



Agenda Date: 5/8/19
Agenda Item: 2D

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)
ELIZABETHTOWN GAS COMPANY TO REVISE THE)
REMEDICATION ADJUSTMENT CLAUSE COMPONENT)
OF ITS SOCIETAL BENEFITS CHARGE RATE)

DECISION AND ORDER
APPROVING STIPULATION

DOCKET NO. GR18080885

Parties of Record:

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

BY THE BOARD:

On August 13, 2018, Elizabethtown Gas Company ("Elizabethtown" or "Company") filed a petition ("2018 RAC Petition") with the New Jersey Board of Public Utilities ("Board") seeking review and approval of the Company's Manufactured Gas Plant Remediation Adjustment Clause ("RAC") activities costs incurred between July 1, 2017 through June 30, 2018 ("RAC Period") plus prior period true-up amounts. By this Decision and Order, the Board considers a stipulation of settlement ("Stipulation") executed by Elizabethtown, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Parties") which addresses the issues in the 2018 RAC Petition.

BACKGROUND

The Societal Benefits Charge ("SBC") was created through the Electric Discount and Energy Competition Act. Elizabethtown's SBC is comprised of a number of components: the RAC, New Jersey Clean Energy Program ("NJCEP"), Universal Service Fund ("USF") and Lifeline Program charges. The RAC allows the Company to adjust its rates to recover reasonably incurred environmental remediation costs associated with the clean-up of its former manufactured gas plant ("MGP") sites, on a deferred basis over a rolling seven year (7) year period with carrying charges tied to the seven (7) year treasuries plus sixty basis (60) basis points.

The Company owns and/or operated six (6) former MGP sites in New Jersey. These sites are located in Elizabeth (two plants), Rahway, Perth Amboy, Flemington, and Newton. The Elizabeth, Rahway and Perth Amboy sites were solely owned and/or operated by the Company and/or its predecessor companies. Flemington and Newton were co-owned by a predecessor of the Jersey Central Power & Light Company ("JCP&L"), which is currently owned by First Energy.

2018 RAC PETITION¹

The Company's 2018 Petition sought RAC related costs for former manufactured gas plant sites incurred during the period July 1, 2011 through June 30, 2018, which is based on a seven (7) year cost amortization, in addition to specific adjustments and prior period true-up amounts. The 2018 RAC Period cost totaled \$27,414,334 from which a net of \$308,075 was deducted due to a 50% deferral for litigation insurance costs. The proposed net remediation cost of \$27,106,259 will be recovered over the seven (7) year amortization period. With respect to the Flemington and Newton sites, the 2018 RAC Petition only sought recovery of costs for the Flemington and Newton sites attributable to Elizabethtown.²

In accordance with the Company's tariff, the proposed RAC rate was determined by calculating the sum of: (a) one-seventh (1/7) of the Company's net deferred remediation costs incurred over the twelve months ended June 30th for the periods ending 2012 through 2018 totaling \$1,332,275, and is comprised of the net recoverable amount for each year of \$1,223,745 plus the deferred tax adjustment of \$108,800, (b) the (\$18,908) interest accrued on RAC related costs calculated in the manner approved by the board in BPU Docket Nos. GX99030121 and GO99030122 dated March 30, 2001, and (c) the prior year's RAC over recovery balance of (\$258,219). The sum of these amounts total \$946,348, which was divided by projected sales and service volumes from October 1, 2018 through September 30, 2019.

The Company proposed to increase the RAC rate from a credit of \$0.0128³ per therm to a charge of \$0.0020 per therm effective October 1, 2018. The rate is designed to recover approximately \$0.9 million in RAC related costs over a twelve-month period.

After publication of notice in newspapers, in general circulation in the Company's service territory, on September 20 and 24, 2018, public hearings regarding this docket were held in Flemington and Union, respectively. No members of the public appeared at any of the hearings.

STIPULATION⁴

Following a review of discovery, the Parties reached an agreement on issues related to the 2018 Petition and on April 15, 2019, executed the Stipulation. The key terms of the Stipulation are as follows:

Effective Rates

- B. As of the effective date, Elizabethtown will implement an RAC rate of \$0.0020 per therm, inclusive of all applicable taxes, and that rate shall remain in effect until changed by order of the Board. The calculation of this rate is set forth in Appendix A of the Stipulation.

