



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
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ENERGY

IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER
ELIZABETHTOWN GAS COMPANY TO IMPLEMENT)	APPROVING STIPULATION OF
AN INFRASTRUCTURE INVESTMENT PROGRAM)	SETTLEMENT
("IIP") AND ASSOCIATED RECOVERY MECHANISM)	
PURSUANT TO N.J.S.A. 48:2-21 AND)	DOCKET NO. GR18101197
N.J.A.C. 14:3-2A)	
)	
IN THE MATTER OF THE PETITION OF)	
ELIZABETHTOWN GAS COMPANY TO IMPLEMENT)	DOCKET NO. GR23120882
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)	

Parties of Record:

Dominick DiRocco, Esq., 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
Martin C. Rothfelder, Esq., Rothfelder Stern, LLC, on behalf of Environmental Defense Fund

BY THE BOARD:¹

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a stipulation of settlement ("Stipulation") executed by Elizabethtown Gas Company ("ETG" or "Company"), Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the New Jersey Large Energy Users Coalition ("NJLEUC") (collectively, "Signatory Parties") in the above-captioned matters. The Environmental Defense Fund, an intervenor in ETG's initial Infrastructure Investment Program ("2019 IIP"), did not execute the Stipulation but on July 12, 2024, indicated that it takes no position in this matter.

¹ President Guhl-Sadovy recused herself due to a potential conflict of interest and as such took no part in discussions or deliberations on this matter.

BACKGROUND

On June 12, 2019, the Board approved a stipulation authorizing ETG to conduct its 2019 IIP.² ETG's 2019 IIP was a five (5)-year program (July 1, 2019 – June 30, 2024) wherein ETG was authorized to spend up to \$300 million to replace up to 250 miles of cast iron and bare steel main and associated services. The program also included costs related to the installation of excess flow valves ("EFVs") on new service lines. The 2019 IIP excluded the costs to replace vintage plastic mains and related services, retirement of district regulators, conversion of master metered complexes to individually metered apartments, and the additional costs associated with the relocation of inside meter sets to outdoor locations. Additionally, 2019 IIP costs recoverable under the accelerated rate mechanism were not to exceed \$1.2 million per mile.

PETITION

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

According to the Petition, ETG's proposed IIP 2 includes the following: 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 low pressure system to elevated pressure; and 3) installing approximately 35,000 EFVs on the upgraded system.⁴

In the Petition, ETG proposed to recover costs through annual rate adjustment filings. According to the Company, the costs would include: 1) depreciation expense providing for the recovery of the invested capital over its useful book life; and 2) a return on the net investment calculated as the gross investment, plus Allowance for Funds Used During Construction ("AFUDC") 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 ("WACC"), 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.

² 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, Order dated June 12, 2019 ("2019 ETG IIP Order").

³ On December 19, 2017, the Board adopted new regulations for utility "Infrastructure Investment and Recovery" ("II&R") supporting the implementation of an IIP, which allows 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.

⁴ The Company also proposed to relocate inside meter sets to the outside, but these costs, like all other meter costs, were not proposed to be recovered through the IIP.

PROCEDURAL HISTORY

On February 15, 2023, Governor Philip J. Murphy issued Executive Order 317 (“EO317”) ordering the BPU to initiate a formal stakeholder process regarding the development of natural gas utility plans that reduce emissions from the natural gas sector to levels that are consistent with achieving the State’s 50 percent reduction in greenhouse gas emissions below 2006 levels by 2030, as directed in Executive Order No. 274 (2021). EO317 further ordered the BPU to issue a report no later than eighteen (18) months from the date of EO317 summarizing the findings of the proceeding. Furthermore, the report will provide recommendations to address issues raised in the proceeding, while advancing the goal of reducing greenhouse gas emissions and keeping costs to ratepayers in check.

By Order dated January 31, 2024, the Board determined that the Petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Michael Bange as the presiding officer authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules.⁵ Additionally, the January 2024 Order directed that entities seeking to intervene or participate in this matter file the appropriate application with the Board by February 29, 2024, and any party wishing to file a motion for admission of counsel *pro hac vice* do so concurrently with any motion to intervene or participate.

On April 25, 2024, Commissioner Bange issued an Order ruling on the motions to intervene and participate in this matter.⁶ In the April 2024 Order, intervenor status was granted to NJLEUC and participant status was granted 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.

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.

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, Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket No. GR23120882, Order dated January 31, 2024 (“January 2024 Order”).

⁶ 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”).

STIPULATION

Following an initial review of the Petition, conducting discovery and discussions among the parties, the Signatory Parties executed the Stipulation, which provides for the following:⁷

1. In recognition of the fact that the Board and Staff are engaged in the EO317 proceeding to implement EO317, and subject to Board approval of the Stipulation, ETG should be authorized to extend its current Board-approved IIP under the terms and conditions described in the Stipulation (“IIP Extension”).⁸ Subject to the modifications set forth in the Stipulation, the IIP Extension will include continued investment in ETG’s gas distribution system, continued use of the accelerated rate recovery mechanism established in the 2019 IIP Order (“IIP Cost Recovery Mechanism”), including periodic rate adjustments for investments included in the IIP Cost Recovery Mechanism, continued required gas distribution baseline investments that are not recovered through the IIP Cost Recovery Mechanism (“Baseline Capital Spending”), and other provisions as set forth in the Stipulation.

IIP EXTENSION TERM

2. The IIP Extension will commence July 1, 2024 and end on December 31, 2025, except for close-out work as described in the Stipulation.

IIP COST RECOVERY MECHANISM

3. Incremental costs eligible for recovery through the IIP Cost Recovery Mechanism are subject to the terms and conditions of Paragraph 15 and 16 of the 2019 IIP stipulation except as modified in the Stipulation. Specifically, the Signatory Parties recognize that the IIP Cost Recovery Mechanism filing that will be made in April 2026, referenced in paragraph 16 of the Stipulation, may be less than the ten (10) percent of total program spending as it will reflect residual spending associated with close out work occurring after December 31, 2025. Such close out work will be limited to final tie-ins, transfers, service replacements and restoration associated with mains placed in service prior to June 30, 2026.
4. Costs eligible for recovery through the IIP Cost Recovery Mechanism during the IIP Extension will include the costs to replace a minimum of seventy-five (75) miles of ETG’s high-risk facilities, which include low-pressure cast iron pipe and/or steel pipe segments which have been identified as high risk in accordance with the Company’s Distribution Integrity Management Plan (“DIMP”) and associated services for all pipe replacement⁹, as well as the installation of EFVs where gas service line replacements require them,

⁷ Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

⁸ In re the Implementation of Executive Order 317 Requiring the Development of Natural Gas Utility Plans, Order Initiating a Proceeding, BPU Docket No. GO23020099, dated March 6, 2023.

