 **A.** Yes. Consistent with the analysis that I presented in my direct testimony, I benchmarked  
4 the cost of the new long-term debt issuances against the 30-day average of the Moody's  
5 Baa-rated utility bond yields as of the time of these issuances.<sup>2</sup> As shown on Schedule  
6 AEB-15 (12+0), page 3, the 30-day average yield on the Moody's Baa-rated utility bond  
7 yield as of June 12, 2024, which is the issuance date of the new long-term debt, was 5.92  
8 percent. The Company's new debt issuances were all issued at coupon rates less than the  
9 yield on the Moody's Baa utility bond index. Based on this analysis, I conclude that the  
10 cost of the Company's most recent long-term debt, issued on June 12, 2024, is reasonable.

11  
12 **Q. PLEASE SUMMARIZE THE COMPANY'S REVISED OVERALL RATE OF**  
13 **RETURN.**

14 **A.** As shown in Figure 1 below, the overall rate of return that the Company is proposing as  
15 part of this update is 8.32 percent. which, based on the analyses discussed in my direct  
16 testimony and supplemental direct testimony is reasonable.

17  
18 **Figure 1: Summary of Overall Rate of Return**

	Capital Structure	Cost Rate	Total
Long-Term Debt	43.00%	5.11%	2.19%
Equity	57.00%	10.75%	<u>6.13%</u>
Overall Rate of Return			8.32%

19  

---

<sup>2</sup> Consistent with the analysis presented in my Direct Testimony, I have used the Moody's Baa-rated utility bonds given that the Company has a BBB rating from Fitch, which is equivalent to a Baa2 rating from Moody's.

- 1 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**
- 2 **A.** Yes, it does.

**Company's Long-Term Debt  
BEFORE Refinancing**

<b>Tranche</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Principal</b>	<b>Annual Interest</b>
<b><u>Debt Tendered With Acquisition</u></b>				
4.02% Series 2018A due 2028	4.02%	12/20/2028	\$ 50,000,000	\$ 2,010,000
4.22% Series 2018A due 2033	4.22%	12/20/2033	\$ 55,000,000	\$ 2,321,000
4.29% Series 2018A due 2038	4.29%	12/20/2038	\$ 141,000,000	\$ 6,048,900
4.37% Series 2018A due 2048	4.37%	12/20/2048	\$ 200,000,000	\$ 8,740,000
4.52% Series 2018A due 2058	4.52%	12/20/2058	\$ 75,000,000	\$ 3,390,000
2.84% Series 2019A due 2029	2.84%	9/27/2029	\$ 33,000,000	\$ 937,200
2.84% Series 2019A due 2029	2.84%	10/29/2029	\$ 26,000,000	\$ 738,400
2.94% Series 2019A due 2031	2.94%	11/26/2031	\$ 25,000,000	\$ 735,000
2.94% Series 2019A due 2031	2.94%	12/27/2031	\$ 30,000,000	\$ 882,000
3.28% Series 2020A due 2050	3.28%	11/10/2050	\$ 72,200,000	\$ 2,368,160
3.38% Series 2020B due 2060	3.38%	11/10/2060	\$ 41,400,000	\$ 1,399,320
2.260% Series 2020A-1, Tranche A due 2031	2.26%	6/15/2031	\$ 39,000,000	\$ 881,400
3.360% Series 2020A-1, Tranche C due 2051	3.36%	6/15/2051	\$ 42,800,000	\$ 1,438,080
<b>CIC Debt Before Equity Refinancing</b>	<b>3.84%</b>		\$ 830,400,000	\$ 31,889,460
Long-Term Debt Refinanced with Equity			\$ (140,400,000)	\$ (5,391,715)
<b>CIC Debt After Equity Refinancing</b>			\$ 690,000,000	\$ 26,497,745
 <b><u>Debt Not Tendered With Acquisition</u></b>				
Series 2018A-3 due 2038	4.29%	12/20/2038	\$ 9,000,000	\$ 386,100
Series 2019 A-1 due 2029	2.84%	9/27/2029	\$ 7,000,000	\$ 198,800
Series 2019 A-2 due 2029	2.84%	10/29/2029	\$ 9,000,000	\$ 255,600
Series 2019 A-4 due 2031	2.94%	12/27/2031	\$ 15,000,000	\$ 441,000
Series 2020 A-1, Tranche A due 2050	3.28%	11/10/2050	\$ 2,800,000	\$ 91,840
Series 2020 A-1, Tranche B due 2060	3.38%	11/10/2060	\$ 8,600,000	\$ 290,680
Series 2020 A-2, Tranche A due 2031	2.26%	6/15/2031	\$ 11,000,000	\$ 248,600
Series 2020 A-2, Tranche B due 2041	3.08%	6/15/2041	\$ 25,000,000	\$ 770,000
Series 2020 A-2, Tranche C due 2051	3.36%	6/15/2051	\$ 7,200,000	\$ 241,920
Total	<b>3.09%</b>		\$ 94,600,000	\$ 2,924,540
<b>TOTAL @ 10/31/23</b>	<b>3.75%</b>		\$ 784,600,000	\$ 29,422,285

