



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF)
ELIZABETHTOWN GAS COMPANY FOR APPROVAL OF)
A RATE ADJUSTMENT PURSUANT TO THE)
INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")) DECISION AND ORDER
APPROVING STIPULATION
DOCKET NO. GR22040316

Parties of Record:

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

BY THE BOARD:

On April 29, 2022, Elizabethtown Gas Company ("ETG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking approval of a rate adjustment to recover annualized increases in the revenue requirements for its Infrastructure Investment Program ("IIP") ("April 2022 Petition"). By this Order, the Board considers a stipulation of settlement ("Stipulation") executed by ETG, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel"), the only parties to this proceeding (collectively, "Parties"), intended to resolve the Company's requests related to the April 2022 Petition.

BACKGROUND AND PROCEDURAL HISTORY

By Order dated June 12, 2019, the Board authorized ETG to invest up to \$300 million in the Company's IIP over the five (5) year period, from July 1, 2019 through June 30, 2024, to replace up to 250 miles of cast iron and bare steel mains, and related services; and install excess flow valves on new service lines ("IIP Projects").¹ The Company's \$300 million program cost cap excludes "Allowance for Funds Used during Construction" ("AFUDC") and certain baseline capital spending amounts to be recovered by the Company through base rates.²

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, BPU Docket No. GR18101197, Order dated June 12, 2019 ("IIP Order").

² The program cost cap is derived by applying a cost per mile cap of \$1.2 million per mile to the 250 IIP miles over the five (5) year term of the IIP.

April 2022 Petition

The April 2022 Petition represented the third annual cost recovery filing for the Company’s IIP. In the April 2022 Petition, the ETG sought Board approval to recover approximately \$6.3 million in revenue requirements, excluding Sales and Use Tax, for plant in-service IIP Projects from July 1, 2021 through June 30, 2022. The projected in-service IIP investments during this period total approximately \$57.5 million, excluding AFUDC and costs related to the independent monitor and methane leak survey. The April 2022 Petition included actual data through March 31, 2022 and projected data through June 30, 2022.

On July 15, 2022, ETG updated the April 2022 Petition to include actual IIP expenditures through June 30, 2022 (“July 2022 Update”). The July 2022 Update had no effect on the proposed revenue requirements of approximately \$6.3 million, excluding Sales and Use Tax. The updated calculations are shown in the following table:

Elizabethtown Gas Company	
Infrastructure Investment Program ("IIP")	
Revenue Requirement Roll In	
	June 2022
	Roll-In October 1, 2022
Plant In Service (excluding AFUDC)	\$57,732,001
Monitor	\$60,000
Advanced Leak Detection (ALD) Report	\$0
AFUDC	\$375,861
Total Plant In Service	\$58,167,862
Book Depreciation, half year	-\$569,867
Deferred Income Tax	-\$452,872
Rate Base	\$57,145,023
Rate of Return- net of tax	6.5165%
Return on Rate Base	\$3,723,855
O&M Reduction. for Leak Repairs	-\$64,701
Advanced Leak Detection expense, net of tax	\$0
Depreciation Exp. Net of tax	\$819,354
Allowable Net Income	\$4,478,508
Revenue Factor	1.406762
Current Revenue Requirement	\$6,300,195

After publication of notice in newspapers of general circulation in the Company's service territory, virtual public hearings were held at 4:30 p.m. and 5:30 p.m. on August 30, 2022.³ No members of the public attended or filed comments related to the Company's filing.

STIPULATION

Following a review of the April 2022 Petition, the July 2022 Update and discovery, the Parties executed the Stipulation, which provides for the following:⁴

- A. The Parties acknowledge that the Company's tariff will be updated to reflect the proposed IIP rates and Margin Revenue Factor ("MRF") as shown on Appendix A of the Stipulation. The IIP rates and MRF are calculated on Appendix B of the Stipulation. The tariff rates will become final and effective upon Board approval. The prudence of the IIP Projects placed in service during the period July 1, 2021 through June 30, 2022 will be reviewed by the Board and Rate Counsel in a future ETG base rate proceeding.