⁹ In compliance with N.J.A.C. 14:3-2A.2(b).

excluding EFVs installed upon customer request.¹⁰ Costs associated with the replacement of plastic facilities are not eligible for recovery through the IIP Cost Recovery Mechanism during the IIP Extension.

5. Costs eligible for recovery under the IIP Cost Recovery Mechanism shall not exceed \$120 million, excluding AFUDC and Independent Monitor costs, to replace a minimum of seventy-five (75) miles of pipe and install EFVs as described in Paragraph 4 of the Stipulation.
6. If the Company incurs costs in excess of \$120 million to replace a minimum of seventy-five (75) miles of pipe identified in Paragraph 4 of the Stipulation, such costs may be credited toward the \$103.5 million of Total Capital Baseline Spend identified in Paragraph 10 of the Stipulation or may be used to satisfy the IIP Baseline Spend set forth in Paragraph 11 of the Stipulation. If the Company completes the seventy-five (75) mile minimum replacement for an amount below \$120 million, ETG may complete additional miles of main replacement up to the \$120 million level.
7. Paragraph 5 of the 2019 IIP stipulation which sets forth a “cost per mile” cap on costs recoverable through the IIP Cost Recovery Mechanism, and any other references to such “cost per mile” cap will not apply during the IIP Extension.

CAPITAL STRUCTURE/RETURN ON EQUITY

8. ETG’s capital structure and return on equity for the IIP Extension will be set based on the capital structure and return on equity level established in the Company’s most recently approved base rate case.

BASELINE CAPITAL SPENDING

9. In addition to the IIP expenditures described in Paragraphs one (1) through six (6) of the Stipulation, during the IIP Extension, the Company agrees to maintain Baseline Capital Spending consisting of Total Capital Baseline Spend and an IIP Baseline Spend, as defined in the Stipulation. ETG shall seek recovery of Baseline Capital Spending amounts in a base rate case consistent with N.J.A.C. 14:3-2A.1 *et seq.* ETG may request, and the Board may consider, an exception from the Baseline Capital Spending requirements contained in the Stipulation based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances.
10. The Total Capital Baseline Spend will be equal to \$103.5 million during the IIP Extension Period beginning July 1, 2024 and ending December 31, 2025. The specific capital investments made by the Company as part of the Total Capital Baseline Spend are within the discretion of ETG and, except as set forth in the Stipulation, shall include all capital expenditures, including, but not limited to, Excluded Investments as defined in Paragraph 4 of the 2019 IIP stipulation. New business expenditures made by the Company, such as the extension of service to new customers, shall be excluded from the Total Capital

¹⁰ Id.

Baseline Spend during the IIP Extension Period. Total Capital Baseline Spend shall not include expenditures associated with the IIP Baseline Spend.

11. The IIP Baseline Spend will be equal to \$12 million over the IIP Extension Period. The IIP Baseline Spend will consist of expenditures on projects similar to those eligible for recovery under the IIP Cost Recovery Mechanism.

PRIORITIZATION OF PROJECTS

12. The proposed projects to be prioritized utilizing ETG's DIMP are contained in Appendix C attached to the Stipulation, and were selected using a risk-based process followed by the Company. The Company will report and explain any changes to the projects included in Appendix C of the Stipulation in its cost recovery filings and semi-annual status reports. In prioritizing such projects, ETG will continue to integrate advanced leak detection technology information and methane emission flow rates, as appropriate, and consider additional factors such as construction, efficiencies, logistics and other risk factors within ETG's discretion, including the prioritization ranking methodology within the Company's DIMP. If construction, logistics and/or other issues on a project area (*i.e.* municipal/county paving costs, traffic control, etc.) make work within that project area impossible, and/or significantly more expensive, ETG may postpone that project and proceed to work on subsequent prioritized projects. ETG will report on the above-referenced methane leak survey activity as set forth in Paragraph 22 of the Stipulation.

LEAK METRICS

13. The Company will reduce its year-end open leak inventory by one (1) percent of the year-end open leak inventory from the preceding program year for the duration of the IIP Extension, except under extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances. Specifically, the year-end open leak inventory will be reduced as set forth on Appendix D of the Stipulation.
14. If ETG fails to meet the leak reduction target following the conclusion of the IIP Extension on December 31, 2025, the Company will notify Staff, Rate Counsel and all other Signatory Parties, and schedule a conference to discuss the issue within thirty (30) days of ETG's determination that it has failed to meet such target. In addition, the Company shall achieve compliance with the obligation without seeking cost recovery from customers for any expenditures incurred for this purpose. ETG may request, and the Board may consider, an exception from the requirements of Paragraph 14 of the Stipulation based upon extraordinary circumstances, such as extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances.

COST RECOVERY

15. ETG shall be permitted to recover the revenue requirement associated with a maximum of \$120 million in IIP investments, plus AFUDC, and the cost of the Independent Monitor as described in Paragraph 20 of the 2019 IIP stipulation through the IIP Cost Recovery Mechanism as set forth in the Company's tariff. The prudence of the IIP Extension projects will be reviewed by the Board in the Company's subsequent base rate proceedings. If the costs for IIP Extension projects exceed the amount allowable under

the IIP Extension, then ETG may seek recovery of such additional costs not subject to recovery in the IIP Cost Recovery Mechanism in a subsequent base rate case.

