



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

ENGINEERING

IN THE MATTER OF THE PETITION OF)
ELIZABETHTOWN GAS COMPANY TO IMPLEMENT) ORDER APPROVING
AN INFRASTRUCTURE INVESTMENT PROGRAM) STIPULATION OF
("IIP") AND ASSOCIATED RECOVERY MECHANISM) SETTLEMENT
PURSUANT TO N.J.S.A. 48:2-21 AND N.J.A.C. 14:3-2A) DOCKET NO. GR23120882

Parties of Record:

Dominick DiRocco, Esq., SJI Utilities, Inc., on behalf of Elizabethtown Gas Company
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Giordano, Halleran and Ciesla, P.C. for New Jersey Large Energy Users Coalition

BY THE BOARD:¹

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a stipulation of settlement ("Stipulation") executed by Elizabethtown Gas Company ("ETG" or "Company"), Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel"), and the New Jersey Large Energy Users Coalition ("NJLEUC") (collectively, "Parties") in the above-captioned matter.

BACKGROUND

On June 12, 2019, the Board approved a stipulation of settlement authorizing ETG to conduct its initial infrastructure investment program ("IIP") ("2019 IIP").² ETG's 2019 IIP was a five (5)-year program, running from July 1, 2019 through June 30, 2024, wherein the Board authorized ETG to spend up to \$300 million to replace up to 250 miles of cast iron and bare steel main and associated services. The 2019 IIP also included costs related to the installation of excess flow valves ("EFVs") on new service lines.

¹ President Guhl-Sadovy recused herself due to a potential conflict of interest and as such took no part in discussions or deliberations on this matter.

² In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR18101197, Order dated June 12, 2019.

PETITION

On December 11, 2023, ETG filed a petition with the Board seeking approval of its second IIP (“IIP 2” or “Program”) and an associated cost recovery mechanism pursuant to N.J.A.C. 14:3-2A (“Petition”).³ The Company proposed a five (5)-year Program with a total investment level of approximately \$625 million.

By the Petition, ETG proposed IIP 2 to include: 1) installing approximately 250 miles of new main, and retirement of approximately 274 miles of at-risk cast iron, vintage steel and vintage plastic mains and associated services; 2) upgrading the Company’s low pressure system to elevated pressure; and 3) installing approximately 35,000 EFVs on the upgraded system.⁴

By the Petition, the Company proposed to recover Program costs through a series of rate adjustment filings including: 1) depreciation expense providing for the recovery of the invested capital over its useful book life; and 2) a return on the net investment, which will be calculated as the gross investment, plus Allowance for Funds Used During Construction (“AFUDC”) and Independent Monitor costs, less depreciation expense and deferred income taxes. The return on the net investment would be calculated utilizing the after-tax Weighted Average Cost of Capital (“WACC”), which is predicated on the rate of return approved in the Company’s most recent base rate case. As proposed by ETG, any change in the rate of return authorized by the Board in a future base rate case would be reflected in the subsequent monthly revenue requirement calculations.

PROCEDURAL HISTORY

By Order dated January 31, 2024, the Board determined that the Petition should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, designated Commissioner Michael Bange as the presiding officer authorized to rule on all motions that arise during the pendency of the proceeding, and to set and modify any schedules as may be necessary to secure a just and expeditious determination of the issues.⁵ Additionally, by the January 2024 Order, the Board directed that entities seeking leave to intervene or participate in this matter file the appropriate application with the Board on or before February 29, 2024, and that any party wishing to file a motion for admission of counsel *pro hac vice* do so concurrently with any motion to intervene or participate.

³ On December 19, 2017, the Board adopted new regulations for utility “Infrastructure Investment and Recovery” supporting the implementation of an IIP, which allows a utility to accelerate its investment in the construction, installation, and rehabilitation of certain non-revenue producing utility plant and facilities that enhance safety, reliability, and/or resiliency (“II&R Regulations”). The rules are codified at N.J.A.C. 14:3-2A.1 *et seq.* and became effective on January 16, 2018.

⁴ The Company also proposed to relocate inside meter sets to the outside, but these costs, like all other meter costs, were not proposed to be recovered through IIP 2.

