



Agenda Date: 2/27/19
Agenda Item: 2J

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER
ELIZABETHTOWN GAS COMPANY TO (1) REVISE ITS)	APPROVING FINAL
WEATHER NORMALIZATION CLAUSE RATE; (2))	STIPULATION
REVISE THE CLEAN ENERGY PROGRAM)	
COMPONENT OF ITS SOCIETAL BENEFITS CHARGE)	
RATE; AND (3) REVISE ITS ON- SYSTEM MARGIN)	
SHARING CREDIT)	DOCKET NO. GR18080852

Parties of Record:

Deborah M. Franco, Esq., Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a Final Stipulation ("Stipulation") executed by Elizabethtown Gas Company ("Elizabethtown" or "Company"), Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") regarding Elizabethtown's Weather Normalization Clause ("WNC"), the New Jersey Clean Energy Program ("CEP") component of its Societal Benefits Charge ("SBC"), and its On-System Margin Sharing Credit ("OSMC") rates.

BACKGROUND AND PROCEDURAL HISTORY

The WNC normalizes the financial impact of the weather conditions on both the Company and its weather-sensitive ratepayers. An excess margin resulting from a colder than normal Winter Period¹ is returned to ratepayers, while a deficit margin resulting from a warmer than normal Winter Period is recovered from ratepayers. Variances in actual degree-days from normal for each day are measured and accumulated over the calendar month for each month in the Winter Period. The resulting cumulative degree-day variance determines the adjustment to customers' bills in the following Winter Period.

The CEP was created through the Electric Discount and Energy Competition Act in an effort to promote energy efficiency and renewable energy programs by offering financial incentives, programs and services to New Jersey residents, business owners and local governments. The

¹ Winter Period refers to the months of October through May.

Board annually sets each energy utility's share of the CEP costs to be collected from customers and transferred to the Board as funding for those programs.

The OSMC provides for 80% of the margins generated from certain on-system non-firm sales and transportation services to be flowed-back (credited) to firm customers.

AUGUST 2018 PETITION

On August 1, 2018, Elizabethtown filed a petition ("August 2018 Petition") with the Board seeking approval to modify its rates relating to the review and true up of its WNC, the CEP component of its SBC,² and its OSMC.

WNC

With respect to the proposed WNC, the proposed increase per therm was designed to recover an excess balance associated with the 2018 Winter Period (October 1, 2017 through May 31, 2018) that was attributable to colder than normal weather experienced in the Company's service territory, as well as a prior period deficiency. According to the August 2018 Petition, the temperature for the 2018 Winter Period was 53 or 1.2% degree-days colder than normal.

The current recoverable margin excess of \$898,111 is decreased by the prior year deficiency of \$7.151 million, resulting in a \$6.253 million net revenue deficiency. The proposed WNC rate of \$0.0194³ per therm was designed to recover a deficiency balance associated with the 2018 Winter Period (October 1, 2017 through May 31, 2018) that was attributable to colder than normal weather experienced in the Company's service territory during this period, as well as a prior period.

CEP

For Elizabethtown, projected CEP costs for the period ending June 30, 2019 totaled \$10.637 million. In addition, the August 2018 Petition indicated that the Company incurred \$1.922 million of CEP costs during the period July 1, 2017 through June 30, 2018. When combined with certain other adjustments set forth in the petition, Elizabethtown's total projected recoveries was \$9.976 million, resulting in a CEP rate of \$0.0215 per therm.

OSMC

The August 2018 Petition proposed a decrease in the OSMC credit to customers from a credit of \$0.0047 per therm to a credit of \$0.0007 per therm. The Company's total OSMC customer credit was \$214,533.

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were scheduled and conducted in Flemington and Union, New Jersey on September 20, 2018 and September 24, 2018, respectively. One member of the public spoke at the Flemington hearing and commented about the high cost of living in New Jersey

² Elizabethtown's SBC currently consists of four (4) components: 1) the CEP; 2) the Remediation Adjustment Clause; 3) the Universal Service Fund; and 4) Lifeline. Only the CEP is addressed in this matter. The other components are addressed in separate filings.