16. The Company may seek cost recovery for completed projects during the IIP Extension in accordance with the annual cost recovery filing schedule and rate effective dates contained in Appendix A attached to the Stipulation. The cost recovery filing requirements are set out in N.J.A.C. 14:3-2A.1 *et seq.*, with Minimum Filing Requirements contained in Appendix B attached to the Stipulation. Consistent with the requirement contained in N.J.A.C. 14:3-2A.6(b), ETG will make two (2) annual filings in April 2025 and April 2026. The April 2025 filing will recover IIP costs for the period July 1, 2024 through June 30, 2025 of the IIP Extension Period if eligible in-service amounts exceed ten (10) percent of the total proposed IIP Extension spending, which is at least \$12.0 million. Consistent with N.J.A.C. 14:3-2A.6(c), expenditures made prior to the Board's approval of the IIP Extension shall not be eligible for accelerated recovery. In addition, the Signatory Parties recognize that the April 2026 filing will reflect residual spending associated with close out work as defined in Paragraph 3 of the Stipulation occurring after December 31, 2025. Following completion of the IIP Extension, the estimated average monthly bill impact for the IIP projects on a typical residential gas customer using a monthly average of 100 therms is expected to be an increase of approximately \$3.66 or 2.6%.
17. As reflected in Paragraph 16 of the 2019 IIP stipulation, the costs to be included in rates shall include the following: depreciation expense providing the recovery of the invested capital over its useful book life, and a return on the net investment, which will be calculated as the gross investment, plus AFUDC, less depreciation expense and deferred income taxes. The return on this net investment shall be calculated utilizing the WACC approved in the Company's most recent base rate case. Any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations.
18. As reflected in Appendix B to the 2019 IIP stipulation, the IIP Cost Recovery Mechanism revenue requirement will be reduced by an operations and maintenance ("O&M") credit of \$90,000 per year, or prorated annual amount where applicable, to reflect an O&M savings associated with leak repair on facilities replaced in connection with the IIP.
19. Cost recovery under the IIP is contingent on an earnings test. If the product of the calculation set forth in N.J.A.C. 14:3-2A.6(h) exceeds the Company's most recently approved return on equity by fifty (50) basis points or more, cost recovery under the IIP shall not be allowed for the applicable filing period pursuant to N.J.A.C. 14:3-2A.6(i).

BASE RATE CASE FILING REQUIREMENT

20. ETG currently has a base rate increase filing pending before the Board in BPU Docket No. GR24020158.¹¹ To the extent that the prudence of any IIP investment, including investments made in the IIP Extension, is not considered in the current case, it will be

¹¹ In re 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, Petition dated February 29, 2024.

reviewed in a subsequent rate case which shall be filed no later than five (5) years after Board approval of the Company's current rate case.

MONITOR

21. During the IIP Extension, the Company will continue to use the Independent Monitor as described in Paragraph 20 of the 2019 IIP stipulation.

REPORTING REQUIREMENTS

22. The Reporting Requirements set forth in Paragraphs 21 and 22 of the 2019 IIP stipulation, which provide for semi-annual status reports filed by the Company, will continue to apply during the IIP Extension.

IIP 2

23. The Company's proposed IIP 2 will be held in abeyance subject to the conditions described in the Stipulation.
24. No later than January 31, 2025, the Signatory Parties will convene for a status conference that will initiate a restart of the IIP 2 proceeding. This restart will be undertaken with the intent that the IIP 2 proceeding would be concluded prior to January 1, 2026.

MISCELLANEOUS

25. The provisions of Paragraphs 23-27 of the 2019 IIP stipulation shall apply to the Stipulation.

DISCUSSION AND FINDINGS

In evaluating a proposed Stipulation, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine if the Stipulation provides a reasonable disposition of the issues while maintaining the Company's requirement to provide its customers with safe, adequate, and proper service at just and reasonable rates.¹²

With respect to the IIP, the Stipulation provides for an eighteen (18)-month extension of the Company's 2019 IIP. The II&R Regulations provide a rate recovery mechanism that encourages and supports all necessary accelerated construction, installation, and rehabilitation of certain utility plant and equipment. IIPs are important for continued system safety, reliability, resiliency, and sustained economic growth. Replacing aging infrastructure, as well as the installation of EFVs, if properly executed, should mitigate potential damage to the system, as well as enhance public safety and increase long-term reliability. However, as the Board continues to advance its Future of Natural Gas proceeding (Docket No. GO23020099) initiated in response to EO317, the Stipulation provides that the IIP 2 projects should be held in abeyance for eighteen (18) months, and the Company's 2019 IIP should be extended during such time.

¹² In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997).

With respect to the proposed cost recovery mechanism, the Stipulation allows the Company recovery of all expenditures related to the utility plant that has been placed in service, but on a provisional basis, subject to refund. These costs will be subject to review in ETG's next base rate case(s). The Board believes that the cost recovery mechanism adopted in the Stipulation strikes an effective balance between giving the Company a reasonable opportunity to earn its allowed rate of return over the life of the investment while still protecting ratepayers from paying more than reasonably necessary. No rates will be charged to customers until the facilities for which the rates are being charged are in service. The Stipulation also mandates the Company to maintain certain reporting requirements, which provides additional protection to ratepayers. Therefore, after careful consideration of the II&R Regulations, specifically N.J.A.C. 14:3-2A.1 et seq., the record in this proceeding, and the terms of the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order. As such, consistent with the terms of this Order and the Stipulation, the Board **HEREBY MODIFIES** the 2019 ETG IIP Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Bange to date during the pendency of this proceeding for the reasons stated in his decisions and Orders.

The Company's costs, including those related to the program, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

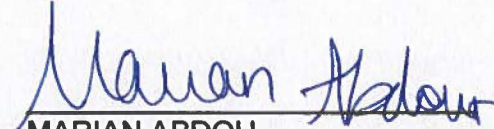
This Order shall be effective on July 24, 2024.

DATED: July 24, 2024

BOARD OF PUBLIC UTILITIES
BY:



DR. ZENON CHRISTODOULOU
COMMISSIONER



MARIAN ABDOU
COMMISSIONER



MICHAEL BANGE
COMMISSIONER

ATTEST:


SHERRIL L. GOLDEN
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.

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. GR18101197

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July 16, 2024

Electronic Filing

Sherri L. Golden, Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

RE: In The Matter Of The Petition Of 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

Dear Secretary Golden:

Enclosed for filing with the New Jersey Board of Public Utilities (“Board”) in the above proceedings is a “Stipulation To Extend Elizabethtown Gas Company’s Infrastructure Investment Program And To Hold In Abeyance Elizabethtown Gas Company’s Infrastructure Investment Program 2 Proposal” (“Stipulation”). This Stipulation is executed by representatives of Elizabethtown Gas Company, Board Staff, the New Jersey Division of Rate Counsel and the New Jersey Large Energy Users Coalition. It is our understanding that there is no opposition to the Stipulation by any party or participant to these proceedings.

It is respectfully requested that the Board consider and approve the Stipulation at its July 24, 2024 Agenda meeting.

Copies of the Stipulation have been served electronically on all parties on the attached service list. Kindly acknowledge receipt of this filing by email.

In accordance with the Board’s March 19, 2020 and June 10, 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.