¹ The 2018 Petition did not seek any adjustment to the other SBC rate components, i.e. the NJCEP, USF and Lifeline charges.

² Recovery costs for the Flemington and Newton sites are shared between JCP&L and Elizabethtown on a sixty percent (60%)/forty percent (40%) basis, respectively, in accordance with a Memorandum of Understanding between Elizabethtown and JCP&L dated February 23, 1993.

³ All rates herein include sales and use taxes.

⁴ Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are lettered to coincide with the Stipulation.

- C. The Company represents that the labor allocation reflected in the RAC rate proposed in the 2018 RAC Petition did not include recovery of incentive compensation costs and the rates agreed to in the Stipulation do not reflect recovery of such costs.
- D. The Company represents that the RAC filing does not include the recovery of any Natural Resource Damage ("NRD")-related costs. NRD-related costs are defined as compensation to the State of New Jersey for injury to its natural resources, above and beyond costs incurred to investigate, contain or remediate former manufactured gas plant sites. "NRD-related costs" also include any administrative, legal or consulting costs incurred by the Company associated with NRD claims being investigated by the New Jersey Department of Environmental Protection, as well as any amounts paid by the Company to resolve such claims. The Parties agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the RAC component of the Company's SBC, of NRD-related costs, if any. The Parties expressly reserve their rights to argue their respective position on these and related issues in future proceedings, as appropriate and in a manner consistent with the Board's September 22, 2011 Order issued in BPU Docket Nos. GR07080645, GR08090836 and GR09080651 resolving Elizabethtown's 2007, 2008 and 2009 RAC proceedings. To the extent incurred, NRD-related costs shall be deferred until such time as the Board addresses the rate recovery of NRD-related costs via the RAC mechanism.
- E. The Company agrees that it will include with its RAC filings responses to the minimum filing requirements ("MFR") as set forth in Appendix B to the Stipulation and that it shall not request any late fees or late charges that are associated with legal costs recovered through the RAC.
- F. Upon approval by the Board of the RAC rate reflected in the Stipulation, the Company will propose and file with the Board a revised tariff sheet to reflect the RAC rate agreed to in the Stipulation. A draft tariff sheet is attached to the Stipulation as Appendix C.
- G. Approval of the RAC rate in the Stipulation will result in a total SBC rate of \$0.0338 per therm, inclusive of all applicable taxes.

Rate Impact

- H. The rate increase of the RAC rate from a credit rate of \$0.0128 per therm to a charge of \$0.0020 per therm will increase the monthly bill of a typical residential heating customer using 100 therms by \$1.48, from \$95.32 to \$96.80, or an increase of 1.6%, as compared to Elizabethtown's March 1, 2019 rates.

DISCUSSION AND FINDING

The Board has reviewed the record in this proceeding, including the attached Stipulation. The Board **FINDS** it to be reasonable and in the public interest, being persuaded that the MGP costs have been thoroughly reviewed. The Board **HEREBY FINDS** that the Company's MGP remediation work performed during the RAC Period was prudent, and the resulting MGP costs for the RAC Period are reasonable and prudent.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein and **HEREBY APPROVES** the Company's implementation of an increase in its RAC rate to a charge of \$0.0020 per therm for service rendered on or after June 1, 2019. The Board **HEREBY DIRECTS** the Company to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to June 1, 2019. Based on the Stipulation, a typical residential heating customer using 100 therms annually will see an increase in their annual bill of \$1.48 or 1.6%.

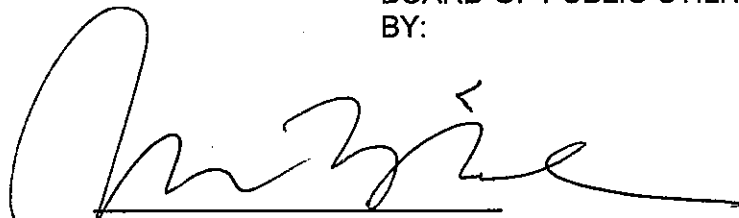
The Board **FURTHER ORDERS** that the NRD related costs should continue to be deferred until such time as the Board addresses the rate recoverability of NRD related costs via the RAC mechanism.

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

This Order shall be effective on May 18, 2019.

