

Dominick DiRocco, Esq.
VP/Rates & Regulatory Affairs

February 7, 2025

VIA ELECTRONIC MAIL

Sherrri Golden
Secretary
Office of the Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625

**Re: 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**

Dear Secretary Golden:

This submission is respectfully made on behalf of Elizabethtown Gas Company ("ETG" or "Company") to update the Company's filing made on December 11, 2023 in the above-referenced proceeding. The Company's proposal is for a 5-year, \$625 million IIP 2 program 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 and vintage steel pipe and associated services; (ii) continuing to upgrade the Company's legacy low pressure system to elevated pressure; (iii) installing approximately 35,000 excess flow valves, and (iv) establishing a cost recovery mechanism as provided for under the Board of Public Utilities' ("Board") regulations. The start date would be January 1, 2026.

Attached hereto are the following:

- (1) Appendix A - Updated Schedules TK-1 through TK-11
- (2) Appendix B - Updated Schedules MPS-1 through MPS-3
- (3) Appendix C - New Schedule KCG-1A, Addendum to Mears Expert Report
- (4) Appendix D - Proposed Procedural Schedule

The Company submits that Board approval of the Company's updated IIP 2 program is consistent with the public interest and the purpose and intent of the Board's IIP enabling regulations

as set forth in *N.J.A.C* 14:3-2A. As more fully described in the Company's previous filings in this proceeding, the proposed IIP will provide benefits to ETG's customers and the State of New Jersey. Accordingly, the Company respectfully requests the Board to adopt the proposed procedural schedule and approve the Company's updated filing in a timely manner.

In accordance with the March 19, 2020 and May 20, 2020 Board Orders issued in BPU Docket No. EO20030254, hard copies are not being provided at this time, but can be submitted at a later time, if needed.

Please direct any inquiries to the undersigned. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dominick DiRocco".

Dominick DiRocco

DD:slp
Enclosures

cc: Service List (electronic only)

**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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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

Updated Schedule TK-1
IIP 2ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 ("IIP 2")
Revenue Requirement and Residential Bill Impact