Respectfully submitted,

/s/ Kenneth T. Maloney
Kenneth T. Maloney

Of Counsel for
Elizabethtown Gas Company

cc: Service List w/ enclosures

**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
BPU DOCKET NO. GR23120882**

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**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
BPU DOCKET NO. GR23120882**

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**Participant, Public Copies Only

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

**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**

BPU DOCKET NO. GR18101197

**IN THE MATTER OF THE PETITION OF
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 NO. GR23120882

**STIPULATION TO EXTEND ELIZABETHTOWN GAS COMPANY’S
INFRASTRUCTURE INVESTMENT PROGRAM AND TO HOLD IN ABEYANCE
ELIZABETHTOWN GAS COMPANY’S INFRASTRUCTURE INVESTMENT
PROGRAM 2 PROPOSAL**

APPEARANCES:

Dominick DiRocco, VP Rates and Regulatory Affairs, SJI Utilities, Inc., and **Sheree Kelly**, Regulatory Affairs Counsel, for Petitioner, Elizabethtown Gas Company

Kenneth T. Maloney and **Terrence Regan** of Cullen and Dykman, LLP for Petitioner, Elizabethtown Gas Company

Maura Caroselli, Esq., Managing Attorney, **Mamie Purnell**, Esq., Megan Lupo, Esq., and Andrew Gold, Esq., Assistant Deputies Rate Counsel, for the New Jersey Division of Rate Counsel (Brian O. Lipman, Esq., Director)

Steven Chaplar, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Matthew J. Platkin, Attorney General of New Jersey)

Steven S. Goldenberg, Esq., Giordano, Halleran & Ciesla, P.C. for New Jersey Large Energy Users Coalition

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:

BACKGROUND

2018 IIP

On October 29, 2018, Elizabethtown Gas Company (“Elizabethtown” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) in BPU Docket No. GR18101197 seeking approval for an infrastructure investment program (“IIP”), including an associated cost recovery mechanism (“2018 Petition”). Via a stipulation dated May 29, 2019 (“2019 IIP Stipulation”), the parties resolved the issues related to the 2018 Petition. The 2019 IIP Stipulation was approved by the Board on June 12, 2019.¹ The 2019 IIP Order authorized an IIP to begin on July 1, 2019 and end on June 30, 2024, and afforded the Company “the option of seeking Board approval to extend the Program beyond the term provided in the Stipulation.”²

EXECUTIVE ORDER 317 (“EO317”)

On February 15, 2023, Governor Philip J. Murphy issued EO317 ordering the Board to initiate a formal stakeholder process regarding the development of natural gas utility plans that reduce emissions from the natural gas sector to levels that are consistent with the State’s goal of a 50 percent reduction in greenhouse gas emissions below 2006 levels by 2030 (“EO 317 Proceeding”). EO317 further ordered the Board to issue a report, no later than eighteen months from the effective date of EO317, summarizing the findings of the Proceeding, and providing recommendations to address issues raised in the EO317 Proceeding, while advancing the goal of reducing greenhouse gas emissions and keeping costs to utility customers in check.

ELIZABETHTOWN’S IIP 2 PROPOSAL

On December 11, 2023, Elizabethtown filed a petition with the Board seeking approval

¹ 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, Final Decision and Order Approving Stipulation, BPU Docket No. GR18101197, dated June 12, 2019 (“2019 IIP Order”).

² 2019 IIP Order at 5.

of a second five (5)-year program (“IIP 2”) to modernize and enhance the safety and reliability of its gas distribution system by (i) installing approximately 250 miles of new main and retiring approximately 274 miles of vintage at-risk facilities which include low pressure cast iron pipe, vintage plastic pipe, vintage steel pipe and associated services, (ii) continuing to upgrade the Company’s legacy low pressure system to elevated pressure, and (iii) installing approximately 35,000 excess flow valves (“IIP 2 Petition”). By its IIP 2 Petition, Elizabethtown proposed to invest approximately \$625 million excluding an Allowance for Funds Used During Construction (“AFUDC”) and Independent Monitor costs over the five (5)-year program.

By Order dated January 31, 2024, the Board determined that the IIP 2 Petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Michael Bange as the presiding officer authorized to rule on all motions that arise during the pendency of the proceedings and modify any schedules.³ Additionally, the January 2024 Order directed that entities seeking to intervene or participate in this matter file the appropriate application with the Board by February 29, 2024, and that any party wishing to file a motion for admission of counsel *pro hac vice* do so concurrently with any motion to intervene or participate.

On April 25, 2024, Commissioner Bange issued an Order ruling on the motions to intervene and participate in this matter.⁴ In the April 2024 Order, intervenor status was granted to NJLEUC and participant status was granted to the Engineers Labor-Employer Cooperative, Public Service Electric and Gas Company, the Utility and Transportation Contractors

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, dated January 31, 2024 (“January 2024 Order”).

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, dated April 25, 2024 (“April 2024 Order”).

Association of New Jersey, Skoda Contracting Co., and the New Jersey Laborers-Employers Cooperation and Education Trust.

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. However, the Board received three (3) written public comments in support of the program.

STIPULATED MATTERS

Elizabethtown, Board Staff (“Staff”), the New Jersey Division of Rate Counsel (“Rate Counsel”) and the New Jersey Large Energy Users Coalition (“NJLEUC”) (collectively, “Parties”), the signatory parties to BPU Docket No. GR18101197,⁵ stipulate and agree as follows:

1. In recognition of the fact that the Board and Staff are engaged in the EO317 Proceeding to implement EO317, and subject to Board approval of this stipulation of settlement (“Stipulation”), Elizabethtown should be authorized to extend its current Board-approved IIP under the terms and conditions described herein (“IIP Extension”).⁶ Subject to the modifications set forth below, the IIP Extension will include continued investment in Elizabethtown’s gas distribution system, continued use of the accelerated rate recovery mechanism established in the 2019 IIP Order (“IIP Cost Recovery Mechanism”), including periodic rate adjustments for investments included in the IIP Cost Recovery Mechanism, continued required gas distribution baseline investments that are not recovered through the IIP Cost Recovery Mechanism (“Baseline Capital Spending”), and other provisions as set forth herein.

⁵ Elizabethtown, Staff, Rate Counsel and NJLEUC are parties to BPU Docket No. GR23120882. By electronic mail dated July 12, 2024, the Environmental Defense Fund, a signatory party to the Stipulation in BPU Docket No. GR18101197, advised the Parties that it has no position and does not intend to take any further action in this case.

⁶ In re the Implementation of Executive Order 317 Requiring the Development of Natural Gas Utility Plans, Order Initiating a Proceeding, BPU Docket No. GO23020099, dated March 6, 2023.

IIP EXTENSION TERM

2. The IIP Extension will commence July 1, 2024 and end on December 31, 2025, except for close-out work as described herein.