DATED: 5/8/19

BOARD OF PUBLIC UTILITIES
BY:



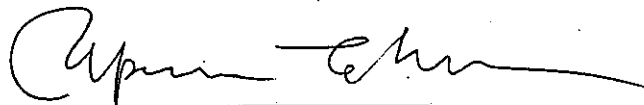
JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



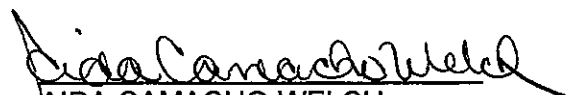
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY TO REVISE THE
REMEDIAL ADJUSTMENT CLAUSE COMPONENT OF ITS SOCIETAL BENEFITS
CHARGE RATE

BPU DOCKET NO. GR18080885

SERVICE LIST

Rate Counsel

Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
sbrand@rpa.nj.gov

Felicia Thomas-Friel, Esq.
fthomas@rpa.nj.gov

Brian Lipman, Litigation Manager
blipman@rpa.nj.gov

Maura Caroselli, Esq.
mcaroselli@rpa.nj.gov

Henry Ogden, Esq.
hogden@rpa.nj.gov

Deputy Attorneys General

Division of Law
Post Office Box 45029
Newark, NJ 07101-45029

Geoffrey Gersten, DAG
geoffrey.gersten@law.njoag.gov

Patricia Krogman, DAG
patricia.krogman@law.njoag.gov

Board of Public Utilities

Post Office Box 350
Trenton, NJ 08625-0350

Aida Camacho-Welch, Board Secretary
board.secretary@bpu.nj.gov

Division of Energy

Stacy Peterson, Director
stacy.peterson@bpu.nj.gov

Kevin Moss, Bureau Chief
kevin.moss@bpu.nj.gov

Oneil Hamilton
oneil.hamilton@bpu.nj.gov

Counsel's Office

Heather Weisband, Esq.
heather.weisband@bpu.nj.gov

ETG

Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083

Thomas Kaufman
tkaufmann@sjindustries.com

Deborah Franco, Esq.
dfranco@sjindustries.com



Deborah M. Franco, Esq.
Regulatory Affairs Counsel

520 Green Lane
Union, NJ 07083
T: (908) 662-8448
F: (908) 662-8496
dfranco@sjindustries.com

Via FedEx & Electronic Mail

April 15, 2019

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

**Re: In The Matter Of The Petition Of Elizabethtown Gas Company To Revise The
Remediation Adjustment Clause Component of its Societal Benefits Charge Rate
BPU Docket No. GR18080885**

Dear Secretary Camacho-Welch:

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 ("Board") and the Division of Rate Counsel. It is respectfully requested that the Board consider this Stipulation at its May 8, 2019 agenda meeting.

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

Sincerely,

/s/ Deborah M. Franco

Deborah M. Franco

cc: Service List Electronically

**IN THE MATTER OF THE PETITION OF ELIZABETHTOWN GAS COMPANY
TO REVISE THE REMEDIATION ADJUSTMENT CLAUSE COMPONENT
OF ITS SOCIETAL BENEFITS CHARGE RATE
BPU DOCKET NO. GR18080885**

SERVICE LIST

Steven Cook
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083

Thomas Kaufmann
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083

Deborah M. Franco, Esq.
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083

Susan Potanovich
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083

Oneil Hamilton
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

Kevin Moss
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

Stacy Peterson
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

Stefanie A. Brand, Director
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Maura Caroselli, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Brian Lipman, Litigation Manager
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Henry Ogden, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Patricia Krogman, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Renee Greenberg, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Caroline Vachier, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Kenneth T. Maloney
Cullen & Dykman
1101 14th Street NW, Suite 750
Washington, DC 20005

Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870

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

-----X
: **In The Matter Of The Petition Of** : **BPU Docket No. GR18080885**
: **Elizabethtown Gas Company To** :
: **Revise The Remediation Adjustment Clause** :
: **Component of its Societal Benefits Charge Rate** : **STIPULATION**
:
-----X

APPEARANCES:

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

Felicia Thomas-Friel, Managing Attorney Gas, Division of Rate Counsel, **Maura Caroselli, Esq. and Henry M. Ogden, Esq., Assistant Deputy Rate Counsels**, Division of Rate Counsel (Stefanie A. Brand, Director, Division of Rate Counsel)

Patricia Krogman, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

BACKGROUND

1. On August 13, 2018, Elizabethtown Gas Company (“Elizabethtown” or “Company”) filed a petition (“2018 RAC Petition”) with the New Jersey Board of Public Utilities (“BPU” or “Board”) in BPU Docket No. GR18080885 to revise the Remediation Adjustment Clause (“RAC”) component of its Societal Benefits Charge (“SBC”) rate.

