



Agenda Date: 3/23/22  
Agenda Item: 2G

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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ENERGY

IN THE MATTER OF THE PETITION OF )  
ELIZABETHTOWN GAS COMPANY FOR )  
APPROVAL OF AN ASSET MANAGEMENT )  
AGREEMENT WITH SOUTH JERSEY )  
RESOURCES GROUP ) DECISION AND ORDER  
APPROVING AMA  
BPU DOCKET NO. GR21040723

**Parties of Record:**

**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel  
**Deborah M. Franco, Esq.**, SJI Utilities, on behalf of Elizabethtown Gas Company

BY THE BOARD:<sup>1</sup>

On April 23, 2021, Elizabethtown Gas Company (“ETG”, “Elizabethtown”, or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking approval of an Asset Management and Agency Agreement (“AMA”) between ETG and its affiliate South Jersey Resources Group, LLC (“SJRJG”) for a five (5)-year period beginning April 1, 2022 through March 31, 2027 (“April 2021 Petition”). By this Order, the Board considers a stipulation of settlement (“Stipulation”) executed by ETG, Board Staff (“Staff”), and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”) intended to resolve the Company’s requests related to the above docketed matter.

BACKGROUND AND PROCEDURAL HISTORY

The current AMA was approved by the Board by Order dated June 22, 2018 as part of the Board’s approval of the acquisition of Elizabethtown Gas Company<sup>2</sup> by South Jersey Industries (“SJI”).<sup>3</sup> Prior to the acquisition, Sequent Energy Management L.P. (“Sequent”) was the asset manager for ETG. The Board approved the assignment of the AMA between Sequent and ETG to SJRG whereby SJRG replaced Sequent as the provider of these services to ETG through the remaining

<sup>1</sup> Commissioner Robert M. Gordon did not participate.

<sup>2</sup> Pivotal Utility Holdings, Inc. (“Pivotal”) d/b/a Elizabethtown Gas.

<sup>3</sup> In re the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., a subsidiary of South Jersey Industries, Inc. and Related Transactions, BPU Docket No. GM17121309, Order dated June 22, 2018 (“June 2018 Order”).

term of the Sequent AMA (March 31, 2019). The Board also approved the current AMA Agreement between SJRG and ETG for the term April 1, 2019 through March 31, 2022. However, as approved in the June 2018 Order, at the time of the expiration of the current AMA with SJRG on March 31, 2022, the ETG gas supply function would “be brought in-house unless otherwise ordered by the Board.”

### **APRIL 2021 PETITION**

In the April 2021 Petition and under the proposed AMA, SJRG would provide ETG with gas supply and asset management services using Elizabethtown’s portfolio of firm transportation and storage contracts with interstate pipelines and storage service providers.

### **STIPULATION**

Following a review of the April 2021 Petition, discovery and holding comprehensive settlement discussions, the Parties executed the Stipulation, which provides for the following:<sup>4</sup>

- A. Extension of the Elizabethtown – SJRG Arrangement. Attached to the Stipulation as Appendix A are confidential pro forma agreements for gas supply and capacity management services between Elizabethtown and SJRG. Elizabethtown is authorized to enter into these agreements with SJRG for a two-year term commencing April 1, 2022 and ending March 31, 2024. Under the agreements, SJRG will pay Elizabethtown an annual fee for the right to act as its gas supplier and capacity management agent. Elizabethtown will credit the entire fee to its Basic Gas Supply Service – Periodic (“BGSS-P”) clause. The fee will consist of a minimum fixed annual payment and a sharing of the capacity release credits, off-system sales margins, physical dispatch optimization and storage arbitrage margins that SJRG is able to obtain for Elizabethtown as follows:
- (i) The minimum fixed payment will be three million, six hundred and fifty thousand dollars (\$3,650,000) annually;
  - (ii) Capacity release credits, off-system sales margins, and physical dispatch optimization and storage arbitrage margins obtained by SJRG for Elizabethtown will be shared as follows:
    - (a) One hundred percent (100%) of the first \$3,650,000 of such margins/credits will be retained by SJRG because SJRG will have already made the minimum payment of \$3,650,000 described above;
    - (b) Seventy percent (70%) of the annual margins/credits in excess of \$3,650,000 and up to \$6,400,000 will be retained by SJRG with the remaining thirty percent (30%) credited to Elizabethtown’s BGSS-P clause;
    - (c) Twenty-nine percent (29%) of the annual margins/credits in excess of \$6,400,000 and up to \$13,750,000 will be retained by SJRG with the

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<sup>4</sup> In the event of a discrepancy between this Order and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order. Paragraphs are numbered to coincide with the Stipulation.

remaining seventy-one percent (71%) credited to Elizabethtown's BGSS-P clause;

- (d) Fifty percent (50%) of the annual margins/credits in excess of \$13,750,000 and up to \$14,500,000 will be retained by SJRG with the remaining fifty percent (50%) credited to Elizabethtown's BGSS-P clause; and
- (e) All annual margins/credits in excess of \$14,500,000 will be shared fifteen percent (15%) to SJRG and eighty-five percent (85%) to Elizabethtown's BGSS-P clause.