Effective Rates

- B. Upon Board approval, the Company will implement its IIP and MRF rates as those shown on Appendix A of the Stipulation and these rates shall remain in effect until changed by Order of the Board. The impact of the proposed rider rate for a residential customer using 100 therms, inclusive of sales tax, would result in a monthly bill increase of \$1.93 from \$110.59 to \$112.52, or 1.8%, based upon rates in effect on July 1, 2022.

Future Filings

- C. The Company's future annual filings for cost recovery shall continue to comply with the IIP Order.
- D. The Parties agree to use a rate base earnings test as approved by the Board's Order dated August 17, 2022 in the Company's most recent base rate case in BPU Docket No. GR21121254.

All Issues Resolved

- E. If the Board approves the Stipulation in its entirety, all issues concerning the IIP and the costs recovered through this clause are deemed resolved for purposes of this proceeding but remain subject to audit by the Board.

³ Public hearings were held virtually due to the COVID-19 pandemic.

⁴ Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the finding and conclusion in this Order. Paragraphs are lettered and/or numbered to coincide with the Stipulation.

DISCUSSION AND FINDING

Having carefully reviewed the record to date in this matter, including the April 2022 Petition, updates thereto and the Stipulation, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** the rates reflected in Appendix A of the Stipulation on a provisional basis, subject to refund and review for prudence in a future base rate case, effective for service rendered on and after October 1, 2022.

As a result of the Stipulation, a typical residential customer using 100 therms will see an increase in their monthly bill of \$1.93 or approximately 1.8%.

Accordingly, the Board **HEREBY DIRECTS** ETG to file revised tariff sheets conforming to the terms of its Order by September 30, 2022.

The Company's costs, including those related to the IIP, 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 Board Order shall be effective on September 28, 2022.

DATED: September 28, 2022

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER




DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST:



ROBERT M. GORDON
COMMISSIONER



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 FOR
APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE
INVESTMENT PROGRAM ("IIP")

DOCKET NO. GR22040316

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September 14, 2022

Electronic FilingCarmen D. Diaz, Acting Board Secretary
and Acting Custodian
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 for Approval of a Rate
Adjustment Pursuant to the Infrastructure Investment Program (“IIP”)
BPU Docket No. GR22040316**

Dear Acting Board Secretary and Acting Custodian Diaz:

Enclosed for filing in the above-referenced proceeding is a Stipulation executed by representatives of Elizabethtown Gas Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel. It is respectfully requested that the Board consider the Stipulation at its September 28, 2022 agenda meeting.

Should you have any questions, please do not hesitate to contact me.

Respectfully Submitted,



Sheree L. Kelly, Esq.

SLK:jlh
Enclosures

cc: Service List (electronic only)

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY TO
FOR APPROVAL OF A RATE ADJUSTMENT PURSUANT TO THE
INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)
BPU DOCKET NO. GR22040316**

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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 A RATE ADJUSTMENT PURSUANT TO THE INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)	X : : : : : : : : X	BPU Docket No. GR22040316 STIPULATION OF SETTLEMENT
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APPEARANCES:

Deborah M. Franco, Esq., Vice President, Rates, Regulatory & Sustainability, SJI Utilities, Inc. for Petitioner, Elizabethtown Gas Company

Maura Caroselli, Esq., Deputy Rate Counsel, **Sarah H. Steindel, Esq.**, Assistant Deputy Rate Counsel and **Megan Lupo, Esq.**, Assistant Deputy Rate Counsel for the New Jersey Division of Rate Counsel (**Brian O. Lipman, Esq.** Director)

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

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement (“Stipulation”) addresses the petition filed by Elizabethtown Gas Company (“ETG” or “Company”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) on April 29, 2022 (“Petition”), and subsequently updated on July 15, 2022 (“July 2022 Update”), for rate adjustments related to the cost recovery associated with the Company’s Infrastructure Investment Program (“IIP”). The IIP was approved by Board Order dated June 12, 2019 in BPU Docket No. GR18101197 (“IIP Order”).