**Company's Long-Term Debt  
AFTER Refinancing**

<b>Tranche</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Principal</b>	<b>Annual Interest</b>
<b><u>Debt Tendered With Acquisition</u></b>				
4.99% due 2026	4.99%	6/1/2026	\$ 50,000,000	\$ 2,495,000
4.97% due 2028	4.97%	6/1/2028	\$ 125,000,000	\$ 6,212,500
5.04% due 2030	5.04%	6/1/2030	\$ 100,000,000	\$ 5,040,000
5.21% due 2033	5.21%	6/1/2033	\$ 150,000,000	\$ 7,815,000
5.31% due 2035	5.31%	6/1/2035	\$ 125,000,000	\$ 6,637,500
5.41% due 2038	5.41%	6/1/2038	\$ 90,000,000	\$ 4,869,000
5.52% due 2043	5.52%	6/1/2043	\$ 50,000,000	\$ 2,760,000
<b>Refinanced Debt</b>			\$ 690,000,000	\$ 35,829,000
<b><u>Debt Not Tendered With Acquisition</u></b>				
Series 2018A-3 due 2038	4.29%	12/20/2038	\$ 9,000,000	\$ 386,100
Series 2019 A-1 due 2029	2.84%	9/27/2029	\$ 7,000,000	\$ 198,800
Series 2019 A-2 due 2029	2.84%	10/29/2029	\$ 9,000,000	\$ 255,600
Series 2019 A-4 due 2031	2.94%	12/27/2031	\$ 15,000,000	\$ 441,000
Series 2020 A-1, Tranche A due 2050	3.28%	11/10/2050	\$ 2,800,000	\$ 91,840
Series 2020 A-1, Tranche B due 2060	3.38%	11/10/2060	\$ 8,600,000	\$ 290,680
Series 2020 A-2, Tranche A due 2031	2.26%	6/15/2031	\$ 11,000,000	\$ 248,600
Series 2020 A-2, Tranche B due 2041	3.08%	6/15/2041	\$ 25,000,000	\$ 770,000
Series 2020 A-2, Tranche C due 2051	3.36%	6/15/2051	\$ 7,200,000	\$ 241,920
			\$ 94,600,000	\$ 2,924,540
<b>TOTAL @ 10/31/23</b>	<b>4.94%</b>		<b>\$ 784,600,000</b>	<b>\$ 38,753,540</b>
<b>New Debt Issuances 6/12/2024</b>				
5.50% due 2034	5.50%	7/15/2034	\$ 25,000,000	\$ 1,375,000
5.70% due 2039	5.70%	7/15/2039	\$ 50,000,000	\$ 2,850,000
5.85% due 2054	5.85%	7/15/2054	\$ 25,000,000	\$ 1,462,500
5.85% due 2054	5.85%	9/1/2054	\$ 100,000,000	\$ 5,850,000
New Long-Term Debt Issuance	5.77%		\$ 200,000,000	\$ 11,537,500
<b>12-0 Long-Term Debt</b>	<b>5.11%</b>		<b>\$ 984,600,000</b>	<b>\$ 50,291,040</b>

## Assessment of the Company's Long-Term Debt Cost

Tranche	Issue Date	Coupon	Maturity	Principal
4.99% due 2026	5/18/2023	4.99%	6/1/2026	\$ 50,000,000
4.97% due 2028	5/18/2023	4.97%	6/1/2028	\$ 125,000,000
5.04% due 2030	5/18/2023	5.04%	6/1/2030	\$ 100,000,000
5.21% due 2033	5/18/2023	5.21%	6/1/2033	\$ 150,000,000
5.31% due 2035	5/18/2023	5.31%	6/1/2035	\$ 125,000,000
5.41% due 2038	5/18/2023	5.41%	6/1/2038	\$ 90,000,000
5.52% due 2043	5/18/2023	5.52%	6/1/2043	\$ 50,000,000
Actual 30-day Avg. Moody's Baa-rated Utility Bond Yield as of Issue Date		5.55%		
5.50% due 2034	6/12/2024	5.50%	7/15/2034	\$ 25,000,000
5.70% due 2039	6/12/2024	5.70%	7/15/2039	\$ 50,000,000
5.85% due 2054	6/12/2024	5.85%	7/15/2054	\$ 25,000,000
5.85% due 2054	6/12/2024	5.85%	9/1/2054	\$ 100,000,000
30-day Avg. Moody's Baa-rated Utility Bond Yield as of Issue Date		5.92%		