	6 Months					6 Months	
	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031	
	Proposed Oct 1	Proposed Oct 1	Proposed Oct 1	Proposed Oct 1	Proposed Oct 1	Proposed Oct 1	Proposed Oct 1
Plant In Service (excl AFUDC)	\$62,500,000	\$125,000,000	\$125,000,000	\$125,000,000	\$125,000,000	\$62,500,000	
Monitor	\$42,000	\$84,000	\$84,000	\$84,000	\$84,000	\$42,000	
AFUDC	\$404,021	\$808,043	\$808,043	\$808,043	\$808,043	\$404,021	
Total Plant In Service	\$62,946,021	\$125,892,043	\$125,892,043	\$125,892,043	\$125,892,043	\$62,946,021	
Book Depreciation, half year	(\$640,707)	(\$1,281,414)	(\$1,281,414)	(\$1,281,414)	(\$1,281,414)	(\$640,707)	
Deferred Income Tax	(\$483,427)	(\$966,854)	(\$966,854)	(\$966,854)	(\$966,854)	(\$483,427)	
Rate Base	\$61,821,887	\$123,643,775	\$123,643,775	\$123,643,775	\$123,643,775	\$61,821,887	
Rate of Return - net of tax	6.93%	6.93%	6.93%	6.93%	6.93%	6.9300%	
	\$4,284,257	\$8,568,514	\$8,568,514	\$8,568,514	\$8,568,514	\$4,284,257	
O&M Reduction for Leak Repairs - net of tax	(\$35,945)	(\$71,890)	(\$71,890)	(\$71,890)	(\$71,890)	(\$35,945)	
Depreciation Exp, net of tax	\$921,208	\$1,842,417	\$1,842,417	\$1,842,417	\$1,842,417	\$921,208	
Allowable Net Income	\$5,169,520	\$10,339,041	\$10,339,041	\$10,339,041	\$10,339,041	\$5,169,520	
Revenue Factor	1.407347	1.407347	1.407347	1.407347	1.407347	1.407347	
Current Revenue Requirement	\$7,275,308	\$14,550,618	\$14,550,618	\$14,550,618	\$14,550,618	\$7,275,308	
Previous Periods	\$0	\$7,275,308	\$21,825,926	\$36,376,544	\$50,927,162	\$65,477,780	
Cumulative Revenue Requirement	\$7,275,308	\$21,825,926	\$36,376,544	\$50,927,162	\$65,477,780	\$72,753,088	
CBT Rate, see Sch 9	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	
FIT Rate, See Sch 9	21.000%	21.000%	21.000%	21.000%	21.000%	21.000%	
Net Tax Rate	28.110%	28.110%	28.110%	28.110%	28.110%	28.110%	
Average Book Depreciation Rate	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%	
Tax Depreciation Rate	3.750%	3.750%	3.750%	3.750%	3.750%	3.750%	
Bonus Depreciation Rate	0%	0%	0%	0%	0%	0%	
Half Year Book Depreciation	\$640,707	\$1,281,414	\$1,281,414	\$1,281,414	\$1,281,414	\$640,707	
Tax Bonus Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	
Tax Depreciation	\$2,360,476	\$4,720,952	\$4,720,952	\$4,720,952	\$4,720,952	\$2,360,476	
Deferred Income Tax Credit, (Bk - Tax)* Tax Rate	(\$483,427)	(\$966,854)	(\$966,854)	(\$966,854)	(\$966,854)	(\$483,427)	
O&M Reduction for Leak Repairs - pre tax	(\$50,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$50,000)	
Residential 1,000 Therm Current Period Bill Impact:							
Revenue Requirement % Sch TK-3 * Rev. Req.	66.233268%	\$ 4,818,674	\$ 9,637,350	\$ 9,637,350	\$ 9,637,350	\$ 4,818,674	
Rate Case Therms, Sch TK-4 / Pre Tax Rate	264,606,623	\$0.0182	\$0.0364	\$0.0364	\$0.0364	\$0.0182	
Rate Increase Per Therm w/ SUT, Year 1 Sch TK-2	106.625%	\$0.0194	\$0.0388	\$0.0388	\$0.0388	\$0.0194	
Annual Increase, w/tax	1,000	\$19.40	\$38.80	\$38.80	\$38.80	\$19.40	
Cumulative Increase		\$19.40	\$58.20	\$97.00	\$135.80	\$194.00	
1,000 therm Bill (as of 1/1/25) Inc. Current Yr 5 plus *	\$1,622.00	\$1,641.40	\$1,680.20	\$1,719.00	\$1,757.80	\$1,796.60	\$1,816.00
% Increase from Prior Bill		1.2%	2.4%	2.3%	2.3%	2.2%	1.1%
Cumulative % Increase from Current Bill		1.2%	3.6%	6.0%	8.4%	10.8%	12.0%
* 18 Month Estimate for IIP X Included Above:	\$36.20						

Updated Schedule TK-2
IIP 2

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 (“IIP 2”)
Estimated Proposed Rates - October 1, 2026
and
Incremental 6 Month IIP 2 Rate Changes