I. PROCEDURAL HISTORY

1. The IIP Order authorized the Company to implement the IIP for five (5) years commencing July 1, 2019 and continuing until June 30, 2024. The IIP Order allowed the Company to invest up to \$300 million, excluding Accumulated Funds Used During Construction (“AFUDC”), over the five (5) years to replace up to 250 miles of cast iron and bare steel mains

and related services, as well as the installation of excess flow valves and new service lines. The Board also approved an associated cost recovery mechanism that is effectuated by annual rate adjustment filings (“Annual Filings”) made in April of each year with 9&3 Schedules through June 30th and with 12&0 updates filed by July 15th of each year.

2. The Company’s current IIP rate became effective on October 1, 2021 by Board Order dated September 14, 2021 in BPU Docket No. GR21040747.

3. The Company filed the Petition seeking approval of a rate adjustment to provide for the cost recovery associated with IIP projects placed in service from July 1, 2021 through June 30, 2022, as well as certain IIP non-construction expenditures, such as planning and engineering of IIP projects. In the Petition, the Company provided actual IIP investment data for the period July 1, 2021 through March 31, 2022 and forecasted data for the period April 1, 2022 through June 30, 2022.

4. In the Petition, the Company sought the authority to recover an IIP revenue requirement of approximately \$6.3 million, excluding sales tax, associated with actual and projected IIP investments of approximately \$57.5 million of plant in service, excluding AFUDC and the cost of the IIP Independent Monitor. The impact of the rates proposed in the Petition for a residential customer using 100 therms, inclusive of sales tax, amounted to a monthly bill increase of \$1.92, or 1.7%, as compared to rates in effect at the time of the filing. The IIP investments, revenue requirement, and rate adjustment were supported by the direct testimony of Thomas Kaufmann, Manager, Rates and Tariffs and Michael Scacifero, Director, Engineering Services.

5. The Company filed the July 2022 Update with a full year of actual IIP investment data through June 30, 2022 that supported a revenue requirement of approximately \$6.3 million, excluding sales tax, associated with approximately \$57.7 million of plant in service, excluding AFUDC and the cost of the IIP Independent Monitor. As a result of the July 2022 Update, the

impact of the proposed rider rate for a residential customer using 100 therms, inclusive of sales tax, results in a monthly bill increase of \$1.94 from \$110.59 to \$112.53, or 1.8%, based upon rates in effect on July 1, 2022. In addition, the Company proposed to update its tariff to modify the Margin Revenue Factor (“MRF”) for purposes of calculating the weather-related portion of the Conservation Incentive Program Company to reflect the proposed increased rates.

6. On August 17, 2022, the Board approved the stipulation of settlement resolving the Company’s base rate case filing in BPU Docket No. GR21121254. As a result, the current IIP rates were set to zero since they were incorporated into the distribution rates approved in the base rate case. As such, the proposed IIP rates were recalculated based solely on the period July 1, 2021 to June 30, 2022, including taxes, and are as follows:

		Proposed Rates
RDS	Residential	\$0.0193
SGS	Small General Service	\$0.0213
GDS	General Delivery Service	\$0.0127
GDS	Seasonal SP#1 May-Oct	\$0.0069
NGV	Natural Gas Vehicles	\$0.0345
LVD	Large Volume Demand	\$0.0061
EGF	Electric Generation	\$0.0041
GLS	Gas Lights, per mantel	\$0.0179
	Firm Special Contracts	\$0.0010

The impact of the recalculated rider rate for a residential customer using 100 therms, inclusive of sales tax, results in a monthly bill increase of \$1.93 from \$110.59 to \$112.52, or 1.8%, based upon rates in effect on July 1, 2022. The Board-approved stipulation of settlement in the base rate proceeding also increased the Company’s then current MRF to reflect the stipulated increase in base rates. The proposed MRF in this proceeding was updated to reflect the base rate increase, resulting in a proposed MRF of \$0.4768 per therm.

