



Agenda Date: 12/18/2018  
Agenda Item: 2G

**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/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PIVOTAL )  
UTILITY HOLDINGS, INC. D/B/A 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, SETTING )  
MANNER OR SERVICE AND )  
BAR DATE )  
DOCKET NO. GR18101197

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Mary Patricia Keefe, Esq., Vice President, Elizabethtown Gas Company**

BY THE BOARD:

**Infrastructure Investment Program**

On October 29, 2018, Elizabethtown Gas Company<sup>1</sup> ("Elizabethtown" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval for its Infrastructure Investment Program ("IIP" or "Program"),<sup>2</sup> including an associated cost recovery mechanism pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A.1 *et seq.* ("I&R Rules")<sup>3</sup> and any other provision deemed applicable by the Board. Elizabethtown proposes to invest \$518 million over a five (5) year period from 2019 through 2023. Of this amount, Elizabethtown proposes to recover \$466 million under the IIP Rider F with the remaining amount of \$52 million (10% of total IIP), allocated as base spend to be recovered in a subsequent base rate case filing in accordance with N.J.A.C. 14:3-2A. The proposed Program includes six (6) infrastructure

<sup>1</sup> In an Order dated June 22, 2018 issued in BPU Docket No. GM17121309, the Board approved, *inter alia*, the acquisition of Elizabethtown Gas, then a utility operating division of Pivotal Utility Holdings, Inc., by ETG Acquisition Corp., a wholly owned subsidiary of South Jersey Industries, Inc. The acquisition was consummated on July 1, 2018 and ETG Acquisition Corp. was renamed "Elizabethtown Gas Company."

<sup>2</sup> Elizabethtown proposes cost recovery through a separate clause of ETG's tariff, Rider F, which will recover revenue requirements associated with the IIP based on actual plant-in service for six-month periods. Elizabethtown anticipates that each year, a filing will be made on February 1 and August 1 to recover revenue requirements for plant based in-services. The first rate adjustment filing will not occur until August 1, 2020 based on actual plant in-service through June 30, 2020.

<sup>3</sup> On December 19, 2017, the Board adopted new rules for utility "Infrastructure Investment and Recovery" to encourage utilities to implement infrastructure investments. The rules are codified at N.J.A.C. 14:3-2A.1 *et seq.* ("I&R Rules") and became effective on January 16, 2018.

projects. The proposed projects would: (1) replace and retire approximately 364 miles of vintage, at risk mains and associated customer services; (2) upgrade the legacy low-pressure system located primarily in the eastern portion of the service territory to elevated pressure; (3) relocate approximately 44,000 inside meters sets to outside; (4) install approximately 38,600 excess flow valves on the upgraded system; (5) retire approximately 100 district regulators that will no longer be needed once the existing low pressure system is upgraded; and (6) convert five existing master meter systems to individual meters. The projects are grouped into four (4) subprogram categories: Low Pressure System Replacement and Upgrade, Small Diameter Elevated Pressure System Replacement, Large Diameter Elevated Pressure Cast Iron Replacement, and Master Meter Complexes.

According to the petition, the Low-Pressure System Replacement and Upgrade subprogram includes replacing 278 miles of the low-pressure system. In addition, 38,379 service lines would be replaced; much of them being vintage steel, copper and plastic, and excess flow valves ("EFVs") will be installed on each service line. The Company indicates the EFVs are required since the system pressure will be increased. In addition, 43,956 meters will be replaced and moved from the inside to the outside of premises. The estimated capital cost for this subprogram is \$41,514,750.

The Small Diameter Elevated Pressure System Replacement subprogram involves the replacement of approximately 17 miles of two (2) inch through six (6) inch diameter vintage ductile iron, bare steel and copper mains, 1,997 vintage steel and plastic services, the installation of 100 EFVs and replacement of 2,686 meters. The estimated capital cost for this subprogram is \$26,149,386.

With regard to the Large Diameter Elevated Pressure Cast Iron Replacement subprogram, Elizabethtown indicates it has approximately 17 miles of large diameter elevated pressure cast iron main remaining in its system located in the eastern portion of its service territory. The pipe consists of 16 inch through 30 inch in diameter and operates at a maximum pressure of 25 pounds per square inch gauge. This program will target the replacement of 11 of those miles. These pipes have been susceptible to leaks at their joints and fittings due to age, soil conditions, traffic loading, ground movement and construction activities. These mains are proposed to be replaced with cathodically protected coated steel. The estimated capital cost for this subprogram is \$74,180,116.

Elizabethtown's Master Meter Complexes subprogram proposes to have each of the five (5) master metered facilities it serves redesigned to have new mains, services and individual meters serve each apartment unit. EFVs will be installed on the new service lines and some facilities will require internal pipe configuration. The estimated capital cost for this subprogram is \$3,237,896.

The Company proposes a return on investment based on a weighted average cost of capital ("WACC") of 6.707 percent, based on the Board's Order in Elizabethtown's last base rate case proceeding in Docket No. GR16090826, adjusted for subsequent tax rate changes associated with the Tax Cuts and Jobs Act of 2017. The initial WACC will be based on the return on equity of 9.6 percent and an equity component in the capital structure of 46 percent. Any future Board-approved changes in the WACC in future base rate cases would be reflected in any subsequent revenue requirement calculations for the Elizabethtown IIP.

**DISCUSSION**

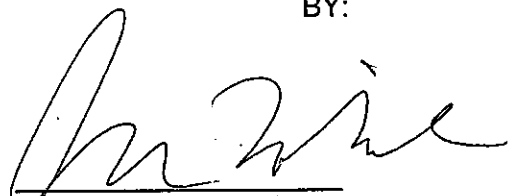
The Board has determined that the petition described above should be retained by the Board for hearing, and pursuant to N.J.S.A. 48:2-32, **HEREBY DESIGNATES** Commissioner Upendra J. Chivukula as the presiding officer with authority to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues. Further, the Board **HEREBY DIRECTS** that any entity seeking to intervene or participate in this matter file the appropriate application with the Board by January 8, 2019. Any party wishing to file a motion for admission of counsel, pro hac vice, should do so concurrently with any motion to intervene or participate.

In the interests of economy, all parties are **HEREBY DIRECTED** to serve all documents electronically, while still providing hard copies to the Board for those documents, which must be filed, with the Board, and also providing two hard copies to each party, unless otherwise requested by the parties. Finally, the Board **HEREBY DIRECTS** Staff to post this Order on the Board's website.

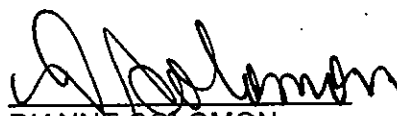
The effective date of this Order is December 28, 2018.

DATED: 12/18/18

BOARD OF PUBLIC UTILITIES  
BY:


  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY ANNA HOLDEN  
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UPENDRA J. CHIVUKULA  
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ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A  
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

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