⁵ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program (“IIP”) and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order Designating Commissioner and Setting Manner of Service and Bar Date, BPU Docket No. GR23120882, Order dated January 31, 2024 (“January 2024 Order”).

By Order dated April 25, 2024, Commissioner Bange granted intervenor status to NJLEUC and participant status to the Engineers Labor-Employer Cooperative, Public Service Electric and Gas Company, the Utility and Transportation Contractors Association of New Jersey, Skoda Contracting Company, and the New Jersey Laborers-Employers Cooperation and Education Trust.⁶

Following proper notice, two (2) virtual public hearings were held on May 2, 2024. No members of the public appeared or provided comments at the hearings. The Board received three (3) written public comments in support of the Program.

By Order dated July 24, 2024, the Board approved a stipulation of settlement authorizing ETG to conduct an extension of its 2019 IIP ("IIP Extension").⁷ The IIP Extension constituted an eighteen (18)-month program, from July 1, 2024 through December 31, 2025, during which the Board authorized ETG to spend up to \$120 million to replace a minimum of seventy-five (75) miles of high-risk facilities, which included low-pressure cast iron or steel pipe segments and associated services, as well as the installation of EFVs. Additionally, the Petition was held in abeyance.

Pursuant to the stipulation approved by the July 2024 Order, on January 23, 2025, the Parties were to convene for a status conference, no later than January 31, 2025, to resume this proceeding. On January 23, 2025, the Parties conducted the required status conference. By correspondence dated February 7, 2025, ETG updated the Petition and proposed a procedural schedule in this matter.

By Prehearing Order dated April 7, 2025, Commissioner Bange approved a procedural schedule in this matter.⁸ By correspondence dated June 24, 2025, the Company requested, with the consent of all parties to this proceeding, to amend the April 2025 Prehearing Order. By Order dated July 8, 2025, Commissioner Bange approved the Company's request to modify the April 2025 Prehearing Order and issued an updated procedural schedule in this matter.⁹

⁶ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order on Motions to Intervene or Participate, BPU Docket No. GR23120882, Order dated April 25, 2024.

⁷ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR18101197; and In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR23120882, Order dated July 24, 2024 ("July 2024 Order").

⁸ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Prehearing Order Setting Procedural Schedule, BPU Docket No. GR23120882, Order dated April 7, 2025 ("April 2025 Prehearing Order").

⁹ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order Modifying Procedural Schedule, BPU Docket No. GR23120882, Order dated July 8, 2025 ("July 2025 Prehearing Order").

By correspondence dated September 26, 2025, the Company requested, with the consent of all parties to this proceeding, to amend the July 2025 Prehearing Order. By Order dated October 3, 2025, Commissioner Bange approved the Company's request to modify the July 2025 Prehearing Order and issued an updated procedural schedule in this matter.¹⁰

By correspondence dated October 3, 2025, the Company requested, with the consent of the Parties, to suspend the procedural schedule in this matter. Commissioner Bange subsequently consented to the Company's request to suspend the procedural schedule.

STIPULATION

Following extensive discovery and settlement meetings, the Parties executed the Stipulation, which provides for the following:¹¹

1. ETG may implement the IIP 2 pursuant to the requirements of N.J.A.C. 14:3-2A.1 et seq., subject to the terms of the Stipulation. The IIP 2 will include accelerated capital investment in ETG's gas distribution system and a related cost recovery mechanism ("IIP 2 Cost Recovery Mechanism"), as described in the Stipulation. In addition, the Stipulation includes Baseline Capital Spending amounts [defined in Paragraph six (6) of the Stipulation] to be made by the Company and recovered in the ordinary course through base rates as described in the Stipulation.
2. The IIP 2 shall consist of the capital investment of up to \$100 million, excluding the Baseline Capital Spending amounts [defined in Paragraph six (6) of the Stipulation], AFUDC, and Independent Monitor costs ("IIP 2 Capital Investment Cap"), in the Company's gas distribution system over the two (2)-year period beginning January 1, 2026 through December 31, 2027. The capital investments may be recovered through the IIP 2 Cost Recovery Mechanism permitted pursuant to N.J.A.C. 14:3-2A.6.
3. The IIP 2 Capital Investment Cap of \$100 million is derived by applying a cost-per-mile cap of \$2.0 million per mile to an IIP 2 mileage cap of fifty (50) miles over the two (2)-year IIP 2 term. The projects to be recovered through the IIP 2 Cost Recovery Mechanism consist of the replacement of up to fifty (50) miles of cast iron and at-risk vintage steel mains and related services, as well as the installation of EFVs where gas service line replacements require, excluding EFVs installed upon customer request ("IIP 2 Projects"). Vintage steel includes pre-1971 coated steel facilities. However, the Company will prioritize the removal of pre-1960s coated steel facilities in accordance with the Company's Distribution Integrity Management Plan ("DIMP"). These projects are intended to enhance distribution system safety and reliability to the benefit of ETG's customers, to help support the environment, and to facilitate economic development and employment in New Jersey. The IIP 2 Projects and amounts are incremental to the Company's normal capital spending budget.