The margin sharing mechanism described above is illustrated on Appendix B of the Stipulation. The margin sharing formula results in an overall sharing of approximately thirty percent (30%) of annual margins/credits to SJRG and seventy percent (70%) of such annual margins/credits to Elizabethtown's BGSS-P clause if total margins/credits for any annual period are between \$8,000,000 and \$14,000,000.

- B. Modification to the SJRG-Elizabethtown Arrangement. In comparison to the gas supply/capacity management arrangement that has been in place during the 2018-2022 period, the revised arrangement reflects an addition to the pricing indices used to establish the price at which Elizabethtown purchases gas from SJRG. This pricing change will enable Elizabethtown to purchase a greater quantity of gas at secondary receipt points on Texas Eastern Transmission, LP, thereby diversifying Elizabethtown's portfolio of gas purchases and is in the best interests of the Company and its BGSS customers.
- C. Audit Rights/Reporting Requirements. SJRG will maintain Elizabethtown specific "books" to properly account for the annual margins/credits to be shared under the AMA. Information contained in the Elizabethtown "books" maintained by SJRG will be made available to Staff and Rate Counsel on reasonable notice at Elizabethtown's headquarters in New Jersey. In addition, following the completion of the first year of the term of the SJRG/Elizabethtown agreements and each year thereafter, SJI, the parent company of Elizabethtown and SJRG, will conduct an internal audit of the SJRG/Elizabethtown agreements. The audit will be conducted at SJI's cost and expense using either internal or external resources as determined by SJI. The auditor will be responsible for determining (i) whether margins/credits were properly credited to Elizabethtown's BGSS-P clause in the manner required by the Stipulation and the attached agreements, and (ii) whether SJRG was treating Elizabethtown in a non-discriminatory manner in relation to other SJRG asset management arrangements. The internal audit shall be completed and a copy of the results shall be provided to the Board's Director of the Division of Energy and the Director of Rate Counsel within nine (9) months of the applicable year. All supporting documents will be provided at Elizabethtown's offices in New Jersey on reasonable notice. All of the information described herein will be provided under the Board's standard confidentiality agreement.

In addition, the Company will submit the following reports to the Board, the Board's Director of the Division of Energy and the Director of Rate Counsel:

- (i) quarterly reports detailing margin sharing activities and related information in a form similar to that currently filed by Elizabethtown, such reports shall be filed no later than forty-five (45) days after the end of the applicable quarter;

- (ii) annual reports detailing activities that occurred in accordance with Section 2.5 of the Gas Purchase and Sale Agreement. These reports shall include, SJRG's initial price quote, any price quotes obtained from others and whether SJRG exercised its right to match the lowest quote or the Company purchased quantities from third parties, such reports shall be filed no later than forty-five (45) days after the end of the year in which the applicable activities occurred; and
  - (iii) quarterly reports detailing any costs incurred by Elizabethtown as a result of SJRG having to liquidate supply contracts or obtain replacement supplies as a result of its inability to purchase supplies at certain secondary points identified in the Gas Purchase and Sales Agreement for subsequent delivery to Elizabethtown, such reports shall be filed no later than forty-five (45) days after the end of the applicable quarter.
- D. Payment of the Fee. The \$3,650,000 minimum annual fee will be credited to Elizabethtown's BGSS-P clause in equal quarterly installments on the last day of each quarter – June 30, September 30, December 31, and March 31. Shared margins/credits, if any, in any annual period will be credited to Elizabethtown's BGSS-P clause twice a year no later than September 30 and March 31. Each year in the Company's Annual BGSS-P filing with the Board, Elizabethtown will advise Staff and Rate Counsel of the results obtained by SJRG during the previous BGSS-P annual period.
- E. Transition to In-House Management Of Gas Supply. Beginning April 1, 2022, Elizabethtown will commence transitioning the full administration of its gas supply/asset management function back to the utility itself, and Elizabethtown will resume full responsibility for the functions provided by SJRG under the AMA by April 1, 2024. Elizabethtown agrees that it will not Petition the Board for an extension of the April 1, 2024 deadline. Attached to the Stipulation as Appendix C are a list of tasks the Company asserts must be completed to transition the gas supply function to the utility. Within thirty (30) days of the end of each calendar quarter beginning April 1, 2022, Elizabethtown will provide the Board's Director of the Energy Division and the Director of Rate Counsel with reports ("QReports") that will include separate sections that update those parties on each of six (6) topics identified on Appendix C of the Stipulation. Each topic section will include a paragraph describing the status and a list of milestones with initial target dates, revised target dates (if any), completion dates and the reasons for any changes to the target dates. The QReports will also include an initial summary paragraph highlighting the most significant items in the report.