	Current Rates * w/ Tax	Extension Rates ** w/ Tax	Current & Extension w/ Tax	2024 Rate Case % of Base Revenues	Target Revenue Requirement	Revenue per Proof	2024 Rate Case Distribution Therms	Estimated 10/1/26 Pre Tax Rates per Proof	Sales Tax 6.625%	Estimated 10/1/26 Tariff Rates w/ Tax ***	IIP 2 Changes w/ Tax ****
Residential Delivery Service (RDS)	\$0.0174	\$0.0362	\$0.0536	66.233268%	\$18,126,403	\$18,125,554	264,606,623	\$0.0685	\$0.0045	\$0.0730	\$0.0194
Small General Service (SGS)	\$0.0187	\$0.0370	\$0.0557	6.625728%	\$1,813,297	\$1,814,238	25,480,871	\$0.0712	\$0.0047	\$0.0759	\$0.0202
General Delivery Service (GDS)	\$0.0136	\$0.0266	\$0.0402	23.307184%	\$6,378,598	\$6,376,671	124,301,572	\$0.0513	\$0.0034	\$0.0547	\$0.0145
GDS SP#1 May -Oct	\$0.0016	\$0.0032	\$0.0048	0.000435%	\$119	\$119	19,185	\$0.0062	\$0.0004	\$0.0066	\$0.0018
Natural Gas Vehicles (NGV)	\$0.0320	\$0.0643	\$0.0963	0.052383%	\$14,336	\$14,338	116,571	\$0.1230	\$0.0081	\$0.1311	\$0.0348
Large Volume Demand (LVD)	\$0.0049	\$0.0109	\$0.0158	3.645673%	\$997,730	\$998,531	49,432,246	\$0.0202	\$0.0013	\$0.0215	\$0.0057
Electric Generation Firm (EGF)	\$0.0136	\$0.0266	\$0.0402	0.000000%	\$0	\$0	-	\$0.0513	\$0.0034	\$0.0547	\$0.0145
Gas Lights Service (GLS)	\$0.0164	\$0.0350	\$0.0514	0.000550%	\$151	\$151	2,304	\$0.0655	\$0.0043	\$0.0698	\$0.0184
Firm Spec. Contracts	\$0.0007	\$0.0009	\$0.0016	0.134780%	\$36,886	\$36,690	18,345,133	\$0.0020	\$0.0001	\$0.0021	\$0.0005
				100.0%	\$27,367,520	\$27,366,292					(\$1,228)

Notes:

EGF at zero is set equal GDS.

* 2024 Rate Case Docket. No. GR24020158, Order Dated 11-21-24, Rates Effective 12-1-24.

** Estimated per 18 Months of an In-Service amounts of \$120 Million for Mains and Services.

*** Consisting of: Current Rates plus 18 Month IIP Extension Estimated Rates and 6 Months of IIP 2.

**** Estimated rates for 6 Months IIP 2.

Updated Schedule TK-3
IIP 2

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 ("IIP 2")
Revenue Requirement Allocation, Plant In-Service

Approved IIP Year 5 plus Estimated Revenue Requirements as of June 2026

Revenue Requirement, see below	\$27,367,520	2024 Rate Case		Allocation
		Base Revenues	Overall %	
Residential Delivery Service (RDS)		\$211,847,288	66.233268%	\$18,126,403
Small General Service (SGS)		\$21,192,408	6.625728%	\$1,813,297
General Delivery Service (GDS)		\$74,548,091	23.307184%	\$6,378,598
GDS SP#1 May -Oct		\$1,391	0.000435%	\$119
Natural Gas Vehicles (NGV)		\$167,547	0.052383%	\$14,336
Large Volume Demand (LVD)		\$11,660,695	3.645673%	\$997,730
Electric Generation Firm (EGF)		\$0	0.000000%	\$0
Gas Lights Service (GLS)		\$1,758	0.000550%	\$151
Firm Spec. Contracts		\$431,093	0.134780%	\$36,886
Total Firm Revenues		\$319,850,271	100.000000%	\$27,367,520
Interruptible Revenues		\$7,790,843		
Other Revenues		\$1,510,100		
TOTAL REVENUES		\$329,151,214		\$27,367,520

Revenue Requirements:

June 2024	\$6,217,958	Year 5 Revenue Requirements *
June 2025	\$9,279,062	Estimate Yr 1 IIP X
December 2025	\$4,595,192	Estimate 6 Months IIP X
June 2026	\$7,275,308	Estimate 6 Months IIP 2
June 2027		
June 2028		
June 2029		
June 2030		
June 2031		

Notes:

Total \$27,367,520

* per Appendix E to the Stipulation approved by the Board's order dated 11-21-24 in the 2024 Rate Case Docket. No. GR24020158

**Updated Schedule TK-4
IIP 2**

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 (“IIP 2”)
Proof of Revenue Target:**

	<u>2024 Rate Case</u>	<u>Target Revenue</u> <i>=SCH-3 Rev Alloc</i>	<u>Proposed Rates and Revenue</u>	
	<u>Therms</u>		<u>Pre Tax Rates</u> <i>=Target Rev/ Therms</i>	<u>Proof Revenue</u> <i>=Therms * Rates</i>
Residential	264,606,623	\$18,126,403	\$0.0685	\$18,125,554
Small General Service	25,480,871	\$1,813,297	\$0.0712	\$1,814,238
General Delivery Service	124,301,572	\$6,378,598	\$0.0513	\$6,376,671
GDS SP#1 May - Oct	19,185	\$119	\$0.0062	\$119
Natural Gas Vehicles	116,571	\$14,336	\$0.1230	\$14,338
Large Volume Demand	49,432,246	\$997,730	\$0.0202	\$998,531
Electric Generation	0	\$0	\$0.0513	\$0
Gas Lights	2,304	\$151	\$0.0655	\$151
Firm Special Contract(s)	18,345,133	\$36,886	\$0.0020	\$36,690
	<u>482,304,505</u>	<u>\$27,367,520</u>		<u>27,366,292</u>
Non IIP Case Therms	<u>61,768,895</u>	<u>\$0</u>	Target	<u>27,367,520</u>
	<u>544,073,400</u>		Difference	<u>(1,228)</u>

* EGF at zero is set equal GDS.

Updated Schedule TK-5
IIP 2

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 ("IIP 2")
Weather Normalization Clause ("WNC") Margin Revenue Factor ("MRF")
For Conservation Incentive Program (CIP) to Determine Weather and Non-Weather Amounts
Estimated Proposed Rates - October 1, 2026

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						
RDSH	\$0.6991	\$0.0434	\$0.6557	232,220,627	62.662%	\$0.4109
RDSNH	\$0.6991	\$0.0434	\$0.6557	6,800,640	1.835%	\$0.0120
RDS	\$0.6991	\$0.0434	\$0.6557	239,021,267	64.497%	\$0.4229
SGS	\$0.5562	\$0.0346	\$0.5216	23,125,180	6.240%	\$0.0325
GDS	\$0.3457	\$0.0215	\$0.3242	108,446,370	29.263%	\$0.0949
				<u>370,592,817</u>	100.00%	<u>\$0.5503</u>
IIP Rates						
RDSH	\$0.0730	\$0.0045	\$0.0685	232,220,627	62.662%	\$0.0429
RDSNH	\$0.0730	\$0.0045	\$0.0685	6,800,640	1.835%	\$0.0013
RDS	\$0.0730	\$0.0045	\$0.0685	239,021,267	64.497%	\$0.0442
SGS	\$0.0759	\$0.0047	\$0.0712	23,125,180	6.240%	\$0.0044
GDS	\$0.0547	\$0.0034	\$0.0513	108,446,370	29.263%	\$0.0150
				<u>370,592,817</u>	100.00%	<u>\$0.1078</u>
					Total	<u>\$0.6581</u>

* Therms per the Company's 2024 Rate Case, October through May..