¹⁰ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order Modifying Procedural Schedule, BPU Docket No. GR23120882, Order dated October 3, 2025.

¹¹ Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions of this Order. Paragraphs are numbered to coincide with the Stipulation.

4. Capital investments for the replacement of vintage plastic mains and related services, relocation of meters and labor costs associated with the relocations from an inside to outside location, retirement of district regulators, and conversion of master metered complexes to individually metered apartments are not eligible for recovery through the IIP 2 Cost Recovery Mechanism (“Excluded Investments”). Such Excluded Investments will be credited toward the Baseline Capital Spending amounts defined in Paragraph six (6) of the Stipulation.
5. Costs recoverable under the IIP 2 Cost Recovery Mechanism shall not exceed \$2.0 million per mile. Costs incurred by the Company in excess of \$2.0 million per mile will be credited toward the Baseline Capital Spending requirement set forth in Paragraph six (6) of the Stipulation for the year in which the cost is incurred. Recovery of costs in excess of \$2.0 million per mile for IIP facilities may be sought through a future base rate case.

Baseline Capital Spending

6. In addition to the IIP 2 expenditures described in Paragraphs one (1) through five (5) of the Stipulation, over the two (2)-year IIP 2 investment period from January 1, 2026 through December 31, 2027, the Company agrees to maintain Baseline Capital Spending amounts consisting of: (i) a Total Capital Baseline Spend and (ii) an IIP 2 Baseline Spend as defined in the Stipulation. ETG will seek recovery of the Baseline Capital Spending amounts in a future base rate case. If the Company fails to maintain an annual baseline capital expenditure level prescribed in the Stipulation, the amount of investment eligible for recovery through IIP 2 Cost Recovery Mechanism for the subsequent year will be reduced by an amount equal to the difference between the applicable baseline and the actual annual capital expenditure made by the Company. However, if the Company fails to maintain, for the second and final year of the Program, an annual baseline capital expenditure of at least the applicable agreed level, no recovery of IIP 2 Cost Recovery Mechanism eligible costs will be permitted for the second and final year for which the annual baseline expenditure is not met. If the annual baseline capital expenditure is not met for the second and final year of the Program, then traditional ratemaking practices will apply for that year and there will be no deferral of any IIP 2 Rate Mechanism-related cost for that year. Instead, all IIP 2 Cost Mechanism-related costs for the second and final year of the Program in which the annual baseline capital expenditure level was not met will be reviewed in the Company’s next base rate case and recovered through base rates, if reasonable and prudent. ETG may petition the Board seeking an exception from the Baseline Capital Spending requirements contained in the Stipulation based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Parties reserve their rights to take any position on such a request.
7. The Total Capital Baseline Spend will be equal to an annual amount of \$97 million per IIP 2 year or \$194 million over the two (2)-year IIP 2 investment period January 1, 2026 through December 31, 2027. The Total Capital Baseline Spend (\$97 million) is based upon the Company’s five (5)-year historical capital spending (2020-2024). The specific capital investments made by the Company as part of the Total Capital Baseline Spend are within the discretion of ETG and shall include all capital expenditures, including Excluded Investments and costs in excess of \$2.0 million per mile. New business expenditures included in the Total Capital Baseline Spend shall not exceed an annual

amount of \$24 million per year for the duration of IIP 2. The Total Capital Baseline Spend shall not include expenditures associated with the IIP 2 Baseline Spend.