7. Notices setting forth the requested rate changes, both before and after the approval of the Company's base rate case, and the date of the public hearings were placed in newspapers having circulation within ETG's service territory and served upon the appropriate county officials and clerks of all municipalities within the Company's service territory. The public hearings were held virtually on August 24, 2022. No members of the public attended the public hearings or submitted written comments.

II. STIPULATED MATTERS

A. ETG, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") are the only parties to this proceeding (collectively, "Parties"). The Parties acknowledge that the Company's tariff will be updated to reflect the proposed IIP rates and MRF set forth above and as shown on Appendix A. The stipulated IIP rates and MRF are calculated on Appendix B. The tariff rates will become final and effective upon Board approval. The prudence of the IIP projects placed in service during the period July 1, 2021 through June 30, 2022 will be reviewed by the Board and Rate Counsel in a future ETG base rate proceeding.

Effective Rates

B. Upon Board approval, the Company will implement its IIP and MRF rates as shown on Appendix A and these rates shall remain in effect until changed by Order of the Board. The impact of the proposed rider rate for a residential customer using 100 therms, inclusive of sales tax, would result in a monthly bill increase of \$1.93 from \$110.59 to \$112.52, or 1.8%, based upon rates in effect on July 1, 2022.

Future Filings

C. The Company's future Annual Filings for cost recovery shall continue to comply with the IIP Order.

D. The Parties agree to use a rate base earnings test as approved by the Board's Order dated August 17, 2022 in the Company's most recent base rate case in BPU Docket No. GR21121254.

All Issues Resolved

E. If the Board approves this Stipulation in its entirety, all issues concerning the IIP and the costs recovered through this clause are deemed resolved for purposes of this proceeding but remain subject to audit by the Board.

Entirety of Stipulation

F. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. If the Board does not adopt this Stipulation in its entirety in an Order, any Party hereto is free to pursue its then-available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.

Binding Effect

G. It is the intent of the Parties that the provisions hereof be approved by the Board as appropriate because they are in the public interest. The Parties further agree that they consider this Stipulation to be binding on them for all purposes herein.


General Reservation

H. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. All rates remain subject to audit by the Board.

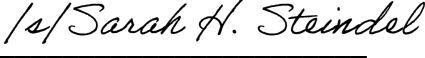
WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof.

ELIZABETHTOWN GAS COMPANY

**BRIAN O. LIPMAN,
ACTING DIRECTOR,
DIVISION OF RATE COUNSEL**

By: 

Deborah M. Franco, Esq.
VP/ Rates, Regulatory & Sustainability

By:  9/14/22

Sarah H. Steindel, Esq.,
Assistant Deputy Rate Counsel

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

By:  9/14/22

Terel Klein
Deputy Attorney General

Dated: September 7, 2022

BPU Docket No. GR22040316

RIDER "B"

WEATHER NORMALIZATION CLAUSE ("WNC") (continued)

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)

I. Definition of Terms as Used Herein (continued)

6. Degree Day Consumption Factor ("DDCF") - the variable component (use per degree day) of the gas sendout for each month of the winter period normalized for weather and adjusted for lost and unaccounted for gas. The DDCF shall be updated annually in the Company's WNC reconciliation filing annualizing to reflect the change in number of customers that has occurred since the base rate proceeding that established the initial degree day consumption factor in base rate cases. The base number of customers used to establish the normalized use in therms per Customer and the calculated DDCF for purposes of calculating the weather-related portion of the CIP are as follows:

<u>Month</u>	<u>Base Number of Customers</u>	<u>Therms per Degree Day</u>
October	293,159	51,818
November	293,834	62,593
December	294,633	69,064
January	295,059	68,081
February	295,322	67,808
March	295,477	63,693
April	295,126	52,489
May	294,483	54,279

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and other similar charges and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates or IIP rates are adjusted. The current Margin Revenue Factor is \$0.4768 per therm pre taxes for purposes of calculating the weather-related portion of the CIP.