IIP COST RECOVERY MECHANISM

3. Incremental costs eligible for recovery through the IIP Cost Recovery Mechanism are subject to the terms and conditions of Paragraph 15 and 16 of the 2019 IIP Stipulation except as modified herein. Specifically, the Parties recognize that the IIP Cost Recovery Mechanism filing that will be made in April 2026, referenced below in paragraph 16, may be less than the ten (10) percent of total program spending as it will reflect residual spending associated with close out work occurring after December 31, 2025. Such close out work will be limited to final tie-ins, transfers, service replacements and restoration associated with mains placed in service prior to June 30, 2026.

4. Costs eligible for recovery through the IIP Cost Recovery Mechanism during the IIP Extension will include the costs to replace a minimum of seventy-five (75) miles of Elizabethtown's high-risk facilities, which include low-pressure cast iron pipe and/or steel pipe segments which have been identified as high risk in accordance with the Company's Distribution Integrity Management Plan ("DIMP") and associated services for all pipe replacement⁷, as well as the installation of excess flow valves where gas service line replacements require them, excluding excess flow valve installed upon customer request.⁸ Costs associated with the replacement of plastic facilities are not eligible for recovery through the IIP Cost Recovery Mechanism during this IIP Extension.

5. Costs eligible for recovery under the IIP Cost Recovery Mechanism shall not

⁷ In compliance with N.J.A.C. 14:3-2A.2(b).

⁸ Id.

exceed \$120 million, excluding AFUDC and Independent Monitor costs, to replace a minimum of seventy-five (75) miles of pipe and install excess flow valves as described above in Paragraph 4.

6. If the Company incurs costs in excess of \$120 million to replace a minimum of seventy-five (75) miles of pipe identified in Paragraph 4 *supra*, such costs may be credited toward the \$103.5 million of Total Capital Baseline Spend identified in Paragraph 10 of this Stipulation or may be used to satisfy the IIP Baseline Spend set forth in Paragraph 11 of this Stipulation. If the Company completes the seventy-five (75) mile minimum replacement for an amount below \$120 million, Elizabethtown may complete additional miles of main replacement up to the \$120 million level.

7. Paragraph 5 of the 2019 IIP Stipulation which sets forth a “cost per mile” cap on costs recoverable through the IIP Cost Recovery Mechanism, and any other references to such “cost per mile” cap will not apply during the IIP Extension.

CAPITAL STRUCTURE/RETURN ON EQUITY

8. Elizabethtown’s capital structure and return on equity for the IIP Extension will be set based on the capital structure and return on equity level established in the Company’s most recently approved base rate case.

BASELINE CAPITAL SPENDING

9. In addition to the IIP expenditures described in Paragraphs one (1) through six (6) above, during the IIP Extension, the Company agrees to maintain Baseline Capital Spending consisting of Total Capital Baseline Spend and an IIP Baseline Spend, as defined below. Elizabethtown shall seek recovery of Baseline Capital Spending amounts in a base rate case consistent with N.J.A.C. 14:3-2A.1 *et seq.* Elizabethtown may request, and the Board may

consider, an exception from the Baseline Capital Spending requirements contained herein based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances.

10. The Total Capital Baseline Spend will be equal to \$103.5 million during the IIP Extension Period beginning July 1, 2024 and ending December 31, 2025. The specific capital investments made by the Company as part of the Total Capital Baseline Spend are within the discretion of Elizabethtown and, except as set forth herein, shall include all capital expenditures, including, but not limited to, Excluded Investments as defined in Paragraph 4 of the 2019 IIP Stipulation. New business expenditures made by the Company, such as the extension of service to new customers, shall be excluded from the Total Capital Baseline Spend during the IIP Extension Period. Total Capital Baseline Spend shall not include expenditures associated with the IIP Baseline Spend.

11. The IIP Baseline Spend will be equal to \$12 million over the IIP Extension Period. The IIP Baseline Spend will consist of expenditures on projects similar to those eligible for recovery under the IIP Cost Recovery Mechanism.

PRIORITIZATION OF PROJECTS

12. The proposed projects to be prioritized utilizing Elizabethtown's DIMP are contained in Appendix C attached hereto, and were selected using a risk-based process followed by the Company. The Company will report and explain any changes to the projects included in Appendix C in its cost recovery filings and semi-annual status reports. In prioritizing such projects, Elizabethtown will continue to integrate advanced leak detection technology information and methane emission flow rates, as appropriate, and consider additional factors such as construction, efficiencies, logistics and other risk factors within Elizabethtown's

discretion, including the prioritization ranking methodology within the Company's DIMP. If construction, logistics and/or other issues on a project area (*i.e.* municipal/county paving costs, traffic control, etc.) make work within that project area impossible, and/or significantly more expensive, Elizabethtown may postpone that project and proceed to work on subsequent prioritized projects. Elizabethtown will report on the above-referenced methane leak survey activity as set forth in Paragraph 22 below.

LEAK METRICS

13. The Company will reduce its year-end open leak inventory by one (1) percent of the year-end open leak inventory from the preceding program year for the duration of the IIP Extension, except under extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances. Specifically, the year-end open leak inventory will be reduced as set forth on Appendix D.

14. If Elizabethtown fails to meet the leak reduction target following the conclusion of the IIP Extension on December 31, 2025, the Company will notify Staff, Rate Counsel and all other Parties, and schedule a conference to discuss the issue within thirty (30) days of Elizabethtown's determination that it has failed to meet such target. In addition, the Company shall achieve compliance with the obligation without seeking cost recovery from customers for any expenditures incurred for this purpose. Elizabethtown may request, and the Board may consider, an exception from the requirements of this Paragraph 14 based upon extraordinary circumstances, such as extreme weather, labor disputes, acts of war or terrorism, and/or other *force majeure* circumstances.

COST RECOVERY

15. Elizabethtown shall be permitted to recover the revenue requirement associated

with a maximum of \$120 million in IIP investments, plus AFUDC, and the cost of the Independent Monitor as described in Paragraph 20 of the 2019 IIP Stipulation through the IIP Cost Recovery Mechanism as set forth in the Company's tariff. The prudence of the IIP Extension projects will be reviewed by the Board in the Company's subsequent base rate proceedings. If the costs for IIP Extension projects exceed the amount allowable under the IIP Extension, then Elizabethtown may seek recovery of such additional costs not subject to recovery in the IIP Cost Recovery Mechanism in a subsequent base rate case.