In addition, to begin the transition to full in-house management of the gas supply/asset management function by Elizabethtown, as of April 1, 2022, Elizabethtown will assume responsibility for managing the gas supply provided by, and asset management of, certain capacity contracts identified on Appendix D of the Stipulation. As of April 1, 2023, Elizabethtown will assume responsibility for managing the gas supply provided by, and asset management of certain additional capacity contracts identified on Appendix D of the Stipulation. When managing capacity, Elizabethtown will share capacity release credits and off-system sales margins that the Company is able to obtain from the management of pipeline capacity (including storage) by the Company on an eighty-five percent (85%) BGSS-P customers/fifteen percent (15%) Company basis during the two-year AMA extension period and all subsequent periods unless and until modified by order of the Board. The Company will submit the monthly reports to the Board, the Board's Director of the Division of Energy and the Director of Rate Counsel detailing these margin sharing

activities and related information. Subject to appropriate confidentiality, the monthly reports shall include a list of the capacity release transactions that occurred during the month including the customer name, pipeline, contract number, volumes, capacity release credit, the BGSS-P share, the Company share, and the average credit per Dth. The columns shall include totals. Transactions which occurred between the Company and its affiliated companies shall be highlighted by an asterisk (\*) before the customer name. The monthly reports shall include a list of the off system sales transactions that occurred during the month including the customer name, the volumes delivered, the revenue, the costs, the margins, the BGSS-P share, and the Company share. Transactions which occurred between the Company and its affiliated companies shall be highlighted by an asterisk (\*) before the customer name. The monthly reports shall be filed no later than forty-five (45) days after the end of the applicable month.

Costs incurred by Elizabethtown to bring the gas supply function in-house will not be recovered in the Company's BGSS rates. The Company may request recovery of such costs in a base rate proceeding or other appropriate rate proceeding, and the Parties will be free to take any position regarding the recovery of such costs in such proceeding.

The Company recognizes that regardless of whether its gas supply and asset optimization functions are managed internally or by a third-party asset manager, the Company's goals for purchasing gas supply will be to purchase reliable sources of supply and minimize the cost of purchasing gas consistent with the need to maintain reliability for BGSS customers.

- F. Modification to the Elizabethtown – SJRG Agreements. Section 6 of the pro forma AMA between Elizabethtown and SJRG provides that those entities may agree to modify the AMA to include new "Assets" or to remove, terminate or modify those Assets and to make changes to the AMA to reflect the changes in Assets. Such changes may include changes in the price indices applicable under the Gas Purchase and Sales Agreement. The AMA provides that such changes are subject to the approval of the Board. In lieu of requiring Elizabethtown to obtain formal Board approval for changes in Assets, Elizabethtown will, if it seeks to change the Assets subject to the AMA, file a letter both electronically and in hard copy with the Board, the Board's Director of the Division of Energy and Rate Counsel describing the changes in Assets and any supporting documentation associated with the change. The Company's letter will state that the changes to the Assets will become effective within sixty days unless an objection to the change is made by Staff or Rate Counsel. If an objection is raised, then the Parties will meet to resolve it. If the matter cannot be resolved informally, it will be submitted to the Board for resolution. No change in the AMA will become effective until the later of (i) the sixty-day notice period if no objection is raised by Staff or Rate Counsel, or (ii) the date on which Staff's and/or Rate Counsel's written objection is resolved by either a written agreement of the Parties or an order of the Board. The Parties recognize that approval of a change in the AMA does not, by itself, constitute approval of any change in Elizabethtown's rates arising from a change in the AMA.

## **DISCUSSION AND FINDINGS**

The Board reviewed the record in this matter, including the April 2021 Petition, the AMA agreement for gas supply and capacity management services between ETG and SJRG, including the appendices and exhibits, and the Stipulation. The Stipulation will allow ETG and SJRG to extend their gas supply and capacity management arrangement for an additional two-year period. Moreover, it provides that ETG will commence transitioning the full administration of its gas supply

/ asset management function back to the utility itself so that ETG will resume full responsibility for the functions provided by SJRG under the AMA by April 1, 2024.

ETG's BGSS-P clause will be credited with a minimum of \$3.65 million annually under the AMA. In addition, the arrangement provides for a sharing of the capacity release credits, off-system sales margins, physical dispatch and storage optimization margins obtained by SJRG for ETG. The sharing mechanism will result in an overall sharing of thirty percent (30%) to SJRG and seventy percent (70%) to ETG's BGSS-P clause if total margins / credits for any annual period total between \$8 million and \$14 million. Therefore, while the minimum payment and sharing percentages at various levels of total margins have changed from the prior arrangement, the new arrangement continues the benefits of the current agreement at these key margin levels. In addition, the new arrangement reflects certain changes to the pricing indices used to establish the price at which ETG purchases gas from SJRG. ETG has represented that these changes will enable the Company to purchase a greater quantity of gas at secondary receipt points on Texas Eastern Transmission, LP. ETG submits that this pricing change will enable it to diversify its portfolio of gas purchases and is in the best interest of the Company and its BGSS customers.

The Board **HEREBY FINDS** that the Stipulation is reasonable, in the public interest, and in accordance with law. N.J.S.A. 48:3-58 encourages gas public utilities to procure a portfolio of gas supply provided that doing so provides maximum benefit to BGSS customers. The Stipulation provides for reports that will allow the Board to evaluate the results of the AMA and the status of the transitioning of the full administration of ETG's gas supply / asset management back to the Company. Therefore, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. The Board **HEREBY AUTHORIZES** ETG to enter into the agreements that are attached to the Stipulation with SJRG for a two (2)-year term commencing April 1, 2022 and ending March 31, 2024.


The Parties requested that the proforma agreements in Appendix A of the Stipulation be treated as confidential information because the Parties agree that the information is competitively sensitive. With respect to this request for confidential treatment, the Board **HEREBY FINDS** that this issue should be decided by the Board's Custodian of Records pursuant to the Board's regulations in N.J.A.C. 14:1-12, if a request for release of such information is made pursuant to those rules.