8. The IIP 2 Baseline Spend will be equal to 10% of the IIP 2 budget or \$10 million over the two (2)-year IIP 2 investment period from January 1, 2026 through December 31, 2027. The IIP 2 Baseline Spend will consist of expenditures on projects similar to those eligible for recovery under the IIP 2 Cost Recovery Mechanism.

Term

9. Each Party shall use its best efforts to ensure that the Stipulation will be considered at the Board's earliest available regularly scheduled public agenda meeting to allow for a start date as soon as practicable after Board approval. Should the Board issue an Order approving the Stipulation, it will become effective upon such date that the Board specifies and in accordance with N.J.S.A. 48:2-40. However, the Parties understand there is no guarantee that this matter will be decided on a particular date or at a specific Board meeting.
10. The IIP 2 two (2)-year investment period shall commence on January 1, 2026 and end on December 31, 2027. The Company may include IIP 2 non-construction expenditures, such as planning and engineering of IIP 2 projects upon Board approval of the IIP 2, provided that such expenditures were incurred for plant placed in service as part of the Program on or after the effective date of the Board's Order approving the Program pursuant to N.J.A.C. 14:3-2A.6(c). The Company shall have the option to seek Board approval to extend the IIP 2 Program beyond the term provided in the Stipulation. The Parties reserve their rights to take any position on such a request.

Prioritization of Projects

11. IIP 2 Projects will be prioritized utilizing ETG's DIMP, which is a risk-based process followed by the Company. In prioritizing IIP 2 Projects, ETG will continue to integrate advanced leak detection technology information and methane emission flow rates, as appropriate, and consider additional factors such as construction, efficiencies, logistics and other risk factors within ETG's discretion, including the prioritization ranking methodology within the Company's DIMP. If construction, logistics and/or other issues on a project area (i.e. municipal/county paving costs, traffic control, etc.) render work within that project area impossible, impracticable, and/or significantly more expensive, ETG may postpone that project and proceed to work on subsequent prioritized projects. ETG may resume work on a postponed project after resolution of the issues with the project area. As mentioned in the Stipulation, while IIP 2 Projects will include pre-1971 coated steel, the Company will look to prioritize the removal of pre-1960s coated steel in accordance with the Company's DIMP.

Leak Metrics

12. The Company will reduce its year-end open leak inventory by one (1) percent for each year of the IIP 2, except if the Board determines that there exists extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. This open leak reduction metric includes all post-approval open leaks subject to an open-leak performance cap for each year of IIP 2. The cap for the first year following the date of Board approval is

set at the average number of year-end open leaks the Company has experienced during the past three (3) calendar years. Thereafter, the cap will be reduced by one (1) percent for the remaining year of IIP 2. The year-end open leak performance caps for each year of IIP 2 are set forth in Appendix A of the Stipulation. Additional reporting will be provided as outlined in Paragraph twenty-three (23) of the Stipulation. ETG may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Parties reserve their rights to take any position on such a request. Any such petition shall provide the reason and supporting evidence for the Company's failure to meet the open-leak performance cap and a plan to bring the Company back into compliance.

13. If ETG exceeds the open-leak performance cap at December 31, 2026, it will notify all Parties, and schedule a conference to discuss within thirty (30) days of ETG's determination that it failed to meet such target. If the Company exceeds the open-leak performance cap at December 31, 2027, the Company shall achieve compliance with this obligation without seeking cost recovery from ratepayers for any expenditures incurred for this purpose. ETG may request, and the Board may consider, an exception from the requirements of Paragraph 13 of the Stipulation based upon extraordinary circumstances, including but not limited to extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Parties reserve their rights to take any position on such a request.