Updated Schedule TK-6
IIP 2

ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 (“IIP 2”)
Earnings Test

	January-24	Through	Preliminary December-24	
Net Income:				
1 Net Income (including IIP and CIP margin revenue, net of tax)			\$51,623,234	
less: non-recurring items, income / (loss) net of tax (1)			\$0	
Net Income after adjustment			<u>\$51,623,234</u>	
2 Less:				
Non-firm Sales & Transportation margins, net of tax			\$73,933	
Off-system Sales & Capacity Release, net of tax			\$1,441,531	
Energy Efficiency Program margins, net of tax			<u>\$4,240,638</u>	
			\$5,756,102	
3 Regulated Jurisdictional Net Income (L1-L2)				<u><u>\$45,867,132</u></u>
4 Common Equity Balances, per Rate Base				
		<u>December-23</u>	<u>December-24</u>	<u>Average</u>
Rate Base		\$1,542,904,220	\$1,819,907,970	1,681,406,095
Equity %, 2024 Rate Case				55.00%
Average Equity				<u><u>\$924,773,352</u></u>
5 ROE (L3/L4)				<u><u>4.96%</u></u>
Rate of Return on Equity, 2024 Rate Case			9.60%	
ROE Test: Rate Case plus 50 Basis Points			<u>0.50%</u>	<u>10.10%</u>

(1) no adjustments.

**Updated Schedule TK-6.1
IIP 2**

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 (“IIP 2”)
Statement of Rate Base**

<u>Line No.</u>	<u>December-23</u>	<u>Preliminary December-24</u>
1 Utility Plant In Service *	\$2,199,891,990	\$2,538,736,685
2 Accumulated Depreciation, Utility Retirement WIP	(\$387,965,477)	(\$420,853,373)
3 Acquisition Adjustment	(\$160,000,000)	(\$160,000,000)
4 Amortization of Acquisition Adjustment	\$65,999,984	\$81,999,980
5 Net Utility Plant	<u>\$1,717,926,497</u>	<u>\$2,039,883,292</u>
6		
7 Pension/OPEB	\$26,263,347	\$19,622,069
8 Cash Working Capital ⁽¹⁾	\$28,234,763	\$44,611,929
9 Inventories ⁽²⁾		
10 Natural Gas Stored Underground and LNG	\$16,686,677	\$9,240,365
11 Materials & Supplies incl. Fleet Fuel and Propane Inv.	\$436,854	\$427,605
12 Customer Deposits ⁽²⁾	(\$4,917,509)	(\$4,947,121)
13 Customer Advances ⁽²⁾	(\$1,677,027)	(\$1,710,200)
14 Deferred Income Taxes:		
15 Excess Protected ADIT	(\$76,472,657)	(\$74,690,244)
16 Federal Income Tax	(\$111,204,240)	(\$144,483,919)
17 NJ CBT	(\$52,372,485)	(\$68,045,806)
18 Consolidated Tax Adjustment ⁽¹⁾	\$0	\$0
19		
20 Total Rate Base	<u>\$1,542,904,220</u>	<u>\$1,819,907,970</u>

⁽¹⁾ December 2023 Equals the approved level in Docket No. GR21121254.
December 2024 Equals the approved level in Docket No. GR24040281.

⁽²⁾ Represents thirteen month averages of account balances.

* Utility Plant In Service excludes IIP removals not yet in base rates.

Miles / Cost Per per Yr MI & \$\$\$ Total MI & \$\$\$ **ELIZABETHTOWN GAS COMPANY**
 2,500,000 50 250 Infrastructure Investment Program 2 ("IIP 2")
 \$2,500,000 \$125,000,000 \$625,000,000 Actual / Projected In-Service Expenditures