³ All rates quoted herein include Sales and Use Tax.

which she asserted leads to the constant high rate increases by the utilities. No members of the public attended the hearings in Union or filed written comments with the Board.

On October 29, 2018, the Board issued an Order ("October 2018 Provisional Order") in this docket approving a stipulation executed by the Parties. The October 2018 Provisional Order authorized Elizabethtown to implement the August 2018 Petition rates on a provisional basis, subject to refund, effective November 1, 2018.

The monthly bill impact of the stipulated provisional WNC, SBC-CEP, and OSMC rates on a typical residential heating customer using 100 therms in a winter month was an increase of \$1.98 from \$88.80 to \$90.78 or 2.2% compared to the rates that would otherwise have been in effect October 1, 2018.

STIPULATION

Following discovery and a review of the issues in the August 2018 Petition, the Parties reached an agreement on the August 2018 Petition and on January 31, 2019 executed the Stipulation. The key terms of the Stipulation are as follows:⁴

- A. The Company shall maintain (1) its WNC rate of \$0.0194 per therm, (2) its CEP component of \$0.0215 per therm, and (3) its OSMC credit rate of \$0.0007 per therm, each rate being inclusive of all applicable taxes, and those rates shall remain in effect on a final basis until revised in accordance with applicable laws and regulations.
- B. Upon the Board's approval of the Stipulation, all issues concerning the WNC, SBC-CEP and OSMC and the costs recovered through these clauses are deemed resolved for purposes of this proceeding, but remain subject to audit by the Board. Set forth on Appendix A of the Stipulation are the Degree Day Consumption Usage Factors being used during the 2018 Winter Period. The Stipulation resolves all issues with respect to the proposed Factors.

DISCUSSION AND FINDINGS

The Board has reviewed the record in this matter, including the August 2018 Petition and the Stipulation, and **FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law as the Board is persuaded that there has been a thorough review of the costs reflected in the August 2018 Petition. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein.

The Board **HEREBY APPROVES** as final the Company's previously approved after-tax per therm rates as described in Paragraph A of the Stipulation. Those rates, effective on and after November 1, 2018 are: 1) the Company's WNC rate of \$0.0194; 2) the Company's SBC-CEP rate of \$0.0215; and 3) the Company's OSMC credit of \$0.0007.

The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms of the conditions of this Order by March 9, 2019.

⁴ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation are controlling, subject to the findings and conclusion in this Order.

The Company's costs, including those related to the clauses reviewed in this docket, will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

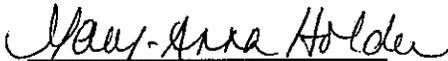
The effective date of this Order is March 9, 2019.

DATED: 2/27/19

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

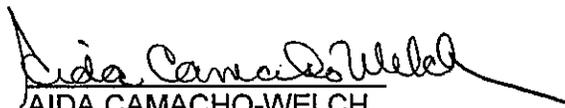


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
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 (1) Revise its Weather Normalization Clause Rate; (2) Revise the Clean Energy Program Component of its Societal Benefits Charge Rate; and (3) Revise its On-System Margin Sharing Credit Docket No. GR18080852

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Deborah M. Franco, Esq.
Regulatory Affairs Counsel

January 31, 2019

Via Email and FedEx

Aida Camacho-Welch, Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: In The Matter Of The Petition Of Elizabethtown Gas Company To (1) Revise Its Weather Normalization Clause Rate; (2) Revise the Clean Energy Program Component of its Societal Benefits Charge Rate; and (3) Revise Its On-System Margin Sharing Credit - BPU Case No. 18080852

Dear Secretary Camacho-Welch:

Enclosed for filing in the above 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.

Please contact the undersigned if you have questions or require further information. Thank you.