2. The 2018 RAC Petition proposed an increase to the Company’s SBC-RAC credit rate of \$0.0128 per therm, inclusive of applicable taxes, to a charge of \$0.0020 per therm, inclusive of applicable taxes.¹ The proposed SBC-RAC rate of \$0.0020 per therm was designed to recover approximately \$0.9 million in RAC-related costs over a 12-month period.

¹ The Company’s credit rate of \$0.0128 per therm was approved in a September 22, 2017 Board Order in BPU Docket No. GR16080794. In an Order dated October 29, 2018 in BPU Docket No. GR17091005, the Board approved a Stipulation among the parties to that proceeding that authorized the Company to maintain the credit rate of \$0.0128 per therm.

3. The RAC-related costs for which recovery was sought in the 2018 Petition were the costs to test, contain and remediate the Company's former manufactured gas plant sites (described below) incurred during the period July 1, 2011 through June 30, 2018, based on a seven-year cost amortization, plus certain adjustments and prior period true-up amounts. The 2018 costs totaled \$27,414,334, from which a net of \$308,075 for the deferral of 50% of litigation insurance costs were deducted, resulting in proposed recoverable net remediation costs of \$27,106,259 that are subject to recovery over the seven-year amortization period.

4. In accordance with the Company's tariff, the Company's proposed SBC-RAC rider rate was determined by calculating the sum of (i) one seventh of its net deferred remediation costs incurred during the twelve months ended June 30th for the periods ending 2018, 2017, 2016, 2015, 2014, 2013 and 2012, totaling \$1,332,275, which is made up of the net of each year as shown in the table set out in the footnote below,² which equals \$1,223,475 plus the deferred tax adjustment of \$108,800; (ii) (\$18,908) of interest accrued on RAC-related costs calculated in the manner approved by the Board in its Order in BPU

² The Company's 2018 RAC Petition set forth the net deferred remediation costs for the twelve months ended June 30th for the period ending 2018, 2017, 2016, 2015, 2014, 2013 and 2012 less the deferred tax benefit as follows:

<u>Year</u>	<u>Recoverable Amount</u>
2018	\$3,617,128
2017	\$2,105,369
2016	(\$3,152,179)
2015	(\$3,569,667)
2014	\$528,836
2013	\$628,521
2012	\$1,065,467
Total	<u>\$1,223,475</u>

Docket No. GX99030121 and GO99030122 dated March 30, 2001; and (iii) the prior year's RAC overrecovery balance of (\$258,219). The sum of these amounts, as shown on Appendix A total \$946,348 which was divided by the projected sales and service volumes to the service classifications subject to the RAC in order to yield the proposed SBC-RAC rider rate of \$0.0020 per therm inclusive of all applicable taxes.

5. The Company has six former manufactured gas plant sites in New Jersey: two that are located in Elizabeth, one on South Street, and one on Erie Street including the Renora Landfill, and one each in Rahway, Perth Amboy, Flemington and Newton. The Erie Street, South Street, Rahway and Perth Amboy sites were owned and/or operated exclusively by Elizabethtown and/or its predecessor companies. Flemington and Newton were also owned by a predecessor of Jersey Central Power & Light Company ("JCP&L"), which is now owned by First Energy. With respect to the Flemington and Newton sites, the 2018 RAC Petition only sought recovery of costs for the Flemington and Newton sites attributable to Elizabethtown.³

6. The 2018 RAC Petition did not propose to adjust the New Jersey Clean Energy Program ("CEP"), Universal Service Fund ("USF") and Lifeline rate components of the SBC.

7. The 2018 RAC Petition was not transmitted to the Office of Administrative Law by the Board. Public hearings were held on September 20, 2018 in Flemington, New Jersey and September 24, 2018 in Union, New Jersey. No members of the public attended. Elizabethtown, Board Staff and the New Jersey Division of Rate Counsel ("Rate Counsel")

³ Recovery costs for the Flemington and Newton sites are shared between JCP&L and Elizabethtown Gas on a 60% / 40% basis, respectively, in accordance with Memorandum of Understanding between Elizabethtown and JCP&L dated February 23, 1993.

conducted discovery and discussed discovery-related issues and settlement of this proceeding.