Cost Recovery

14. ETG will be permitted to recover the revenue requirement associated with a maximum of \$100 million in IIP 2 investments, plus AFUDC and independent monitor costs, through the IIP 2 Cost Recovery Mechanism as described below and in Appendix B of the Stipulation in accordance with Rider F of the Company's tariff to be included with the Company's cost recovery filings, a sample of which is set forth in Appendix C of the Stipulation. The rate adjustments established in the cost recovery filings shall be provisional and subject to refund based upon a Board finding that ETG imprudently incurred capital expenditures under the Program. The prudence of the IIP 2 Projects will be reviewed by the Board in the Company's subsequent base rate proceedings. If the costs for IIP 2 Projects exceed the amount allowable under IIP 2, ETG may seek recovery of those additional costs not subject to recovery in the IIP 2 Cost Recovery Mechanism in a subsequent base rate case.
15. The Company may seek cost recovery for completed IIP 2 Projects in accordance with the cost recovery filings to be submitted on dates determined by the Company, which shall have rate effective dates no earlier than August 1, 2026. The Company shall provide Staff and Rate Counsel with at least sixty (60) days' written notice prior to the filing of a rate recovery petition. The Company may file up to two (2) roll-ins which will be at least twelve (12) months apart. The cost recovery filing requirements are set forth in N.J.A.C. 14:3-2A.1 et seq., with Minimum Filing Requirements contained in Appendix D of the Stipulation.

16. As reflected in Appendix B of the Stipulation, the costs to be included in rates shall include the following: depreciation expense providing for the recovery of the invested capital over its useful book life, and a return on the net investment, which will be calculated as the gross investment (excluding independent monitor costs), plus AFUDC, less depreciation expense and deferred income taxes. The return on this net investment shall be calculated utilizing the WACC approved in the Company's 2024 base rate case in Docket No. GR24020158.¹² The WACC is 7.58% (6.93% after-tax), which is based on a return on equity ("ROE") of 9.60% and an equity component of 55%. Any change in the WACC authorized by the Board in a subsequent base rate case shall be reflected in the subsequent monthly revenue requirement calculations. The revenue requirement will also utilize a revenue factor of 1.407347 to reflect State and Federal income taxes, as well as the costs associated with Board and Rate Counsel's annual assessments and uncollectibles. This revenue factor was approved in the Company's 2024 Base Rate Case. Any change to the revenue factor authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. Following completion of IIP 2, the estimated average monthly bill impact of the IIP 2 projects on a typical residential gas customer using a monthly average of 100 therms is expected to be an increase of approximately \$3.07 or 1.8%, as compared to rates in effect December 1, 2025.
17. As reflected in Appendix B of the Stipulation, the IIP 2 Cost Recovery Mechanism revenue requirement will be reduced by an operations and maintenance ("O&M") credit of \$100,000 per year, or prorated annual amount where applicable, to reflect an O&M savings associated with leak repair on facilities replaced in connection with IIP 2.
18. Cost recovery under IIP 2 is contingent on an earnings test. If the product of the calculation set forth in N.J.A.C. 14:3-2A.6(h), wherein the average jurisdictional common equity balance will be derived by multiplying the average of the Company's beginning and ending net rate base for the annual period by the Board-approved equity ratio in the Company's most recent rate case, exceeds the Company's most recently approved ROE by fifty (50) basis points or more, cost recovery for IIP 2 shall not be allowed for the applicable filing period pursuant to N.J.A.C. 14:3-2A.6(i).

Rates and Rate Design

19. There is no rate impact on customers at this time resulting from approval of IIP 2. The Company will allocate the total revenue requirement to each firm customer class and firm special contract customers based on the level of distribution revenues from the rate design approved in the 2024 Base Rate Case. A volumetric distribution charge will be determined for each class utilizing the billing determinants used to set rates in the Company's most recent base rate case. The Margin Revenue Factor set forth in the Company's Weather Normalization Clause tariff will be revised to reflect the IIP 2 annual rate adjustments authorized by the Stipulation. In Docket No. GR25040222, the Company proposed a change in the manner in which IIP costs are recovered from the

¹² In re the Petition of Elizabethtown Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR24020158, OAL Docket No. PUC 03991-2024 N, Order dated November 21, 2024 ("2024 Base Rate Case").