Respectfully submitted,

/s/ Deborah M. Franco

Deborah M. Franco

cc: Service List (via Electronic Mail)

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

In The Matter Of The Petition Of Elizabethtown Gas Company To (1) Revise Its Weather Normalization Clause Rate; (2) Revise the Clean Energy Program Component of its Societal Benefits Charge Rate; and (3) Revise Its On-System Margin Sharing Credit	: : : : : :	BPU Docket No. GR18080852 FINAL STIPULATION
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APPEARANCES:

Kenneth T. Maloney (Cullen and Dykman LLP), Attorneys for the Petitioner, Elizabethtown Gas Company
Deborah M. Franco, Esq., Regulatory Affairs Counsel, Elizabethtown Gas Company

Brian O. Lipman, Esq., Litigation Manager, **Felicia Thomas-Friel**, Managing Attorney Gas, Division of Rate Counsel, **Kurt S. Lewandowski, Esq.**, Assistant Deputy Rate Counsel, Division of Rate Counsel (**Stefanie A. Brand**, Director, Division of Rate Counsel)

Alex Moreau and **Timothy Oberleiton**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

BACKGROUND

On August 1, 2018, Elizabethtown Gas Company ("Elizabethtown" or "Company") filed a petition ("August 2018 Petition") with the New Jersey Board of Public Utilities ("Board" or "BPU") in BPU Docket No. GR18080852 to revise its Weather Normalization Clause ("WNC") rate, the Clean Energy Program ("CEP") component of the Societal Benefits Charge ("SBC") rate, and its On-System Margin Sharing Credit ("OSMC") for the period October 1, 2018 through September 30, 2019. In the August 2018 Petition, Elizabethtown proposed to increase its then current WNC rate from \$0.0000 per therm inclusive of all applicable taxes to \$0.0194 per therm inclusive of all applicable taxes to become effective October 1, 2018. As set forth in the August 2018 Petition, the rate was designed to credit an excess balance associated with the period October 1, 2017 through May 31, 2018 ("2018 Winter Period") that was attributable to overall colder than normal weather experienced in the Company's service territory during that

period, as well as a prior period deficiency balance. As stated in the August 2018 Petition, the current recoverable revenue deficiency balance is \$6,252,962 which, when divided by projected winter period therm volumes of 343,317,771 therms, produces a WNC rate of \$0.0194 per therm inclusive of applicable taxes.

In the August 2018 Petition, Elizabethtown proposed to modify its then current CEP component of the SBC rate from \$0.0251 per therm to \$0.0215 per therm inclusive of all applicable taxes to become effective October 1, 2018. As set forth in the August 2018 Petition, the Company stated the rate was designed to recover prior period costs, the net costs incurred to provide Board-approved CEP programs for the period ending June 30, 2018, and projected costs for the period ending June 30, 2019, totaling \$9,976,125. Based on the Fiscal Year 2019 CEP level of spending of \$10,637,432, and certain other additional adjustments described in the August 2018 Petition, Elizabethtown proposed a CEP rate of \$0.0215 per therm inclusive of all taxes.

The August 2018 Petition also proposed to modify its then current OSMC from a credit of \$0.0047 per therm inclusive of all applicable taxes to a credit of \$0.0007 per therm inclusive of all applicable taxes to become effective October 1, 2018. The rate is set in accordance with the mechanisms approved by the Board in Docket Nos. GT8602131, GM90090949, TC94030057, GR96080574, GR97070552 et al., and Docket Nos. GX99030121 et al., under which margins from certain on-system sales and transportation services are shared between firm sales customers, certain firm transportation customers and Petitioner on an 80%/20% basis through a credit, the OSMC, to the transportation rates charged to firm sales and Service Classification RDS customers.

The overall impact of the proposed adjustments to the WNC, CEP and OSMC rates as reflected in the August 2018 Petition would have increased the monthly bill of a typical residential heating customer using 100 therms by \$1.98, from \$91.40 to \$93.38, or an increase of 2.2%, as compared to the rates that were in effect as of August 1, 2018.

Notices describing the August 2018 Petition, including the requested rate changes therein, and setting forth the dates of the public hearings, were placed in newspapers having circulation within Elizabethtown's service territory and served on the county executives and clerks of all municipalities in the Company's service territory. Public hearings concerning the Company's Petition were held in Flemington, New Jersey on September 20, 2018 and Union, New Jersey on September 24, 2018. One member of the public attended the September 20, 2018 public hearing in Flemington to comment about gas rates and other related general information.