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

RIDER "F"

INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")

Applicable to all RDS, SGS, GDS, NGV, LVD, EGF and GLS classes and Firm Special Contract customers receiving service through the Company's distribution system. The IIP rate shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU.

		Per Therm
RDS	Residential	\$0.0193
SGS	Small General Service	\$0.0213
GDS	General Delivery Service	\$0.0127
GDS	Seasonal SP#1 May-Oct	\$0.0069
NGV	Natural Gas Vehicles	\$0.0345
LVD	Large Volume Demand	\$0.0061
EGF	Electric Generation	\$0.0041
GLS	Gas Lights	\$0.0179
	Firm Special Contracts	\$0.0010

The charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

The IIP is a five-year program to modernize and enhance the reliability and safety of the Company's gas distribution system by replacing its vintage, at-risk facilities which include aging cast iron mains, unprotected and bare steel mains and services, ductile iron and vintage plastic mains and vintage plastic and copper services. As part of the IIP, Elizabethtown is upgrading its legacy low pressure system to an elevated pressure system, and installing excess flow valves and retiring district regulators that are presently required to operate the existing low pressure system. The costs recovered through the IIP Rider rate include the Company's after-tax weighted average cost of capital as adjusted upward for the revenue expansion factor, depreciation expense and applicable taxes.

Cost recovery under the IIP is contingent on an earnings test. If the product of the earnings test calculation exceeds the Company's most recently approved ROE by fifty (50) basis points or more, cost recovery under the IIP shall not be allowed. Any disallowance resulting from the earnings test will not be charged to customers in a subsequent IIP filing period, but the Company may seek such recovery in a subsequent base rate case.

Date of Issue: xxx1

Effective: Service Rendered
on and after xxx2

Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx3 in Docket No. xxx4

REDLINE

RIDER "B"

WEATHER NORMALIZATION CLAUSE ("WNC") (continued)METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)I. Definition of Terms as Used Herein (continued)

6. Degree Day Consumption Factor ("DDCF") - the variable component (use per degree day) of the gas sendout for each month of the winter period normalized for weather and adjusted for lost and unaccounted for gas. The DDCF shall be updated annually in the Company's WNC reconciliation filing annualizing to reflect the change in number of customers that has occurred since the base rate proceeding that established the initial degree day consumption factor in base rate cases. The base number of customers used to establish the normalized use in therms per Customer and the calculated DDCF for purposes of calculating the weather-related portion of the CIP are as follows:

<u>Month</u>	<u>Base Number of Customers</u>	<u>Therms per Degree Day</u>
October	293,159	51,818
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April	295,126	52,489
May	294,483	54,279

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and other similar charges and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates or IIP rates are adjusted. The current Margin Revenue Factor is \$~~0.4603~~4768 per therm pre taxes for purposes of calculating the weather-related portion of the CIP.

Date of Issue: ~~August 22, 2022~~xxx1Effective: Service Rendered
on and after ~~September 1,~~
~~2022~~xxx2Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083Filed Pursuant to Order of the Board of Public Utilities
Dated ~~August 17, 2022~~xxx3 in Docket No. ~~GR21121254~~xxx4

RIDER "F"

INFRASTRUCTURE INVESTMENT PROGRAM ("IIP")

Applicable to all RDS, SGS, GDS, NGV, LVD, EGF and GLS classes and Firm Special Contract customers receiving service through the Company's distribution system. The IIP rate shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU.