16. The Company may seek cost recovery for completed projects during the IIP Extension in accordance with the annual cost recovery filing schedule and rate effective dates contained in Appendix A attached hereto. The cost recovery filing requirements are set out in N.J.A.C. 14:3-2A.1 *et seq.*, with Minimum Filing Requirements contained in Appendix B attached hereto. Consistent with the requirement contained in N.J.A.C. 14:3-2A.6(b), Elizabethtown will make two annual filings in April 2025 and April 2026. The April 2025 filing will recover IIP costs for the period July 1, 2024 through June 30, 2025 of the IIP Extension Period if eligible in-service amounts exceed ten (10) percent of the total proposed IIP Extension spending, which is at least \$12.0 million. Consistent with N.J.A.C. 14:3-2A.6(c), expenditures made prior to the Board's approval of the IIP Extension shall not be eligible for accelerated recovery. In addition, the Parties recognize that the April 2026 filing will reflect residual spending associated with close out work as defined in Paragraph 3 *supra* occurring after December 31, 2025. Following completion of the IIP Extension, the estimated average monthly bill impact for the IIP projects on a typical residential gas customer using a monthly average of 100 therms is expected to be an increase of approximately \$3.66 or 2.6%.

17. As reflected in Paragraph 16 of the 2019 IIP Stipulation, the costs to be included

in rates shall include the following: depreciation expense providing the recovery of the invested capital over its useful book life, and a return on the net investment, which will be calculated as the gross investment, plus AFUDC, less depreciation expense and deferred income taxes. The return on this net investment shall be calculated utilizing the Weighted Average Cost of Capital (“WACC”) approved in the Company’s most recent base rate case. Any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations.

18. As reflected in Appendix B to the 2019 IIP Stipulation, the IIP Cost Recovery Mechanism revenue requirement will be reduced by an operations and maintenance (“O&M”) credit of \$90,000 per year, or prorated annual amount where applicable, to reflect an O&M savings associated with leak repair on facilities replaced in connection with the IIP.

19. Cost recovery under the IIP is contingent on an earnings test. If the product of the calculation set forth in N.J.A.C. 14:3-2A.6(h) exceeds the Company’s most recently approved ROE by fifty (50) basis points or more, cost recovery under the IIP shall not be allowed for the applicable filing period pursuant to N.J.A.C. 14:3-2A.6(i).

BASE RATE CASE FILING REQUIREMENT

20. Elizabethtown currently has a base rate increase filing pending before the Board in BPU Docket No. GR24020158.⁹ To the extent that the prudence of any IIP investment, including investments made in the IIP Extension, is not considered in the current case, it will be reviewed in a subsequent rate case which shall be filed no later than five (5) years after Board approval of the Company’s current rate case.

⁹ In re 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, Petition dated February 29, 2024.

MONITOR

21. During the IIP Extension, the Company will continue to use the Independent Monitor as described in Paragraph 20 of the 2019 IIP Stipulation.

REPORTING REQUIREMENTS

22. The Reporting Requirements set forth in Paragraphs 21 and 22 of the 2019 IIP Stipulation, which provide for semi-annual status reports filed by the Company, will continue to apply during the IIP Extension.

IIP 2

23. The Company's proposed IIP 2 will be held in abeyance subject to the conditions described below.

24. No later than January 31, 2025, the Parties will convene for a status conference that will initiate a restart of the IIP 2 proceeding. This restart will be undertaken with the intent that the IIP 2 proceeding would be concluded prior to January 1, 2026.

MISCELLANEOUS

25. The provisions of Paragraphs 23-27 of the 2019 IIP Stipulation shall apply to this Stipulation.

CONCLUSION

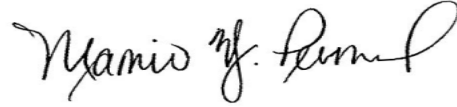
WHEREFORE, the Parties hereto have duly executed, and do respectfully submit, this Stipulation to the Board, and recommend that the Board issue a Final Decision and Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof. The Parties further acknowledge that should the Board issue an Order approving this Stipulation, the Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

ELIZABETHTOWN GAS COMPANY



By: _____
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**NEW JERSEY LARGE ENERGY USERS
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Dated: July 12, 2024

ELIZABETHTOWN GAS COMPANY



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Dominick DiRocco, Esq.
VP, Rates & Regulatory Affairs


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By: _____
Steven Chaplar
Deputy Attorney General

**NEW JERSEY LARGE ENERGY USERS
COALITION**

By:  _____
Steven S. Goldenberg, Esq.
Giordano, Halleran & Ciesla

Dated: July 12, 2024

Appendix A

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY
TO IMPLEMENT AN INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)
AND ASSOCIATED COST RECOVER MECHANISM PURSUANT TO N.J.S.A.**

48:2-21 AND N.J.A.C. 14:3-2a

BPU Docket Nos. GR18101197 and GR23120882

IIP EXTENSION Rate Recovery Filing Schedule

ETG shall proceed on the following schedule, recognizing that the prudence of the IIP projects shall be reviewed in the Company's next base rate case:

IIP Extension Filing Schedule				
Filing	Initial Filing	Period Ending Date	12+0 Update	Rates Effective on or before
1	April 30, 2025	12 months ended June 30, 2025	July 15, 2025	October 1, 2025
2*	April 30, 2026	6 months ended December 31, 2025	July 15, 2026	October 1, 2026
Residual *		June 30, 2026	July 15, 2026	October 1, 2026

* Filing #2 will include investments made during the period July 1, 2025 through December 31, 2025, which can include residual spending associated with restoration work related to those in-service projects occurring during the period January 1, 2026 through June 30, 2026

The Company acknowledges and agrees that any unreasonable delay in the initial filing or receipt of discovery responses from the Company may push out the rate effective date. The Parties agree that rates will not be in effect until after public notice and public hearing.

Appendix B

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

BPU Docket Nos. GR18101197 and GR23120882

MINIMUM FILING REQUIREMENTS (MFRs) INDEX

	Minimum Filing Requirements	Schedule
1.	Elizabethtown’s income statement for the most recent 12 month period ended on a quarter, as filed with the Board.	
2.	Elizabethtown’s balance sheet for the most recent quarter, as filed with the Board.	
3.	Elizabethtown’s actual baseline capital spending for both the recovery period and the prior program year.	
4.	Elizabethtown’s overall approved IIP capital budget broken down by major categories, both budgeted and actual amounts.	
5.	For each IIP project: a. The original project budget; b. Expenditures incurred to date; c. Work completed, including identified tasks completed, e.g. design phase, material procurement, permit gathering, phases of construction, etc.; d. Anticipated project timeline, including estimated completion date, with updates and expected and unanticipated changes, along with an explanation of the reasons for any changes; and e. A narrative discussion of the effectiveness of the project in improving system performance; including identification of improved facilities including specific feeders), where appropriate.	
6.	Consistent with the methodology set out in Appendix B of the Stipulation approved in the Board Order dated June 12, 2019 in BPU Docket No. GR18101197, a calculation of the proposed revenue requirements related to the IIP projects included in Plant-in-Service in that rate recovery period. The calculation should show the actual capital expenditure for the period for which the filing is made, as well as supporting calculations.	
7.	A calculation of the associated depreciation expense, based on those projects closed to Plant-in-Service during the period.	
8.	A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the IIP projects, such as relocation, reimbursement, or stimulus money, and an explanation of the financial treatment associated with the receipt of the government funds or credits.	
9.	Pursuant to N.J.A.C. 14:3-2A.6(h), the results of an earnings test calculation where ROE shall be determined based on the actual net income of the Company for the most recent 12-month period ended on a calendar quarter divided by the average of the beginning and ending common equity balances for the corresponding period.	