The Company's rates remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any audit of the utility or its affiliates.

This Order shall be effective on March 30, 2022.

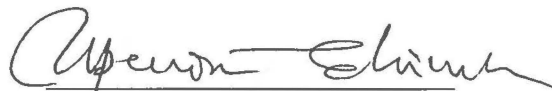
DATED: March 23, 2022

BOARD OF PUBLIC UTILITIES  
BY:

  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY FOR  
APPROVAL OF AN ASSET MANAGEMENT AGREEMENT WITH SOUTH JERSEY  
RESOURCES GROUP  
DOCKET NO. GR21040723

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March 8, 2022

**Electronic Filing**

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Trenton, NJ 08625-0350

**Re: I/M/O The Petition Of Elizabethtown Gas Company For Approval Of An Asset Management Agreement With South Jersey Resources Group  
BPU Docket No. GR21040723**

Dear Secretary Camacho-Welch:

Enclosed please find the preliminary public version of a Stipulation executed by Elizabethtown Gas Company (“Elizabethtown”), the Staff of the Board of Public Utilities (“Board”) and the Division of Rate Counsel in the above captioned proceeding.

By letter dated this same day, Elizabethtown is filing confidential and preliminary public copies of the Confidential Material with the Records Custodian in accordance with N.J.A.C. 14:1-12.1 et seq., along with a Confidentiality Claim and Substantiation of Confidentiality Claim (“Confidentiality Claim”). A confidential copy of the Confidential Material has been provided to those parties who have signed the Agreement of Non-Disclosure.

Due to the pandemic, and in accordance with the Board’s March 19, 2020 and May 20, 2020 Orders issued in BPU 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 black ink that reads "Deborah M. Franco".

Deborah M. Franco

Enclosure

Cc: Service List

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY  
FOR APPROVAL OF AN ASSET MANAGEMENT AGREEMENT  
WITH SOUTH JERSEY RESOURCES GROUP  
BPU DOCKET NO. GR21040723**

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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 AN ASSET  
MANAGEMENT AGREEMENT WITH  
SOUTH JERSEY RESOURCES GROUP**

**BPU Docket No. GR21040723**

**STIPULATION**

**APPEARANCES:**

**Deborah M. Franco**, Vice President – Rates, Regulatory and Sustainability – South Jersey Utilities, Inc. for Elizabethtown Gas Company

**Kenneth T. Maloney** (Cullen and Dykman LLP) Attorney for Elizabethtown Gas Company

**Maura Caroselli, Esq., Managing Attorney – Gas**, New Jersey Division of Rate Counsel and **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (Brian Lipman, Director, New Jersey Division of Rate Counsel)

**Terel Klein**, Deputy Attorney General for the New Jersey Board of Public Utilities (Matthew J. Platkin, Acting Attorney General of New Jersey)

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

**BACKGROUND**

On April 23, 2021, Elizabethtown Gas Company (“Elizabethtown” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) seeking approval of an Asset Management Agreement (“AMA”) between Elizabethtown and its affiliate South Jersey Resources Group, LLC (“SJRG”) for a five-year period beginning April 1, 2022 and ending March 31, 2027 (“April 23 Petition”). Under the AMA proposed in the April 23 Petition, SJRG would provide Elizabethtown with gas supply and asset management services using Elizabethtown’s portfolio of firm transportation and storage contracts with interstate pipelines and storage service providers. SJRG has provided such services to Elizabethtown since 2018 in accordance with a

Board Order dated June 22, 2018.<sup>1</sup> The April 23 Petition was supported by the prepared direct testimony of two witnesses: David Robbins, Jr., Senior Vice President of South Jersey Industries, Inc. (“SJI”) and President of SJI Utilities, Inc. (“SJIU”), and Leonard J. Willey, Elizabethtown’s Manager of Gas Supply.

Representatives of the Company, Board Staff (“Staff”), and the Division of Rate Counsel (“Rate Counsel”) (collectively the “Parties”), the only parties to this proceeding, conducted discovery and participated in numerous meetings concerning the proposed AMA. As a result of these efforts, the Parties have reached this Stipulation which, if approved by the Board, will permit the Company to extend its arrangement with SJRG subject to the terms and conditions set forth herein.

### **STIPULATION**

The Parties stipulate and agree as follows:

**A. Extension of the Elizabethtown – SJRG Arrangement.** Attached hereto as Appendix A are confidential *pro forma* agreements for gas supply and capacity management services between Elizabethtown and SJRG. Elizabethtown is authorized to enter into these agreements with SJRG for a two-year term commencing April 1, 2022 and ending March 31, 2024. Under the agreements, SJRG will pay Elizabethtown an annual fee for the right to act as its gas supplier and capacity management agent. Elizabethtown will credit the entire fee to its Basic Gas Supply Service – Periodic (“BGSS-P”) clause. The fee will consist of a minimum fixed annual payment and a sharing of the capacity release credits, off-system sales margins, physical dispatch

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<sup>1</sup> See *I/M/O the Acquisition of Elizabethtown Gas, A Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., A Subsidiary of South Jersey Industries, Inc. and Related Transactions*, BPU Docket No. GM17121309, “Decision And Order Approving Stipulation” (June 22, 2018).

optimization and storage arbitrage margins that SJRG is able to obtain for Elizabethtown as follows:

