



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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www.nj.gov/bpu

ENERGY

IN THE MATTER OF THE PETITION OF)	PREHEARING ORDER SETTING
ELIZABETHTOWN GAS COMPANY TO IMPLEMENT)	PROCEDURAL SCHEDULE
AN INFRASTRUCTURE INVESTMENT PROGRAM)	
("IIP") AND ASSOCIATED RECOVERY MECHANISM)	DOCKET NO. GR23120882
PURSUANT TO N.J.S.A. 48:2-21 AND N.J.A.C. 14:3-)	
2A)	

Parties of Record:

Dominick DiRocco, SJI Utilities, Inc., on behalf of Elizabethtown Gas Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Giordano, Halleran and Ciesla, P.C. for New Jersey Large Energy Users Coalition

BY COMMISSIONER MICHAEL BANGE:

BACKGROUND AND PROCEDURAL HISTORY

On December 11, 2023, Elizabethtown Gas Company ("ETG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval of an Infrastructure Investment Program ("IIP" or "Program") and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A ("Petition").¹ The Company proposed a five (5)-year Program beginning on July 1, 2024 with a total investment level of approximately \$625 million.

¹ On December 19, 2017, the Board adopted new regulations for utility "Infrastructure Investment and Recovery" supporting the implementation of an IIP. IIPs allow a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency. The rules are codified at N.J.A.C. 14:3-2A.1 et seq. and became effective on January 16, 2018.

According to the Petition, ETG's proposed Program includes: 1) installing approximately 250 miles of new main and retiring approximately 274 miles of at-risk cast iron, vintage steel, and vintage plastic mains and associated services; 2) upgrading the Company's low-pressure system to elevated pressure; and 3) installing approximately 35,000 excess flow valves on the upgraded system.²

By the Petition, the Company proposed to recover Program costs through a series of rate adjustment filings including: 1) depreciation expense providing for the recovery of the invested capital over its useful book life and 2) a return on the net investment, which will be calculated as the gross investment, plus Allowance for Funds Used During Construction and Independent Monitor costs, less depreciation expense and deferred income taxes. The return on the net investment would be calculated utilizing the after-tax Weighted Average Cost of Capital, which is predicated on the rate of return approved in the Company's most recent base rate case. As proposed by ETG, any change in the rate of return authorized by the Board in a future base rate case would be reflected in the subsequent monthly revenue requirement calculations.

By Order dated January 31, 2024, the Board designated me, Commissioner Michael Bange, as Presiding Commissioner in this matter, with the authority to rule on all motions that may arise during the pendency of this proceeding and to set and modify any schedules as may be necessary to secure a just and expeditious determination of the issues.³ The Board further Ordered that any entities seeking leave to intervene or participate in this matter must file the appropriate application with the Board on or before February 29, 2024, and any party wishing to file a motion for admission of counsel *pro hac vice* should do so concurrently with any motion to intervene or participate.

By Order dated April 25, 2024, I granted intervenor status to the New Jersey Large Energy Users Coalition ("NJLEUC") and participant status to the Engineers Labor-Employer Cooperative, Public Service Electric and Gas Company, the Utility and Transportation Contractors Association of New Jersey, Skoda Contracting Co., and the New Jersey Laborers-Employers Cooperation and Education Trust.⁴

Following proper notice, two (2) virtual public hearings were held on May 2, 2024. No members of the public appeared or provided comments at the hearings. The Board received three (3) written public comments in support of the program.

² The Company also proposed to relocate inside meter sets, but these costs, like all other meter costs, would not be recovered through the IIP.

³ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket No. GR23120882, Order dated January 31, 2024.

⁴ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order on Motions to Intervene or Participate, BPU Docket No. GR23120882, Order dated April 25, 2024 ("April 2024 Order").