By Order dated October 29, 2018 ("October 29 Provisional Order") issued in this proceeding, the Board approved a stipulation authorizing the Company to implement (1) a WNC rate of \$0.0194 per therm; (2) a CEP component of the SBC rate of \$0.0215 per therm; and (3) an OSMC credit rate of \$0.0007 per therm. Each of the three rates was made effective on a provisional basis effective November 1, 2018 and included all applicable taxes. The total provisional WNC/CEP/OSMC rate of \$0.0402 increased the monthly bill of a typical residential heating customer using 100 therms by \$1.98 from \$88.80 to \$90.78, an increase of 2.2% based on rates in effect October 1, 2018.

Elizabethtown, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") engaged in discovery and discussed certain matters at issue in this docket. As a result of those discussions, the Parties have resolved all remaining issues in this proceeding in accordance with the Stipulation set forth below.

STIPULATION

Based upon and subject to the terms and conditions set forth herein, the Parties stipulate and agree as follows:

A. The Company shall maintain (1) its WNC rate of \$0.0194 per therm, (2) its CEP component of \$0.0215 per therm, and (3) its OSMC credit rate of \$0.0007 per therm, each rate being inclusive of all applicable taxes, and those rates shall remain in effect on a final basis until revised in accordance with applicable laws and regulations.

B. Upon the Board's approval of this Stipulation, all issues concerning the WNC, SBC-CEP and OSMC and the costs recovered through these clauses are deemed resolved for purposes of this proceeding, but remain subject to audit by the Board. Set forth on Appendix A are the Degree Day Consumption Usage Factors being used during the 2018/2019 Winter Period as submitted with the Company's August 2018 Petition. This Stipulation resolves all issues with respect to the proposed Factors.

C. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event that the Board does not adopt this Stipulation in its entirety in an Order, then 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.

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

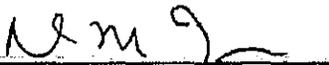
E. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except

as expressly provided herein, Elizabethtown, Board Staff, or Rate Counsel 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 that the Board issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

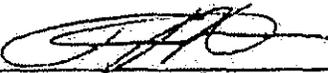
ELIZABETHTOWN GAS COMPANY

**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE
COUNSEL**

By: 
Deborah M. Franco
Regulatory Affairs Counsel

By: 
~~Felicia Thomas-Fried~~ *Kurt S. Lewandowski*
~~Managing Attorney Gas, ASU / PUA RATE~~
Division of Rate Counsel *COUNSEL*

**GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities**

By: 
~~Alex. Marceau~~ *Timothy R. Oberleiton*
Deputy Attorney General

Dated: January 29, 2019

Elizabethtown Gas Company
Weather Normalization Clause (WNC)

Development of the Normalized Degree Day Consumption Usage Factor
October 2018 through May 2019

Month a	Normalized Projected Heat Load ¹ (therms) c	Base Number of Customers ² b	Therms Per Customer d=b/c	Number of Customers ³ e	Annualized Projected Heat Load (therms) g	Monthly Normal Heating Degree Days (HDD) ⁴ f=d*e	Annualized Consumption Therms Per HDD h=f/g
Oct-18	12,797,887	282,731	45.26453	291,635	13,200,721	257	51,365
Nov	30,407,945	283,538	107.24489	291,635	31,278,306	523	59,802
Dec	48,837,943	284,438	171.69978	291,635	60,073,665	814	61,518
Jan-19	84,070,424	285,027	224.78721	291,635	85,555,818	993	66,018
Feb	65,610,283	285,853	194.65731	291,635	56,768,855	837	67,824
Mar	43,039,123	285,934	150.52118	291,635	43,897,244	678	64,745
Apr	19,208,810	285,804	67.20973	291,635	19,600,710	353	55,626
May	285,854	285,804	23.81013	291,635	6,943,867	126	55,110

1) Based on determinants used in the calculation of Therms per Degree Day approved in the 2016 base rate case, with a non-leap year HDD pattern for the months of February through May.

2) Base number of customers as approved in the 2016 base rate case.

3) May 31, 2018 customer count for those classes subject to the WNC clause.

4) 20-year 1996-2016 monthly normal heating degree days (base 65°F): represents a non-leap-year pattern.