- (i) The minimum fixed payment will be three million, six hundred and fifty thousand dollars (\$3,650,000) annually;
- (ii) Capacity release credits, off-system sales margins, and physical dispatch optimization and storage arbitrage margins obtained by SJRG for Elizabethtown will be shared as follows:
  - (a) One hundred percent (100%) of the first \$3,650,000 of such margins/credits will be retained by SJRG because SJRG will have already made the minimum payment of \$3,650,000 described above;
  - (b) Seventy percent (70%) of the annual margins/credits in excess of \$3,650,000 and up to \$6,400,000 will be retained by SJRG with the remaining thirty percent (30%) credited to Elizabethtown's BGSS-P clause;
  - (c) Twenty-nine percent (29%) of the annual margins/credits in excess of \$6,400,000 and up to \$13,750,000 will be retained by SJRG with the remaining seventy-one percent (71%) credited to Elizabethtown's BGSS-P clause;
  - (d) Fifty percent (50%) of the annual margins/credits in excess of \$13,750,000 and up to \$14,500,000 will be retained by SJRG with the remaining fifty percent (50%) credited to Elizabethtown's BGSS-P clause; and
  - (e) All annual margins/credits in excess of \$14,500,000 will be shared fifteen percent (15%) to SJRG and eighty-five percent (85%) to Elizabethtown's BGSS-P clause.

The margin sharing mechanism described above is illustrated on Appendix B attached hereto. The margin sharing formula results in an overall sharing of approximately thirty percent (30%) of annual margins/credits to SJRG and seventy percent (70%) of such annual margins/credits to Elizabethtown's BGSS-P clause if total margins/credits for any annual period are between \$8,000,000 and \$14,000,000.

**B. Modification to the SJRG-Elizabethtown Arrangement.** In comparison to the gas supply/capacity management arrangement that has been in place during the 2018-2022 period, the revised arrangement reflects an addition to the pricing indices used to establish the price at which Elizabethtown purchases gas from SJRG. This pricing change will enable Elizabethtown to purchase a greater quantity of gas at secondary receipt points on Texas Eastern Transmission, LP, thereby diversifying Elizabethtown's portfolio of gas purchases and is in the best interests of the Company and its BGSS customers.

**C. Audit Rights/Reporting Requirements.** SJRG will maintain Elizabethtown specific "books" to properly account for the annual margins/credits to be shared under the AMA. Information contained in the Elizabethtown "books" maintained by SJRG will be made available to Staff and Rate Counsel on reasonable notice at Elizabethtown's headquarters in New Jersey. In addition, following the completion of the first year of the term of the SJRG/Elizabethtown agreements and each year thereafter, SJI, the parent company of Elizabethtown and SJRG, will conduct an internal audit of the SJRG/Elizabethtown agreements. The audit will be conducted at SJI's cost and expense using either internal or external resources as determined by SJI. The auditor will be responsible for determining (i) whether margins/credits were properly credited to Elizabethtown's BGSS-P clause in the manner required by this Stipulation and the attached agreements, and (ii) whether SJRG was treating Elizabethtown in a non-discriminatory manner in

relation to other SJRG asset management arrangements. The internal audit shall be completed and a copy of the results shall be provided to the Board's Director of the Division of Energy and the Director of Rate Counsel within nine (9) months of the applicable year. All supporting documents will be provided at Elizabethtown's offices in New Jersey on reasonable notice. All of the information described herein will be provided under the Board's standard confidentiality agreement.

In addition, the Company will submit the following reports to the Board, the Board's Director of the Division of Energy and the Director of Rate Counsel:

- (i) quarterly reports detailing margin sharing activities and related information in a form similar to that currently filed by Elizabethtown, such reports shall be filed no later than forty-five (45) days after the end of the applicable quarter;
- (ii) annual reports detailing activities that occurred in accordance with Section 2.5 of the Gas Purchase and Sale Agreement. These reports shall include, SJRG's initial price quote, any price quotes obtained from others and whether SJRG exercised its right to match the lowest quote or the Company purchased quantities from third parties, such reports shall be filed no later than forty-five (45) days after the end of the year in which the applicable activities occurred; and
- (iii) quarterly reports detailing any costs incurred by Elizabethtown as a result of SJRG having to liquidate supply contracts or obtain replacement supplies as a result of its inability to purchase supplies at certain secondary points identified in the Gas Purchase and Sales Agreement for subsequent delivery to Elizabethtown, such reports shall be filed no later than forty-five (45) days after the end of the applicable quarter.



**D. Payment of the Fee.** The \$3,650,000 minimum annual fee will be credited to Elizabethtown's BGSS-P clause in equal quarterly installments on the last day of each quarter – June 30, September 30, December 31, and March 31. Shared margins/credits, if any, in any annual period will be credited to Elizabethtown's BGSS-P clause twice a year no later than September 30 and March 31. Each year in the Company's Annual BGSS-P filing with the Board, Elizabethtown will advise Staff and Rate Counsel of the results obtained by SJRG during the previous BGSS-P annual period.