By Order dated July 24, 2024, the Board approved a stipulation of settlement authorizing ETG to conduct an extension of its 2019 IIP ("IIP Extension").⁵ The IIP Extension constituted an eighteen (18)-month program, from July 1, 2024 through December 31, 2025, during which the Board authorized ETG to spend up to \$120 million to replace a minimum of seventy-five (75) miles of high-risk facilities, which include low-pressure cast iron or steel pipe segments and associated services, as well as the installation of excess flow valves.

Pursuant to the stipulation approved by the July 2024 Order, on January 23, 2025, the parties convened for a status conference to resume this proceeding. By correspondence dated February 7, 2025, ETG updated the Petition ("Update") and proposed a procedural schedule in this matter.

According to the Update, the estimated bill impact of the initial rate adjustment, effective October 1, 2026, on the typical residential heating customer using 1,000 therms annually is an increase of approximately \$19.40 per year, or approximately 1.2%. Additionally, the Company estimated the cumulative bill impact of the completed Program, effective October 1, 2031, on the typical residential heating customer to be a cumulative increase of approximately \$194.00 per year, or approximately 12.0%.

Prehearing Order

I reviewed the proposal for a procedural schedule, which has been agreed to by the Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), Board Staff ("Staff"), and NJLEUC. I **HEREBY ISSUE** the following as the Prehearing Order, along with the procedural schedule attached as Exhibit A hereto, and **HEREBY DIRECT** the parties to comply with its terms.

⁵ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR18101197; and In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR23120882, Order dated July 24, 2024 ("July 2024 Order").

PREHEARING ORDER

1. NATURE OF PROCEEDINGS AND ISSUES TO BE RESOLVED:

A. Nature of Proceeding

Through this proceeding, ETG seeks approval of an IIP and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A. The Company proposed a five (5)-year Program with a total investment level of approximately \$625 million. The Program, as proposed by ETG, includes the installation of approximately 250 miles of new gas main. Additionally, ETG proposed to recover costs associated with the Program through one (1) semi-annual and five (5) annual rate adjustment filings.

According to the Update, the estimated bill impact of the initial rate adjustment, effective October 1, 2026, on the typical residential heating customer using 1,000 therms annually is an increase of approximately \$19.40 per year, or approximately 1.2%. Additionally, the Company estimated the cumulative bill impact of the completed Program, effective October 1, 2031, on the typical residential heating customer to be a cumulative increase of approximately \$194.00 per year, or approximately 12.0%.

B. Issues to be Resolved:

- Ensure the Company's compliance with the IIP regulations codified at N.J.A.C. 14:3-2A;
- Ensure maximum benefit to ratepayers;
- Ensure compliance with prior Board Orders and Board policy as they relate to the Program;
- Ensure reasonableness of all construction, construction timelines, and design aspects of the Program;
- Ensure reasonableness and lawfulness of the proposed cost recovery mechanism, including the proposed return on net investment; and
- Ensure reasonableness of the size and duration of the Program.

2. PARTIES AND THEIR DESIGNATED ATTORNEYS OR REPRESENTATIVES:

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No change in designated trial counsel shall be made without leave if such change will interfere with the dates for hearings. If no specific counsel is set forth in this Order, any partner or associate may be expected to proceed with evidentiary hearings on the agreed dates.

3. **SPECIAL LEGAL REQUIREMENTS AS TO NOTICE OF HEARING:**

Pursuant to N.J.S.A. 48:2-32.6, after publication of notice in newspapers of general circulation in ETG's service territory, two (2) virtual public hearings were held on May 2, 2024.

4. **SCHEDULE OF HEARING DATES, TIME AND PLACE:**

Evidentiary hearings will be scheduled at a time and location to be determined based upon the availability of the parties and myself.

5. **STIPULATIONS:**

The parties have entered into an Agreement of Non-Disclosure of Information Agreed to be Confidential.

By Order dated July 24, 2024, the Board approved a stipulation of settlement by which the parties to this proceeding agreed to hold the Petition and associated activities in abeyance for eighteen (18) months and extend the Company's then-running IIP for eighteen (18) months to commence July 1, 2024 and end on December 31, 2025.⁶

6. **SETTLEMENT:**

The parties are encouraged to engage in settlement discussions. Notice should be provided to all parties of any settlement discussions for the preparation of an agreement to resolve the issues in the case.