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

BPU Docket Nos. GR18101197 and GR23120882

MINIMUM FILING REQUIREMENTS (MFRs) INDEX

<p>10.</p>	<p>The earnings test calculation described in Paragraph 9 immediately above is a requirement under the IIP regulations and is used to determine if it is appropriate for the Company to recover, or continue to recover, IIP costs. The following information shall be provided to the Board Staff and Rate Counsel with each earnings review:</p> <ul style="list-style-type: none"> a. The earnings test shall contain information from the Company’s official books and records, and shall be consistent with the Company’s independently audited results of operations and its most recent annual report to the Board, and shall include the most recent 12 months of actual financial information ended on a calendar quarter (i.e., net income and rate of return on the average balance of common equity, per books); and b. Rate base (completed IIP net plant additions that have been deemed used and useful but are not yet included in rate base), revenues (including approved IIP revenues not yet in base revenues), expenses, taxes, capital structure, weighted average cost of capital, approved net IIP plant additions not yet in rate base, and other such relevant financial information as may be known to the Company in determining the calculation in Paragraph 10 (a) above 	
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Appendix C

Project	Town	Type	Reason/Priority	Type of pipe being replaced	Proposed Year	Install Footage of New Main	Retirement Footage of CI, DI or Vintage Steel
Alpine St and Keene St	Perth Amboy	Vintage EP	1950's Vintage Steel adjacent to H.S.	Vintage Steel	2024	7314	7314
Bald Eagle Dr and Mockingbird Rd	Allamuchy	Vintage EP	Cathodic Protection Issue. Vintage Steel. 40-136 CFH/mi emissions	Vintage Steel	2025	10435	10435
Broad St and Elizabeth Ave	Elizabeth	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	4850	9777
Buchanan Ave and Munsee Dr	Cranford	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	6364	6364
Calvert Ave W and Marline Ave W	Edison	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2025	9106	9106
Cardinal Dr and Springfield Ave	Westfield-Mountainside	EP DI	EP DI and Vintage Steel	Ductile Iron/Vintage Steel	2025	724	724
Chambers St and Heckman St	Phillipsburg	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	2450	3248
Cherry St, Chilton St and Rahway Ave	Elizabeth	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2024	2925	8303
Christine Pl	Washington Boro	Vintage EP	Cathodic Protection Issue/Bare Steel Main. Vintage Steel.	Vintage Steel	2024	376	376
Convery Boulevard and Florida Grove Rd	Perth Amboy	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	8086	8086
Copper Hill Dr and Ridgeway St	Union	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2025	683	683
Correja Ave and Harding Ave	Iselin	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2024	2720	2720
Denman Dr	Fords	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2024	3917	3917
Devon Rd and Midwood Way	Colonia	Vintage EP	Vintage Steel. 1957 Hand Wrapped Coating	Vintage Steel	2025	4714	4714
Dogwood Ln and Pine Tree Dr	Colonia	Vintage EP	Vintage Steel. 1954 Hand Wrapped Coating	Vintage Steel	2025	4583	4583
Drake Ave and Chandler Ave	Roselle	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2024	3050	4294
E and W Blancke St	Linden	LP	LP CI	Vintage Steel/Cast Iron	2025	3250	7112
E and W Elizabeth Ave	Linden	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	4700	7765
E Grand St	Elizabeth	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	2075	12111
E Jersey St	Elizabeth	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	4050	9497
E. Broad St and Harrison Ave Phase 2	Westfield	LP	LP CI	Vintage Steel/Cast Iron	2025	5350	16471

Elizabeth Ave and Florida St	Elizabeth	LP	LP CI	Vintage Steel/Cast Iron	2025	8200	12842
Elmer St and E Broad St	Westfield-Garwood	LP	LP CI	Cast Iron/Vintage Steel/Ductile Iron	2025	1550	17301
Emerson Ave and Hillside Ave	Clark	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	6571	6571
Fairmount Ave	Elizabeth	LP	LP CI	Vintage Steel/Cast Iron/Ductile Iron	2024	3200	7938
Forbes Ave and Shannon Ave	Perth Amboy	Vintage EP	Vintage Steel. 40-136 CFH/mi emissions	Vintage Steel	2025	6891	6891
Force Dr and Pembroke Rd	Mountainside	Vintage EP	Vintage Steel. 1962 Jalbond Coating	Vintage Steel	2025	4910	4910
Franklin Dr and Hamilton Ave	Perth Amboy	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	6657	6657
Front St and N. Greenwood Ave	Hopewell	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	6588	6588
Gere Pl and Briarcliffe Dr	Fanwood	Vintage EP	Leak History. Vintage Steel.	Vintage Steel	2024	2889	2889
Grandview Ave and Rugby Rd	Lopatcong	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	5740	5740
Grant Ave and Hayward Ave	Carteret	Vintage EP	Vintage Steel. 0-39 CFH/mi emissions	Vintage Steel	2024	7848	7848
Grant Ave and Lincoln Ave	Carteret	Vintage EP	Vintage Steel. 0-39 CFH/mi emissions	Vintage Steel	2024	2729	2729
Hayes Ave and Grouse Ln	Clark	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2025	6034	6034
Heald St and Liberty St	Carteret	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	6563	6563
Heckman St (Roseberry St to Railroad Ave)	Phillipsburg	Vintage EP	Leak History and Cathodic Protection Issues. Vintage Steel.	Vintage Steel	2024	3700	5269
Heritage Ln and Highlander Dr	Scotch Plains	Vintage EP	Vintage Steel. 1958 Hand Wrapped Coating	Vintage Steel	2024	12000	11930
James Ave and Alice In	Clark	Vintage EP	Vintage Steel. 1969	Vintage Steel	2024	2721	2721
Jupiter St and Dorset Dr	Clark/Colonia	Vintage EP	Leak History. Vintage Steel. 0-39 CFH/mi emissions	Vintage Steel	2024	14093	14093
Kathryn St and Richard St	Clark	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	10310	10310
Lenape Way and Cooper Rd	Scotch Plains	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	8835	8835
Liberty Ave and Hillside Ave	Hillside	LP	LP CI	Vintage Steel/Cast Iron	2025	950	13643
Lincoln Park E	Cranford	Vintage EP	Vintage Steel System on-going maintenance issues. BPU complaint	Vintage Steel	2024	1044	1044
Logan St and Lock St	Phillipsburg	Vintage EP	Vintage Steel 40-136 CFH/mi emissions	Vintage Steel	2025	4731	4731
Molly Bee Rd and Garrett Dr	Raritan	Vintage EP	Vintage Steel 1950's Hand Wrapped Coating. 55 psig system	Vintage Steel	2024	10806	10806
Morris Ave (Burnet to Falls Ter)	Union	LP	LP CI	Vintage Steel/Cast Iron	2025	3600	12578
Mountain Ave	Hackettstown	Vintage EP	Exposed Main. Coating issues	Vintage Steel	2024	1085	1085
N Wood Ave at 5th Ave	Linden-Roselle	EP CI	EP CI	Vintage Steel/Cast Iron	2025	360	360