	Per Therm
	<u>\$0.0193</u>
RDS Residential	<u>\$0.0000</u>
	<u>\$0.0213</u>
SGS Small General Service	<u>\$0.0000</u>
	<u>\$0.0127</u>
GDS General Delivery Service	<u>\$0.0000</u>
	<u>\$0.0069</u>
GDS Seasonal SP#1 May-Oct	<u>\$0.0000</u>
	<u>\$0.0345</u>
NGV Natural Gas Vehicles	<u>\$0.0000</u>
	<u>\$0.0061</u>
LVD Large Volume Demand	<u>\$0.0000</u>
	<u>\$0.0041</u>
EGF Electric Generation	<u>\$0.0000</u>
	<u>\$0.0179</u>
GLS Gas Lights	<u>\$0.0000</u>
	<u>\$0.0010</u>
Firm Special Contracts	<u>\$0.0000</u>

The charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

The IIP is a five-year program to modernize and enhance the reliability and safety of the Company's gas distribution system by replacing its vintage, at-risk facilities which include aging cast iron mains, unprotected and bare steel mains and services, ductile iron and vintage plastic mains and vintage plastic and copper services. As part of the IIP, Elizabethtown is upgrading its legacy low pressure system to an elevated pressure system, and installing excess flow valves and retiring district regulators that are presently required to operate the existing low pressure system. The costs recovered through the IIP Rider rate include the Company's after-tax weighted average cost of capital as adjusted upward for the revenue expansion factor, depreciation expense and applicable taxes.

Cost recovery under the IIP is contingent on an earnings test. If the product of the earnings test calculation exceeds the Company's most recently approved ROE by fifty (50) basis points or more, cost recovery under the IIP shall not be allowed. Any disallowance resulting from the earnings test will not be charged to customers in a subsequent IIP filing period, but the Company may seek such recovery in a subsequent base rate case.

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ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")
Weather Normalization Clause ("WNC") Margin Revenue Factor

Classes	Distribution Charge, including taxes (\$/ therm) a	less SUT tax 6.625% b	Margin Revenue, Distribution Charge excluding taxes, (\$/ therm) c = a - b	Class Sales for period October through May (therms) * d	Ratio of Class Sales to Total Sales for Period e= d / sum of d	Weighted Margin Revenue in Distribution Rate (\$/ therm) f = c * e
Base Rates - 2021 Rate Case						
RDS	\$0.5797	\$0.0360	\$0.5437	230,385,391	65.81%	\$0.3578
SGS	\$0.4522	\$0.0281	\$0.4241	22,131,332	6.32%	\$0.0268
GDS	\$0.2895	\$0.0180	\$0.2715	97,580,084	27.87%	<u>\$0.0757</u>
				<u>350,096,807</u>	100.00%	\$0.4603
IIP Rates - Year 3						
RDS	\$0.0193	\$0.0012	\$0.0181	230,385,391	65.81%	\$0.0119
SGS	\$0.0213	\$0.0013	\$0.0200	22,131,332	6.32%	\$0.0013
GDS	\$0.0127	\$0.0008	\$0.0119	97,580,084	27.87%	<u>\$0.0033</u>
				<u>350,096,807</u>	100.00%	\$0.0165
					Total	<u><u>\$0.4768</u></u>

* Therms per 2021 Rate Case

Appendix B

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program (“IIP”)
Rates - Oct 1, 2022
Year 3
\$6,300,195**