Natural Gas Vehicle service classification.¹³ If this change or some other change is approved by the Board in Docket No. GR25040222, then that rate design shall be utilized for the IIP 2 Cost Recovery Mechanism in IIP 2 filings subsequent to the adoption of such methodology. To the extent a rate design methodology that differs from the rate design methodology used to set base rates in the 2024 Base Rate Case is adopted, then that rate design, including any updated billing determinants, shall be utilized for the IIP 2 Cost Recovery Mechanism subsequent to the adoption of such methodology. ETG shall provide the updated billing determinants and supporting data to Staff and Rate Counsel at least sixty (60) days prior to any IIP 2 rate adjustment filing for review and approval. Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

Base Rate Case Filing Requirement

20. The prudence of the IIP 2 Projects will be reviewed by the Board in the Company's subsequent base rate case proceedings. While N.J.A.C. 14:3-2A.6(f) requires that "[a] utility shall file its next base rate case not later than five years after the Board's approval of the Infrastructure Investment Program start date", the Company will file a base rate case no later than January 1, 2030, consistent with the requirements of ETG's Triennium 2 program.¹⁴

Independent Monitor

21. Within six (6) months of a final BPU Order in this proceeding, ETG, following consultation with Staff and Rate Counsel, will retain an independent monitor to review and report to Staff and Rate Counsel the information contained in N.J.A.C. 14:3- 2A.5(c)(2) which provides as follows: (i) the effectiveness of IIP 2 investments in meeting project objectives; (ii) the cost-effectiveness and efficiency of investments; (iii) the appropriateness of cost assignments; (iv) ETG's compliance with the requirements of N.J.A.C. 14:3-2.9 and 2.10; and (v) any other information required by the Board. Independent Monitor expenses shall be capitalized with no return to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of IIP 2 costs that may be recovered through the IIP 2 Cost Recovery Mechanism as set forth in Paragraph fourteen (14) of the Stipulation. The independent monitor costs will not be subject to AFUDC.

¹³ In re the Petition of Elizabethtown Gas Company for Approval of a Rate Adjustment Pursuant to the Infrastructure Investment Program ("IIP"), BPU Docket No. GR25040222, Petition dated July 15, 2025.

¹⁴ On May 24, 2023, the Board directed the utilities to propose Triennium 2 energy efficiency ("EE") and peak demand reduction programs. See In re the Matter of the Implementation of P.L. 2018, C. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket No. QO23030150 ("May 2023 Triennium 2 Order"). The May 2023 Triennium 2 Order further directed the utilities "to file a base rate case no later than five (5) years after the commencement of an approved EE program" (See May 2023 Triennium 2 Order, Page 38). ETG's Triennium 2 program was subsequently approved by the Board on October 30, 2024 and commenced on January 1, 2025. See In re the Petition of Elizabethtown Gas Company for Approval of Triennium 2 Clean Energy Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket No. QO23120869, Order dated October 30, 2024. As such, ETG is required to file a base rate case by no later than January 1, 2030.

Reporting Requirements

22. The Company shall file semi-annual status reports with the Board, and provide copies to the Parties, for project management and oversight purposes. The semi-annual status reports shall contain the following requirements consistent with N.J.A.C. 14:3- 2A.5(e):
 - a. Forecasted and actual costs of IIP 2 for the applicable reporting period, and for the IIP 2 to date, where IIP 2 projects are identified by major category;
 - b. Estimated total quantity of work completed under IIP 2 identified by major category. In the event that certain work cannot be quantified, major tasks completed shall be provided;
 - c. Estimated completion dates for IIP 2, in its entirety;
 - d. Anticipated changes to IIP 2 projects, if any;
 - e. Actual capital expenditures made by ETG in the normal course of business on similar projects, identified by major category; and
 - f. Any other performance metrics concerning the IIP 2 required by the Board.

23. In addition to information set forth in the Stipulation, the semi-annual status report shall include additional data regarding leaks where available as outlined in the Stipulation. Some information may not be available at all, or until the leak is repaired.
 - a. Manufacturer of pipe
 - b. Specific plastic or steel material type of pipe
 - c. Year pipe was manufactured
 - d. Type of coating

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine if the Stipulation provides a reasonable disposition of the issues while maintaining the Company's requirement to provide its customers with safe, adequate, and proper service at just and reasonable rates.¹⁵

The Board enacted the II&R Regulations to provide a rate recovery mechanism that encourages and supports necessary accelerated construction, installation, and rehabilitation of certain non-revenue producing utility plant and equipment.¹⁶ IIPs allow utilities to provide continued system safety, reliability, resiliency, and sustained economic growth. After carefully considering the record in this proceeding and the terms of the Stipulation, the Board is persuaded that the current settlement satisfies these goals.