7. **AMENDMENTS TO PLEADINGS:**

None at this time.

8. **DISCOVERY AND DATE FOR COMPLETION:**

The time limits for discovery shall be in accordance with N.J.A.C. 1:1-10.4 or as provided in Exhibit A hereto.

9. **ORDER OF PROOFS:**

ETG has the burden of proof. The hearings will be conducted by topic in the following order:

First – ETG

Second – Rate Counsel

Third – NJLEUC

Fourth – Staff

10. **EXHIBITS MARKED FOR IDENTIFICATION:**

None at this time.

11. **EXHIBITS MARKED IN EVIDENCE:**

None at this time.

⁶ In re the Petition of Elizabethtown Gas Company for to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A and In re Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket Nos. GR18101197 and GR23120882, Order dated July 24, 2024.

12. **ESTIMATED NUMBER OF FACT AND EXPERT WITNESSES:**

ETG, Rate Counsel, and NJLEUC's witnesses are yet to be determined. Once determined, additional witnesses may be identified by the parties for the purposes of rebuttal or sur-rebuttal.

Any party substituting witnesses shall identify such witnesses within five (5) days of determining to replace a witness, and in no event later than five (5) days before filing of testimony of a substitute witness. All direct testimony will be pre-filed, and all witnesses submitting pre-filed direct testimony will be subject to cross examination at evidentiary hearings, which will be conducted by topic (e.g., program elements, revenue requirements, and so forth).

13. **MOTIONS:**

All pending motions to intervene and/or participate have been addressed.

14. **SPECIAL MATTERS:**


I **HEREBY DIRECT** the parties to this proceeding to work cooperatively to the fullest extent possible in the interests of reaching a just determination in this proceeding.

In compliance with the Board's Orders in Docket No. EO20030254, I **FURTHER DIRECT** all parties to serve documents electronically.⁷ No hard copies shall be filed until the Board lifts the restrictions imposed by the Orders.

I **FURTHER DIRECT** that this Order be posted on the Board's website.

This provisional ruling is subject to ratification or other alteration by the Board as it deems appropriate during the proceedings in this matter.

DATED:


MICHAEL BANGE
COMMISSIONER 4/7/2025

⁷ In re the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, Orders dated March 19, 2020 and June 10, 2020.

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY TO IMPLEMENT AN
INFRASTRUCTURE INVESTMENT PROGRAM ("IIP") AND ASSOCIATED RECOVERY MECHANISM PURSUANT
TO N.J.S.A. 48:2-21 AND N.J.A.C. 14:3-2A

DOCKET NO. GR23120882

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**EXHIBIT A
PROCEDURAL SCHEDULE**

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY TO
IMPLEMENT AN INFRASTRUCTURE INVESTMENT PROGRAM ("IIP") AND ASSOCIATED
RECOVERY MECHANISM PURSUANT TO N.J.S.A. 48:2-21 AND N.J.A.C. 14:3-2A**

DOCKET NO. GR23120882

Complete all Discovery on Elizabethtown Filing	May 14, 2025
Settlement Conference	May 21, 2025
Settlement Conference	May 29, 2025
Settlement Conference	June 5, 2025
Settlement Conference	June 19, 2025
Non-Petitioner Direct Testimony Due	July 3, 2025
Complete all Discovery on Non-Petitioner Testimony	August 14, 2025
Rebuttal Testimony	August 29, 2025
All Parties Discovery Requests on Rebuttal Testimony	September 12, 2025
Discovery Responses on Rebuttal Testimony	September 26, 2025
Settlement Conference	October 15 and 16, 2025 (if needed)
Evidentiary Hearings	TBD (Commissioner Schedule)
Initial Briefs	TBD
Reply Briefs	TBD
BPU Decision and Order	TBD