8. Board Staff, Rate Counsel and Elizabethtown (the “Stipulating Parties”) have reached this Stipulation which is intended to resolve all issues associated with the 2018 Petition in the manner set forth below.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** as follows:

Effective Date

A. The Parties acknowledge that the RAC rate change will become effective as of the effective date of a Board Order approving this Stipulation in accordance with N.J.S.A. 48:2-40 or upon such date thereafter as the Board may specify.

Effective Rates

B. As of the Effective Date, Elizabethtown will implement an SBC-RAC rate of \$0.0020 per therm, inclusive of all applicable taxes, and that rate shall remain in effect until changed by order of the Board. The calculation of this rate is set forth in Appendix A which is attached to this Stipulation.

C. The Company represents that the labor allocation reflected in the SBC-RAC rate proposed in the 2018 RAC Petition did not include recovery of incentive compensation costs and the rates agreed to in this Stipulation do not reflect recovery of such costs.

D. The Company represents that the SBC-RAC filing does not include the recovery of any Natural Resource Damage (“NRD”)-related costs. NRD-related costs are defined as compensation to the State of New Jersey for injury to its natural resources, above and beyond costs incurred to investigate, contain or remediate former manufactured gas plant sites. “NRD-related costs” also include any administrative, legal or consulting costs

incurred by the Company associated with NRD claims being investigated by the New Jersey Department of Environmental Protection, as well as any amounts paid by the Company to resolve such claims. The parties accordingly stipulate and agree that the Board should make no determination in this proceeding as to the reasonableness, or the recoverability under the RAC component of the Company's SBC, of NRD-related costs, if any. The Parties expressly reserve their rights to argue their respective position on these and related issues in future proceedings, as appropriate and in a manner consistent with the Board's September 22, 2011 Order issued in BPU Docket Nos. GR07080645, GR08090836 and GR09080651 resolving Elizabethtown's 2007, 2008 and 2009 RAC proceedings. To the extent incurred, NRD-related costs shall be deferred until such time as the Board addresses the rate recovery of NRD-related costs via the RAC mechanism.

E. The Company agrees that it will include with its RAC filings responses to the minimum filing requirements ("MFR") as set forth in Appendix B to this Stipulation and that it shall not request any late fees or late charges that are associated with legal costs recovered through the RAC.

F. Upon approval by the Board of the SBC-RAC rate reflected in this Stipulation, the Company will propose and file with the Board a revised tariff sheet to reflect the SBC-RAC rate agreed to in this Stipulation. A draft tariff sheet is attached hereto as Appendix C.

G. Approval of the RAC rate in this Stipulation will result in a total SBC rate of \$0.0338 per therm, inclusive of all applicable taxes.

Rate Impact

H. The rate increase of the SBC-RAC rate from a credit rate of \$0.0128 per therm to a charge of \$0.0020 per therm will increase the monthly bill of a typical residential

heating customer using 100 therms by \$1.48, from \$95.32 to \$96.80, or an increase of 1.6%, as compared to Elizabethtown's March 1, 2019 rates.

All Issues Resolved

I. Upon the Board's approval of this Stipulation, all issues concerning the SBC-RAC and the costs recovered through this rate are deemed resolved for purposes of this proceeding, but remain subject to audit by the Board.

Further Provisions

J. This Stipulation is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, then any Stipulating Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. In the event this Stipulation is not adopted in its entirety by the Board in its Order in this matter, then any Stipulating Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation, as though this Stipulation had not been signed.

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

L. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein, is intended to be binding only in this proceeding and only as to the matters specifically addressed herein.