**E. Transition to In-House Management Of Gas Supply.** Beginning April 1, 2022, Elizabethtown will commence transitioning the full administration of its gas supply/asset management function back to the utility itself, and Elizabethtown will resume full responsibility for the functions provided by SJRG under the AMA by April 1, 2024. Elizabethtown agrees that it will not Petition the Board for an extension of the April 1, 2024 deadline. Attached as Appendix C are a list of tasks the Company asserts must be completed to transition the gas supply function to the utility. Within thirty (30) days of the end of each calendar quarter beginning April 1, 2022, Elizabethtown will provide the Board's Director of the Energy Division and the Director of Rate Counsel with reports ("QReports") that will include separate sections that update those parties on each of six (6) topics identified on Appendix C. Each topic section will include a paragraph describing the status and a list of milestones with initial target dates, revised target dates (if any), completion dates and the reasons for any changes to the target dates. The QReports will also include an initial summary paragraph highlighting the most significant items in the report.

In addition, to begin the transition to full in-house management of the gas supply/asset management function by Elizabethtown, as of April 1, 2022, Elizabethtown will assume responsibility for managing the gas supply provided by, and asset management

of, certain capacity contracts identified on Appendix D. As of April 1, 2023, Elizabethtown will assume responsibility for managing the gas supply provided by, and asset management of certain additional capacity contracts identified on Appendix D. When managing capacity, Elizabethtown will share capacity release credits and off-system sales margins that the Company is able to obtain from the management of pipeline capacity (including storage) by the Company on an eighty-five percent (85%) BGSS-P customers/fifteen percent (15%) Company basis during the two-year AMA extension period and all subsequent periods unless and until modified by order of the Board. The Company will submit the monthly reports to the Board, the Board's Director of the Division of Energy and the Director of Rate Counsel detailing these margin sharing activities and related information. Subject to appropriate confidentiality, the monthly reports shall include a list of the capacity release transactions that occurred during the month including the customer name, pipeline, contract number, volumes, capacity release credit, the BGSS-P share, the Company share, and the average credit per Dth. The columns shall include totals. Transactions which occurred between the Company and its affiliated companies shall be highlighted by an asterisk (\*) before the customer name. The monthly reports shall include a list of the off system sales transactions that occurred during the month including the customer name, the volumes delivered, the revenue, the costs, the margins, the BGSS-P share, and the Company share. Transactions which occurred between the Company and its affiliated companies shall be highlighted by an asterisk (\*) before the customer name. The monthly reports shall be filed no later than forty-five (45) days after the end of the applicable month.

Costs incurred by Elizabethtown to bring the gas supply function in-house will not be recovered in the Company's BGSS rates. The Company may request recovery of such costs in a base rate proceeding or other appropriate rate proceeding, and the Parties will be free to take any position regarding the recovery of such costs in such proceeding.

The Company recognizes that regardless of whether its gas supply and asset optimization functions are managed internally or by a third-party asset manager, the Company's goals for purchasing gas supply will be to purchase reliable sources of supply and minimize the cost of purchasing gas consistent with the need to maintain reliability for BGSS customers.

**F. Modification to the Elizabethtown – SJRG Agreements.** Section 6 of the *pro forma* AMA between Elizabethtown and SJRG provides that those entities may agree to modify the AMA to include new "Assets" or to remove, terminate or modify those Assets and to make changes to the AMA to reflect the changes in Assets. Such changes may include changes in the price indices applicable under the Gas Purchase and Sales Agreement. The AMA provides that such changes are subject to the approval of the Board. In lieu of requiring Elizabethtown to obtain formal Board approval for changes in Assets, Elizabethtown will, if it seeks to change the Assets subject to the AMA, file a letter both electronically and in hard copy with the Board, the Board's Director of the Division of Energy and Rate Counsel describing the changes in Assets and any supporting documentation associated with the change. The Company's letter will state that the changes to the Assets will become effective within sixty days unless an objection to the change is made by Staff or Rate Counsel. If an objection is raised, then the Parties will meet to resolve it. If the matter cannot be resolved informally, it will be submitted to the Board for resolution. No change in the AMA will become effective until the later of (i) the sixty-day notice period if no objection is raised by Staff or Rate Counsel, or (ii) the date on which Staff's and/or Rate Counsel's

written objection is resolved by either a written agreement of the Parties or an order of the Board. The Parties recognize that approval of a change in the AMA does not, by itself, constitute approval of any change in Elizabethtown's rates arising from a change in the AMA.

**G. Effectiveness.** This Stipulation shall become effective and binding on the Parties after the issuance of a Board order approving this Stipulation or on such date as the Board may specify.

**H. Entirety Of Stipulation.** This Stipulation is intended to be accepted and approved by the Board in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, then any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in its Order in this matter, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation, as though this Stipulation had not been signed.

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


**J. General Reservation.** It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein, is intended to be binding only as to the matters specifically addressed herein. Except as expressly provided herein, Elizabethtown, Staff and Rate Counsel shall not be deemed to have applied, agreed to, or consented to any principal or methodology underlying or supposed to underlie any

agreement reflected herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms.