	<u>Current Rates w/ Tax</u>	<u>% of Base Revenues</u>	<u>Revenue Requirement</u>	<u>Pre Tax Rates per Proof</u>	<u>Sales Tax 6.625%</u>	<u>Rates w/ Tax</u>	<u>Rate Change w/ Tax</u>
Residential	\$0.0000	65.984294%	\$4,157,139	\$0.0181	\$0.0012	\$0.0193	\$0.0193
Small General Service	\$0.0000	6.352028%	\$400,190	\$0.0200	\$0.0013	\$0.0213	\$0.0213
General Delivery Service	\$0.0000	23.541991%	\$1,483,191	\$0.0119	\$0.0008	\$0.0127	\$0.0127
GDS SP#1 Service	\$0.0000	0.044284%	\$2,790	\$0.0065	\$0.0004	\$0.0069	\$0.0069
Natural Gas Vehicles	\$0.0000	0.089335%	\$5,628	\$0.0324	\$0.0021	\$0.0345	\$0.0345
Large Volume Demand	\$0.0000	3.771645%	\$237,621	\$0.0057	\$0.0004	\$0.0061	\$0.0061
Electric Generation	\$0.0000	0.007290%	\$459	\$0.0038	\$0.0003	\$0.0041	\$0.0041
Gas Lights	\$0.0000	0.007680%	\$484	\$0.0168	\$0.0011	\$0.0179	\$0.0179
			<u>\$6,287,502</u>				
Firm Spec. Contracts	\$0.0000	0.201453%	<u>\$12,692</u>	\$0.0009	\$0.0001	\$0.0010	\$0.0010
			<u><u>\$6,300,194</u></u>				

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")

Proof of Revenue
Year 3
\$6,300,195

	Determinants		Approved Rider F Rates Pre Tax		Proposed Rider F Rates Pre Tax	
	Amount	Units	Rates	Revenue	Rates	Revenue Proof
<u>Residential Service</u>	271,494	Customers		RDS		RDS
Customer Charge	3,257,928	Bills	\$0.00	\$0	\$0.00	\$0
Rider F Charge	229,151,904	Therms	\$0.0000	\$0	\$0.0181	\$4,147,649
Total Base Rate Revenues				\$0		\$4,147,649
<hr/>						
				SGS		SGS
<u>Small General Service</u>	16,054	Customers				
Customer Charge	192,648	Bills	\$0.00	\$0	\$0.00	\$0
Rider F Charge	19,967,772	Therms	\$0.0000	\$0	\$0.0200	\$399,355
Total Base Rate Revenues				\$0		\$399,355
<hr/>						
				GDS		GDS
<u>General Delivery Service</u>	6,935	Customers				
Customer Charge	83,220	Bills	\$0.00	\$0	\$0.00	\$0
Demand Charge	16,495,116	Therms	\$0.0000	\$0	\$0.0000	\$0
Rider F Charge	124,156,335	Therms	\$0.0000	\$0	\$0.0119	\$1,477,460
Rider F Charge (SP#1)	426,917	Seasonal May-Oct	\$0.0000	\$0	\$0.0065	\$2,775
Total Base Rate Revenues	124,583,252	Total Rider F Therms		\$0	<i>class avg.</i> \$0.0119	\$1,480,235
<hr/>						
				EGF		EGF
<u>Electric Generation Firm Service</u>	4	Customers				
Customer Charge	48	Bills	\$0.00	\$0	\$0.00	\$0
Demand Charge	9,300	Therms	\$0.0000	\$0	\$0.0000	\$0
Rider F Charge	122,163	Therms	\$0.0000	\$0	\$0.0038	\$464
Total Base Rate Revenues				\$0		\$464
<hr/>						
				LVD		LVD
<u>Large Volume Demand</u>	50	Customers				
Customer Charge	600	Bills	\$0.00	\$0	\$0.00	\$0
Demand Charge	4,228,944	Therms	\$0.0000	\$0	\$0.0000	\$0
Rider F Charge	41,527,129	Therms	\$0.0000	\$0	\$0.0057	\$236,705
Total Base Rate Revenues				\$0		\$236,705