Schedule TK-7
 IIP 2

Periods:	In-Service			In-Service		In-Service			In-Service
	60% Mains	40% Services	IIP Program	Monitor	In-Service Pre AFUDC	AFUDC Mains	AFUDC Services	<i>estimated</i> Rate At 6.46% 10.00% AFUDC Total	
12 mos Ending									
Jun-26	\$37,500,000	\$25,000,000	\$62,500,000	\$42,000	\$62,542,000	\$242,521	\$161,500	\$404,021	\$62,946,021
Jun-27	\$75,000,000	\$50,000,000	\$125,000,000	\$84,000	\$125,084,000	\$485,043	\$323,000	\$808,043	\$125,892,043
Jun-28	\$75,000,000	\$50,000,000	\$125,000,000	\$84,000	\$125,084,000	\$485,043	\$323,000	\$808,043	\$125,892,043
Jun-29	\$75,000,000	\$50,000,000	\$125,000,000	\$84,000	\$125,084,000	\$485,043	\$323,000	\$808,043	\$125,892,043
Jun-30	\$75,000,000	\$50,000,000	\$125,000,000	\$84,000	\$125,084,000	\$485,043	\$323,000	\$808,043	\$125,892,043
Jun-31	\$37,500,000	\$25,000,000	\$62,500,000	\$42,000	\$62,542,000	\$242,521	\$161,500	\$404,021	\$62,946,021
insert rows to expand									
Total	\$375,000,000	\$250,000,000	\$625,000,000	\$420,000	\$625,420,000	\$2,425,214	\$1,615,000	\$4,040,214	\$629,460,214

**ELIZABETHTOWN GAS COMPANY
 Infrastructure Investment Program 2 (“IIP 2”)
 Annualized Depreciation**

**Schedule TK-8
 IIP 2**

	End Date	Yr	Rates		In-Service Depreciation			Depreciation	AFUDC Depreciation		Full Year
			Mains	Services	Mains	Services	Monitor	Expense	Mains	Services	Depreciation
			376	380	376	380	376	<u>Pre AFUDC</u>	376	380	Expense
											W/ AFUDC
	Jun-26	1	<u>1.64%</u>	<u>2.63%</u>	615,000	657,500	689	1,273,189	3,977	4,247	1,281,413
	Jun-27	2	1.64%	2.63%	1,230,000	1,315,000	1,378	2,546,378	7,955	8,495	2,562,828
	Jun-28	3	1.64%	2.63%	1,230,000	1,315,000	1,378	2,546,378	7,955	8,495	2,562,828
	Jun-29	4	1.64%	2.63%	1,230,000	1,315,000	1,378	2,546,378	7,955	8,495	2,562,828
	Jun-30	5	1.64%	2.63%	1,230,000	1,315,000	1,378	2,546,378	7,955	8,495	2,562,828
	Jun-31	6	1.64%	2.63%	615,000	657,500	689	1,273,189	3,977	4,247	1,281,413
insert rows to expand											
Total					\$6,150,000	\$6,575,000	\$6,890	\$12,731,890	\$39,774	\$42,474	\$12,814,138

**Updated Schedule TK-9
IIP 2**

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 ("IIP 2")
Weighted Average Cost of Capital ("WACC")**

Rate Case Effective 12-1-24	Capitalization		CBT at	9%
	Ratios	Rate	FIT at	21%
			Cost %	After Tax
				28.110%
Long Term Debt	45.00%	5.11%	2.30%	1.65%
Common Equity	55.00%	9.60%	5.28%	5.28%
Total Capitalization	100.00%		7.58%	6.93%

**Updated Schedule TK-10
IIP 2**

**ELIZABETHTOWN GAS COMPANY
Infrastructure Investment Program 2 (“IIP 2”)
Revenue Expansion Factor**

		Rate Case 12/1/2024
Revenue Increase		100.000%
Uncollectible Accounts Percentage		0.8899%
BPU Assessments / BPU & RC		0.2197%
RC Assessments		0.0509%
Income before Corporate Business Tax		98.8395%
NJ Corporate Business Tax @	9.0%	8.8956%
Income before Federal Income Taxes		89.9439%
Federal Income Taxes @	21.0%	18.8882%
Return		71.0557%
Revenue Factor (100% / Return %)		1.407347
Rounding to Settlement Factor		-
Settlement Revenue Factor		1.407347

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	313,804	51,924
November	314,658	62,695
December	315,462	69,188
January	314,902	68,423
February	315,199	65,801
March	315,468	63,989
April	315,682	52,634
May	315,867	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 \$0.6581 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 xxx2Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083Filed 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	\$0.0730
SGS	Small General Service	\$0.0759
GDS	General Delivery Service	\$0.0547
GDS	Seasonal SP#1 May-Oct	\$0.0066
NGV	Natural Gas Vehicles	\$0.1311
LVD	Large Volume Demand	\$0.0215
EGF	Electric Generation	\$0.0547
GLS	Gas Lights	\$0.0698
	Firm Special Contracts	\$0.0021