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

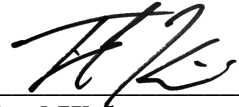
**ELIZABETHTOWN GAS COMPANY**

**BRIAN LIPMAN, DIRECTOR,  
DIVISION OF RATE COUNSEL**

By:   
**Deborah M. Franco,  
VP, Rates, Regulatory  
and Sustainability**

By: */s/ Sarah H. Steindel*  
**Sarah H. Steindel  
Assistant Deputy Rate Counsel**

**MATTHEW J. PLATKIN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey Board of Public Utilities**

By:  3/8/2022  
**Terel Klein  
Deputy Attorney General**

**Dated: March 3, 2022**

# Appendix A

Asset Management Agreement  
(PRELIMINARY PUBLIC COPY)

**CONFIDENTIAL**

**ASSET MANAGEMENT AGREEMENT**

**BETWEEN**

**ELIZABETHTOWN GAS COMPANY**

**AND**

**SOUTH JERSEY RESOURCES GROUP, LLC**

[THE FOLLOWING PAGES HAVE BEEN REDACTED IN THEIR ENTIRETY]



## Appendix B

### Hypothetical Margin Sharing Matrix

**Calculations of Payments to Elizabethtown at Various Levels of Sharable Margins and Credits  
Under Proposed AMA Supporting Gas Supply Function Return to the Utility**

Sharing				Total Annual Sharable Margins - April 1, 2022 through March 31, 2024									
From	To	ETG %		\$0	\$2,000,000	\$6,000,000	\$8,000,000	\$10,000,000	\$12,000,000	\$14,000,000	\$16,000,000	\$18,000,000	\$22,000,000
Fixed Fee	\$3,650,000			\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000	\$3,650,000
1st Tier	\$3,650,001 -	\$6,400,000	30%	\$0	\$0	\$705,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000
2nd Tier	\$6,400,001 -	\$13,750,000	71%	\$0	\$0	\$0	\$1,136,000	\$2,556,000	\$3,976,000	\$5,218,500	\$5,218,500	\$5,218,500	\$5,218,500
3rd Tier	\$13,750,001 -	\$14,500,000	50%	\$0	\$0	\$0	\$0	\$0	\$0	\$125,000	\$375,000	\$375,000	\$375,000
4th Tier	over	\$14,500,000	85%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,275,000	\$2,975,000	\$6,375,000
Total Dollars to ETG Customers				\$3,650,000	\$3,650,000	\$4,355,000	\$5,611,000	\$7,031,000	\$8,451,000	\$9,818,500	\$11,343,500	\$13,043,500	\$16,443,500
% to ETG Customers						72.6%	70.1%	70.3%	70.4%	70.1%	70.9%	72.5%	74.7%
Asset Manager Gain / (Loss):				(\$3,650,000)	(\$1,650,000)	\$1,645,000	\$2,389,000	\$2,969,000	\$3,549,000	\$4,181,500	\$4,656,500	\$4,956,500	\$5,556,500

# Appendix C

## Milestones

**ELIZABETHTOWN GAS COMPANY**

Term Sheet and Timeline for Returning the Gas Supply Function to the Utility

**PROJECT IN-HOUSE**

1. Design and Construct Required Office Space, and / or reallocate current office space as needed, and obtain necessary office equipment in time to bring the gas supply function in-house on schedule as detailed in this agreement. The QReports will include information on the following:
  - a. Bid design of new space
  - b. Select winning bidder
  - c. Secure all required/necessary permits
  - d. Construct incremental office space
  - e. Acquire furniture/fixtures/printers/copiers
  - f. Fit out office space
  - g. Office space reallocated
  - h. Equipment reallocated
  
2. Hire New Positions and / or reallocate employees as needed in time to bring the gas supply function in-house on schedule as detailed in this agreement. The QReports will include information on the following:
  - a. Develop job descriptions, duties, and organizational chart
  - b. Post positions for internal and external candidates
  - c. Perform interviews
  - d. Make offers to selected candidates
  - e. Perform Background checks
  - f. A list of job titles with job descriptions of the employees that ETG anticipates hiring, milestones with initial target dates, revised target dates (if any), completion dates, and reasons for any changes to target dates.
  
3. Establish initial<sup>1</sup> NAESB contracts as needed in time to bring the gas supply function in-house on schedule as detailed in this agreement. The QReports will include information on the following:
  - a. Establish Special Conditions to NAESB
  - b. Identify and qualify potential gas supply counterparties
  - c. Identify and qualify potential counterparties for off-system sales and/or capacity releases
  - d. Negotiate NAESB purchase/sale contracts

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<sup>1</sup> Executing NAESB contracts is an on-going, continuous process that includes reviewing the performance and creditworthiness of existing counterparties as well as qualifying new counterparties. This phase will establish the initial set of NAESB contracts needed to support the Gas Supply function.