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

ELIZABETHTOWN GAS COMPANY

By: 
Deborah M. Franco
Regulatory Affairs Counsel

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

By: 
Patricia Krogman
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Maura Caroselli
Assistant Deputy Rate Counsel

Dated: April 15, 2019

GR 18080885

Appendix A

RAC Schedule
TK-1

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMEDIAATION ADJUSTMENT CLAUSE (RAC)**

**CALCULATION OF THE RAC RATE BASED ON VOLUMES FROM
October 1, 2018 through September 30, 2019
RECOVERY YEAR - 2019**

1a Recovery Year Amortization Costs (Sch. TK-2, L5, pgs 1+2+3+4+5+6+7)	\$1,332,275
1b Recovery Year Deferred Tax Adjustments (Sch. TK-2, L16, pgs 1+2+3+4+5+6+7)	<u>(\$108,800)</u>
1 Recovery Year Recoverable Costs (L1a +L1b)	\$1,223,475
2 Accrued Carrying Costs (Sch. TK-3)	(\$18,908)
3 Prior Year RAC Overrecovery (Sch. TK-4)	(\$258,219)
4 Total Recovery Year Recoverable / (Refund) Costs (L1+L2+L3)	\$946,348
5 Projected Normalized Sales and Services (Forecast Sch. TK-1)	494,007,264 therms
6 RAC COMPONENT, before taxes (L4/L5)	\$0.0019 /therm
7 Sales & Use Tax @ 6.825%	<u>\$0.0001</u>
8 RAC COMPONENT (L6+L7)	<u>\$0.0020 /therm</u>

**ELIZABETHTOWN GAS COMPANY
REMEDATION ADJUSTMENT CLAUSE ("RAC") FILING
MINIMUM FILING REQUIREMENTS (MFR) INDEX**

Minimum Filing Requirements	Schedule
1. Please provide a vendor listing for the prior RAC period that contains information concerning vendor expenditures by MGP site, also showing a description of the services provided and the amount of each vendor invoice. The vendor list should include the monthly actual expenditures for the twelve month RAC period.	SLC-2
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.	SLC-2
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve months of the most recent RAC period.	SLC-2
4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.	SLC-2 Confidential
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.	SLC-2
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company should provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.	SLC-2
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.	SLC-2
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information	SLC-2

**ELIZABETHTOWN GAS COMPANY
REMEDIATION ADJUSTMENT CLAUSE ("RAC") FILING
MINIMUM FILING REQUIREMENTS (MFR) INDEX**

Minimum Filing Requirements	Schedule
provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.	
9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.	TK-2
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.	SLC-2
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during their previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.	SLC-2 Confidential
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.	SLC-2
13. Provide a calculation of the carrying costs that the Company seeks to recover in its filing, including workpapers and supporting documentation.	TK-3
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.	SLC-2
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.	SLC-2
16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.	SLC-2
17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.	SLC-2

RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")

Applicable to all tariff Service Classifications except those Customers under special contracts that explicitly do not permit the Company to apply increased charges as filed and approved by the BPU and those customers exempted pursuant to the Long-Term Capacity Agreement Pilot Program ("LCAPP"), P.L. 2011, c.9, codified as N.J.S.A. 48:3-60.1. See the LCAPP Exemption Procedures at the end of this Rider.

The SBC is designed to recover the t components listed below and any other new programs which the Board determines should be recovered through the Societal Benefits Charge.

<u>SBC Rate Components:</u>		<u>Per Therm</u>
I.	New Jersey Clean Energy Program ("CEP")	\$0.0215
II.	Remediation Adjustment Charge ("RAC")	\$0.0020
III.	<u>Universal Service Fund and Lifeline:</u>	
	1. Universal Service Fund ("USF")	\$0.0049
	2. Lifeline	<u>\$0.0054</u>
	TOTAL	\$0.0338

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.

I. New Jersey Clean Energy Program Component ("CEP")

The Comprehensive Resource Analysis ("CRA") name was changed to the Clean Energy Program - CEP per Board Order dated January 22, 2003 in Docket No. EX99050347 *et.al*. The CEP is a mechanism that will (1) establish a rate to recover the costs of the Core and Standard Offer Programs in the Company's CEP Plan which was approved by the BPU" in Docket No. GE92020104, and (2) compensate the Company for the revenue erosion resulting from conservation savings created by the Standard Offer Program. The annual recovery period for the CEP is from October 1 through September 30. The CEP recovers program costs and revenue erosion incurred during the previous CEP year ended June 30.

1. CEP program costs include the costs of core programs, standard offer payments and any administrative costs not recovered directly from standard offer providers.

Date of Issue: xxx2

Effective: Service Rendered
on and after xxx3

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

Filed Pursuant to Order of the Board of Public Utilities
Dated xxx4 in Docket No. GR18080885