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")**

**Proof of Revenue
Year 3
\$6,300,195**

	<u>Determinants Amount</u>	<u>Units</u>	<u>Approved Rider F Rates Pre Tax</u>		<u>Proposed Rider F Rates Pre Tax</u>	
			<u>Rates</u> Eff. 9-1-22	<u>Revenue</u>	<u>Rates</u>	<u>Revenue Proof</u>
			NGV		NGV	
<u>Natural Gas Vehicles</u>	12 Customers 144 Bills					
Rider F Charge	173,750	Therms	\$0.0000	\$0	\$0.0324	\$5,630
Fueling Charge	173,750	Therms	\$0.0000	\$0	\$0.0000	\$0
Facilities Charge	173,750	Therms	\$0.0000	\$0	\$0.0000	\$0
Total Base Rate Revenues			\$0.0000	\$0	\$0.0324	\$5,630
			GLS		GLS	
<u>Gas Lights Service</u>	13 Customers 156 Bills					
Service Charge			\$0.27		\$0.25	
Rider F Charge	28,800	Therms	\$0.0000	\$0	\$0.0168	\$484
Total Base Rate Revenues				\$0		\$484
Total Firm Rate Class	415,554,770	Therms		\$0		\$6,270,522
			CSI		CSI	
<u>Closed Tariff 2 Kean Meters Left Interruptible Cogeneration Sales Service</u>						
Service Charge	24	Bills	\$0.00	\$0	\$0.00	\$0
Distribution Charge, retain 20%	1,236	Therms	\$0.0000		\$0.0000	
Total Base Rate Revenues				\$0		\$0
			IS		IS	
<u>Interruptible Sales Service</u>						
Service Charge	0	Bills	\$0.00	\$0	\$0.00	\$0
Demand Charge	127,560	Therms	\$0.0000	\$0	\$0.0000	\$0
Distribution Charge, retain 20%	0	Therms	\$0.0000		\$0.0000	
Total Base Rate Revenues				\$0		\$0

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program ("IIP")**

**Proof of Revenue
Year 3
\$6,300,195**

	<u>Determinants Amount</u>	<u>Units</u>	<u>Approved Rider F Rates Pre Tax</u>		<u>Proposed Rider F Rates Pre Tax</u>	
			<u>Rates</u> Eff. 9-1-22	<u>Revenue</u>	<u>Rates</u>	<u>Revenue Proof</u>
			<u>ITS-IS</u>		<u>ITS-IS</u>	
<u>Interruptible Transportation Service</u>	13 Customers					
Service Charge	156 Bills		\$0.00	\$0	\$0.00	\$0
Demand Chg., retain 1st \$0.08/ 20% thereafter	274,704 Therms		\$0.000	\$0 *	\$0.000	\$0
Distribution Charge, retain 20%	2,123,735 Therms		\$0.0000		\$0.0000	
Total Base Rate Revenues				\$0		\$0
*Amount is the 1st \$0.08 per therm						
			<u>ITS-CSI</u>		<u>ITS-CSI</u>	
<u>Interruptible Cogeneration Transportation Service</u>	No Customers 0 Customers					
Service Charge	0 Bills		\$0.00	\$0	\$0.00	\$0
Demand Charge, retain 20%	0 Therms		\$0.000		\$0.000	
Distribution Charge, retain 20%	0 Therms		\$0.0000		\$0.0000	
Total Base Rate Revenues				\$0		\$0
			<u>ITS-LVD</u>		<u>ITS-LVD</u>	
<u>Interruptible LVD Sales Service</u>	40 Customers					
Service Charge	480 Bills		\$0.00	\$0	\$0.00	\$0
Demand Charge	4,578,708 Therms		\$0.000	\$0	\$0.000	\$0
Distribution Charge	38,783,827 Therms		\$0.0000	\$0	\$0.0000	\$0
Tariff Flex Revenues	333,212 Therms		\$0.0000	\$0	\$0.0000	\$0
Total Base Rate Revenues	39,117,039 Total Therms			\$0		\$0
Total Interruptible Rate Class Revenues				\$0		\$0
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				\$0		\$6,270,522
<u>Other Revenues</u>						
Special Contracts Firm			\$0			\$12,252
Special Contracts Interruptible			\$0			\$0
Other Miscellaneous Revenues			\$0			\$0
Total Other Revenues				\$0		\$12,252
IIP REVENUES, per Approved and Proposed Rates			Previously Approved	Proposed	Total	
Target Change			\$0	\$6,282,774	\$6,282,774	
Difference			\$0	(\$17,421)	(\$17,421)	