**ELIZABETHTOWN GAS COMPANY**

## Term Sheet and Timeline for Returning the Gas Supply Function to the Utility

- e. Establish and or implement credit/guarantee arrangements with counter-parties
- 4. Set-Up New Employees as needed in time to bring the gas supply function in-house on schedule as detailed in this agreement. The QReports will include information on the following:
  - a. Setup new employees with hardware and application access
    - i. Onboard new employees
      - 1. Order/acquire require hardware (computers/monitors, etc.)
      - 2. Software training (internal applications
    - ii. User access to and training for Interstate pipeline electronic bulletin boards
    - iii. User access to and training for Endur (internal gas tracking system)
    - iv. User access to and training for Intercontinental Exchange (“ICE”) trading platform
- 5. Train New Hires as needed in time to bring the gas supply function in-house on schedule as detailed in this agreement. The QReports will include information on the following:
  - a. SJRG to train and transfer knowledge of
    - i. Portfolio optimization
    - ii. Scheduling/nominations
    - iii. Pipeline constraints/nuances
  - b. ETG to train and transfer knowledge of
    - i. Distribution System
      - 1. System design
      - 2. Demand/supply requirements, load profile
      - 3. Delivery point entitlements
    - ii. Firm Transportation and Storage Portfolio
      - 1. Contractual obligations and requirements
      - 2. Utilization
    - iii. Peaking Assets
      - 1. Contractual obligations and requirements
      - 2. Utilization
  - c. Real-time trading and optimization training
    - i. SJRG to Train New Hires
      - 1. Winter 2022/2023 – ETG staff shadows SJRG counterparts
      - 2. Summer 2023 – ETG staff simulates gas supply function and compares to SJRG actual results
      - 3. Winter 2023/2024 – ETG staff performs the Gas Supply function with SJRG counterpart supervision

**ELIZABETHTOWN GAS COMPANY**

Term Sheet and Timeline for Returning the Gas Supply Function to the Utility

6. Transfer Gas Supply Function to Utility 04/01/2024
  - a. Recall released/assigned capacity
  - b. Transfer storage inventory back to utility
  - c. Terminate AMA/GSPA

Appendix D  
Returning Assets Table

ELIZABETHTOWN GAS COMPANY  
ASSETS TO BE TRANSFERRED BACK TO UTILITY CONTROL

Pipeline	CIP Savings Test	Rate Class	Contract #	MDQ	SCQ	Start	End	Path	Receipt Name	Receipt Meter	Delivery Name	Delivery Meter
<b>PHASE I</b>												
(Assets to be returned to Utility control effective 4/1/2022)												
<b>Gulf South Transmission</b>	Yes	FSS - PETAL	52931	10,000	100,000	7/1/2020	10/31/2021	M2 - WR or WR - M2	Hattiesburg / Petal Storage	023105 / 050200	Petal Storage / Transco Hattiesburg	050200 / 023105
	Yes	FTS	53942	15,000		4/1/2021	3/31/2022	M2 - MQ	Carthage	021922	Holmesville	002690
<b>Tennessee Gas Pipeline</b>		FT-G	365897	1,014		4/1/2021	3/31/2022	4-5	Northern Storage	460018	Etown - Vernon	420450
		FS-MA	339377	1,014	100,485	7/1/2018	3/31/2022	4-4	Northern Storage	460018	Northern Storage	460018
		FT-AQ	354318	3,000		12/1/2019	10/31/2026	4-5	Stagecoach	421046	Mahwah	420207
		FT-A	365903	1,000		4/1/2021	3/31/2022	5-5	Niagara	410902	Etown Sussex / Vernon	420410 / 420450 (500 each)
<b>Stagecoach Pipeline &amp; Storage Company</b>		FSS	ETG_SC001FSS	3,040	304,000	4/1/2019	3/31/2024	Stage-TGP	Stagecoach Storage	SC1020B	Tennessee	SC1070B
		FSS-INV	ETG_SC001INV			4/1/2019	3/31/2024	Stage-Stage	Stagecoach Storage Inventory	SC1020S	Stagecoach Storage	SC1020B
<b>PHASE II</b>												
(Assets to be returned to Utility control effective 4/1/2023)												
<b>Columbia Gas Transmission</b>		FSS	207297	3,644	230,168	7/1/2018	3/31/2023	Storage	Storage	STOR	Etown	38-22
		SST	207195	3,644/1,822				Into FSS / FSS to city gate				
		FTS	249998	1,322		4/1/2021	3/31/2022	TCO delv'd to city gate	Eagle	C22	Etown	38-22
		FTS	249999	1,414		4/1/2021	3/31/2022	TCO delv'd to city gate	Downingtown	E3	Etown	38-22
<b>Transcontinental Gas Pipe Line</b>	Yes	FT	9213393	361		7/1/2018	3/31/2022	2-6	STATION 45	1000026	Downingtown	1006067
	Yes	FT	9213394	274		7/1/2018	3/31/2022	3-6	STATION 50	1000040	Downingtown	1006067
	Yes	FT	9213396	807		7/1/2018	3/31/2022	3-6	Station 62	1000762	Downingtown	1006067
<b>Texas Eastern Transmission</b>		FT-1	911570	30,000		12/1/2019	3/31/2034	M3-M3	Algonquin - Lambertville	76087 (30,000)	ETG Linden / ETG Union	73187 (14,000) / 73062 (16,000)
		FT-1	8966320	20,000		11/1/2020	10/31/2021	M3-M3	Hanover	71078 (20,000)	ETG Union / ETG Ringoes	73062 (20,000) / 70584 (2,476)
	Yes	FT-1	8952004	1,348		7/1/2018	3/31/2022	Gulf - M3	Chevron - Venice	71200 (542)	ETG Union / Columbia Gas of PA - Eagle	73062 (1,348) / 70011 (1,348)
<b>National Fuel Gas Supply Corporation</b>	Yes	EFT	B10559-494851	11,090		4/1/2021	3/31/2022	1-4 / 3-4	Texas Eastern, TGP Z4, TGP Z5	2812 / 5059 / 3373	Wharton	6325