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>
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Date of Issue: ~~November 26, 2024~~ xxx1Effective: Service Rendered
on and after ~~December 1,~~
2024 xxx2Issued by: Christie McMullen, President
520 Green Lane
Union, New Jersey 07083Filed Pursuant to Order of the Board of Public Utilities
Dated ~~November 21, 2024~~ xxx3 in Docket No. ~~GR24020158~~ 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	\$0.0730 \$0.0174
SGS	Small General Service	\$0.0759 \$0.0187
GDS	General Delivery Service	\$0.0547 \$0.0136
GDS	Seasonal SP#1 May-Oct	\$0.0066 \$0.0016
NGV	Natural Gas Vehicles	\$0.1311 \$0.0320
LVD	Large Volume Demand	\$0.0215 \$0.0049
EGF	Electric Generation	\$0.0547 \$0.0136
GLS	Gas Lights	\$0.0698 \$0.0164
	Firm Special Contracts	\$0.0021 \$0.0007

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: ~~November 26, 2024~~xxx1

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

Filed Pursuant to Order of the Board of Public Utilities
Dated ~~November 21, 2024~~xxx3 in Docket No. ~~GR24020158~~xxx4

Elizabethtown Gas Company
Capital Financial Summary Report
Actual 5 Year Capex in \$M
Calendar Years 2020-2024

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
New Business	\$35.0	\$43.9	\$48.7	\$56.6	\$59.3
Infrastructure Program	\$84.2	\$85.6	\$85.5	\$112.1	\$118.2
Infrastructure Investment Program (No OH, No AFUDC)	\$74.4	\$69.4	\$72.5	\$93.1	\$87.0
Infrastructure Investment Program (OH)	\$3.8	\$6.6	\$7.9	\$8.9	
Infrastructure Investment Program (AFUDC)	\$0.2	\$0.4	\$0.5	\$0.6	
Infrastructure Investment Program - Base Spend (No OH, No AFUDC)	\$5.4	\$8.3	\$4.1	\$8.8	\$1.9
Infrastructure Investment Program - Base Spend (OH)	\$0.3	\$0.8	\$0.4	\$0.7	
Infrastructure Investment Program - Base Spend (AFUDC)	\$0.0	\$0.0	\$0.0	\$0.1	
Infrastructure Investment Program X					\$26.5
Infrastructure Investment Program X - Base Spend					\$2.7
Infrastructure Investment Program II					
Infrastructure Investment Program II - Base Spend					
System Growth and Maintenance	\$81.1	\$96.1	\$106.7	\$101.6	\$93.3
Total Capital	\$200.3	\$225.5	\$240.9	\$270.4	\$270.9

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	5 Year Total	5 Year Avg
New Business	\$35.0	\$43.9	\$48.7	\$56.6	\$59.3	\$243.5	\$48.7
System Growth and Maintenance	\$81.1	\$96.1	\$106.7	\$101.6	\$93.3	\$478.8	\$95.8
Total Capital Baseline	\$116.1	\$140.0	\$155.4	\$158.2	\$152.7	\$722.3	\$144.5

New Business (approx. 50% of 5 year average)						\$120.0	\$24.0
System Growth and Maintenance¹	\$38.6	\$69.5	\$85.5	\$81.4	\$93.3	\$365.0	\$73.0
Total Capital Baseline						\$485.0	\$97.0

¹ Excludes one-time items related to LNG and IT

February 3, 2025

Elizabethtown Gas

Attention: Michael Scacifero

Subject: Draft Addendum to “Study of Vintage Steel, Plastic and Cast Iron Mains and Associated Services Report 11/21/2023”

Mears Group, Inc. (Mears) is pleased to provide the following addendum to our previously issued report.