New Providence Rd and Coles Ave	Mountainside	EP DI	EP DI, Vintage Steel	Vintage Steel/Ductile Iron	2025	4707	4707
Newark Ave and N Broad St	Elizabeth	LP	LP CI	Vintage Steel/Cast Iron/Ductile Iron	2025	6750	11373
Nottingham Rd and Warwick Rd	Edison	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	7017	7017
Park Rd	Hackettstown	Vintage EP	Cathodic Protection Issue. Vintage Steel.	Vintage Steel	2024	756	756
Patrick St and Charlotte St	Carteret	Vintage EP	Vintage Steel. 1958 Hand Wrapped Coating	Vintage Steel	2025	6758	6758
Pennington Rd	Pennington	Vintage EP	Cathodic Protection Issues. 40-136 CFH/mi emissions	Vintage Steel	2025	10461	10461
Rayhorn Terr and Skylark Pl	Rahway-Clark	Vintage EP	Vintage Steel. 1960 Hand Wrapped Coating	Vintage Steel	2025	4912	4912
Raymond St and Ryan St	Fords	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	5682	5682
Reaville Ave Easement (near Route 202)	Flemington	Vintage EP	Leak History. Vintage Steel.	Vintage Steel	2024	1200	1245
Ringdale Ave and Schoder Ave	Woodbridge	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	5614	5614
Ronald Dr	Colonia	Vintage EP	Buried Regulators HP system, high risk. Vintage Steel	Vintage Steel	2024	800	800
Route 517	Vernon	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	7875	7875
S Main St	Phillipsburg	LP	LP CI	Vintage Steel/Ductile Iron	2025	4263	4263
S. Locust Ave and S. Heathcote Ave	Metuchen	Vintage EP	Unknown Vintage Steel	Vintage Steel	2025	3731	3731
Sergeantsville Rd	Raritan	Vintage EP	Vintage Steel 1950's 55 psig system	Vintage Steel	2024	10653	10653
Sheridan Ave and N. 16th St	Kenilworth	Vintage EP	Vintage Steel	Vintage Steel	2024	2200	2142
Spring St and Newton Sparta Rd	Newton	LP	LP CI	Vintage Steel/Cast Iron	2025	3100	11497
Stuart Pl and Debra Dr	Linden-Clark	Vintage EP	Vintage Steel. 1959 Hand Wrapped inferior coating	Vintage Steel	2025	4668	4668
Swarthmore Dr and Wedgewood Dr	Carteret	Vintage EP	Vintage Steel. 1959 Hand Wrapped inferior coating	Vintage Steel	2024	6000	6243
Tappen St and Remsen Ave	Avenel	Vintage EP	Vintage Steel. 1955/56 Hand Wrapped Coating	Vintage Steel	2024	4989	4898
Taylor Terr and Lanning Ave	Hopewell	Vintage EP	Leak History and Cathodic Protection Issues. Vintage Steel.	Vintage Steel	2024	3753	3753
Terminal Way and Witherspoon St	Rahway-Woodbridge	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	9638	9638
Ternay Ave and Stocker Ln	Scotch Plains	Vintage EP	Vintage Steel. 1957 Hand Wrapped Coating	Vintage Steel	2025	2711	2711
Tremley Point Rd	Linden	EP DI	Leak History. EP Ductile Iron	Ductile Iron	2024	842	842
Trinity St and Moran St	Newton	LP	LP CI	Vintage Steel/Cast Iron/Ductile Iron	2024	6554	6554

W Grand St and BroadSt-N Broad St	Elizabeth	LP	LP CI	Vintage Steel/Cast Iron/Ductile Iron	2025	3750	6270
Wakefield Dr and Stoneham Pl	Metuchen	Vintage EP	1962 Vintage Steel Proximity to school.	Vintage Steel	2025	8862	8862
Winding Brook Way and Jacobs Ln	Scotch Plains	Vintage EP	Vintage pre-code steel	Vintage Steel	2025	10251	10251
Wood Valley Rd	Mountainside	EP DI	EP DI, Vintage Steel	Vintage Steel/Ductile Iron	2025	2376	2376
Total Footage						393,200 ft	503,058 ft
Total Mileage						74.5 miles	95.3 miles

LP = Low Pressure
 EP = Elevated Pressure
 CI = Cast Iron
 DI = Ductile Iron

NOTES:

- (1) The projects above represent a proposed listing as of July 2024 and are subject to change based upon unforeseen conditions or circumstances that render any of the included projects, or any part thereof, infeasible or impractical; and under no circumstances shall a proposed project be altered to include the replacement of plastic facilities for recovery through the IIP cost recovery mechanism.
- (2) The 74.5 miles being installed represents the replacement and retirement of cast iron, ductile iron and vintage steel only
- (3) The amounts above represent IIP program mileage only for the IIP Extension period

Appendix D

Appendix D

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program (“IIP”)**

Leak Metrics

	<u>5 Yr Avg</u>	<u>Reduction</u>	<u>Target</u>
2020	3,315	0%	3,315
2021	3,315	1%	3,282
2022	3,315	2%	3,249
2023	3,315	3%	3,216
2024	3,315	4%	3,183
2025	3,315	5%	3,149

	<u>Dec. Yr. End</u>
2015	3,933
2016	3,190
2017	3,531
2018	4,330
2019	<u>1,592</u>
5 Yr Avg	3,315