This addendum addresses recent findings concerning failures of Aldyl-A plastic piping, specifically in relation to the explosion and fire at the R.M. Palmer candy factory in West Reading, Berks County, Pennsylvania, on March 24, 2023. The National Transportation Safety Board’s (NTSB) investigation and public hearing provided factual findings regarding the incident, which resulted in the destruction of a factory building, significant structural damage to adjacent structures, and seven fatalities—all Palmer employees. Additionally, ten individuals were injured, including seven employees and three bystanders who assisted after the explosion.

The factory was supplied by a 1 ¼-inch Aldyl-A plastic main installed in 1982. In February 2021, the operator, UGI, relocated the gas meter from the basement of Building 2 to the exterior due to natural gas indications detected during a leak survey¹. During this process, the original Aldyl-A plastic service tee and a stub from the 1982 service line remained attached to the main, operating at a pressure of 53 psi. This tee and stub were situated among other pipeline facilities, including a 3 ½-inch steel steam line used for heating, which was found to be corroded, deformed, and cracked². The Aldyl-A plastic tee was positioned directly above this deteriorated steam line.

A 2007 PHMSA Advisory³ identified Aldyl-A plastic tees with Delrin inserts as susceptible to brittle-like cracking, depending on the resin composition.

Post-incident recovery of the Aldyl-A plastic tapping tee revealed the cap was missing, along with a portion of the Delrin insert. Observations included:

- A longitudinal fracture in the tower shell, consistent with slow crack growth.
- Deformation of the tee.
- A circumferential fracture of the Delrin insert, with only the lower portion recovered.
- Evidence of material degradation in the insert, including a granular appearance, cracking, and porosity.
-

¹ NTSB West Reading, Pennsylvania Pipeline Operations Group Chair’s Factual Report PLD23LR002, November 21, 2023

² NTSB West Reading, Materials Laboratory Factual Report PLD23LR002, November 21, 2023

³ Updated Notification of the Susceptibility to Premature Brittle-Like Cracking of Older Plastic Pipe, Department of Transportation September 6, 2007.



Privileged and Confidential – Attorney Work Product

The NTSB report attributed the failure to a combination of factors, including exposure to elevated temperatures from the leaking steam line and forces likely introduced by surface loadings.

Pennsylvania Public Utilities Commission introduced a tentative order on August 1, 2024 titled “Replacement of Older Plastic Pipe in Natural Gas Distribution Systems”. The Commission found it “*appropriate to explore the acceleration of replacing the aforementioned older plastic pipe materials*”⁴.

Mears thanks you for the opportunity to provide our **Integrity Management Services**. If you have any questions or comments, please do not hesitate to contact me at (989) 854-5077.

Sincerely,
Mears Group, Inc.

Kurt Lawson,
Vice President – Engineering Special Projects

Cc: Kevin Garrity

⁴ PAPUC Docket Number M-2024-3050313 – “Replacement of Older Plastic Pipe in Natural Gas Distribution Systems” – Public Meeting, August 1, 2024. Agenda No. 3050313-CMR

APPENDIX D

**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**

PROPOSED PROCEDURAL SCHEDULE

Complete all Discovery on Elizabethtown Filing	April 30, 2025
Settlement Conference	May 7, 2025
Settlement Conference	May 15, 2025
Settlement Conference	May 22, 2025
Settlement Conference	June 5, 2025
Non-Petitioner Direct Testimony Due	June 20, 2025
Complete all Discovery on Non-Petitioner Testimony	July 30, 2025
Rebuttal Testimony	August 15, 2025
All Parties Discovery Requests on Rebuttal Testimony	August 30, 2025
Settlement Conference	September 17 & 18, 2025 (if needed)
Hearings	TBD (commissioner schedule)
Initial Briefs	TBD
Reply Briefs	TBD
BPU Decision and Order	TBD