With respect to the proposed cost recovery mechanism, the Stipulation provides that the Company may recover expenditures related to the utility plant placed in service, on a provisional basis, subject to refund. These costs will be subject to a prudence review in ETG's subsequent base rate case(s). Further, the cost recovery mechanism adopted in the Stipulation strikes an effective balance between granting the Company a reasonable opportunity to earn its allowed rate of return over the life of the investment while still protecting ratepayers from paying more than

¹⁵ In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), certif. denied, 152 N.J. 12 (1997).

¹⁶ N.J.A.C. 14:3-2A.1(b).

is reasonably necessary. No rates will be charged to customers until the facilities for which the rates being charged are placed in service. The Stipulation also mandates that the Company maintain certain reporting requirements, which provides additional protection to ratepayers.

Based upon the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein, subject to any terms and conditions set forth in this Order.

The Board **HEREBY RATIFIES** the decisions made by Commissioner Bange during the pendency of this proceeding for the reasons stated in his decisions and Orders.

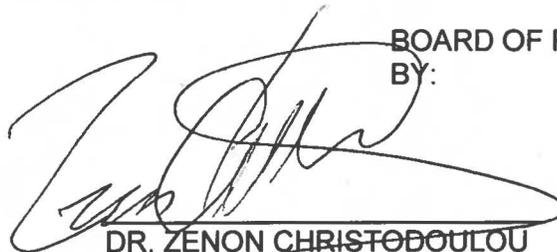
The Company's costs, including those related to the Program, will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any action determined to be appropriate as a result of any such audit.

This Order shall be effective March 18, 2026.

DATED: March 18, 2026

BOARD OF PUBLIC UTILITIES

BY:



DR. ZENON CHRISTODOULOU
COMMISSIONER



MICHAEL BANGE
COMMISSIONER



EMMA REBORN
COMMISSIONER



JOSEPH COVIELLO
COMMISSIONER

ATTEST:



SHERRI L. LEWIS
BOARD SECRETARY

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

DOCKET NO. GR23120882

SERVICE LIST

New Jersey Board of Public Utilities

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December 23, 2025

Sherrí Lewis, Board Secretary
NJ Board of Public Utilities
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**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.S.A. 14:3-2A
Docket No. GR23120882**

Dear Secretary Lewis:

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, Division of Rate Counsel and the New Jersey Large Energy Users Coalition. It is respectfully requested that the Board consider the Stipulation at its January 14, 2026 agenda meeting.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Dominick DiRocco".

Dominick DiRocco

DD:caj

**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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**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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*Intervenor

**Participant, Public Copies Only

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

-----X
IN THE MATTER OF THE PETITION OF :
ELIZABETHTOWN GAS COMPANY TO :
IMPLEMENT AN INFRASTRUCTURE : **BPU DOCKET NO. GR23120882**
INVESTMENT PROGRAM (“IIP”) AND :
ASSOCIATED RECOVERY MECHANISM : **STIPULATION OF SETTLEMENT**
PURSUANT TO N.J.S.A. 48:2-21 AND :
N.J.A.C. 14:3-2A :
-----X

APPEARANCES:

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Steven A. Chaplar, Deputy Attorney General on behalf of the Staff of the New Jersey Board of Public Utilities (Matthew J. Platkin, Attorney General of New Jersey)

Steven S. Goldenberg, Esq., Giordano, Halleran & Ciesla, P.C., on behalf of Intervenor New Jersey Large Energy Users Coalition

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:

BACKGROUND

On February 15, 2023, Governor Philip J. Murphy issued Executive Order 317 (“EO 317”) directing the Board of Public Utilities (“Board” or “BPU”) to initiate a formal stakeholder process regarding the development of natural gas utility plans that reduce emissions from the natural gas sector to levels that are consistent with the State’s 50 percent reduction in greenhouse gas

emissions below 2006 levels by 2030.¹ The BPU initiated a gas planning stakeholder proceeding in Docket No. GO23020099 that is pending.²

On December 11, 2023, Elizabethtown Gas Company (“Elizabethtown” or “Company”) filed a petition with the Board seeking approval of its second Infrastructure Investment Program (“IIP 2” or “Program”), including an associated cost recovery mechanism through the existing Rider F to the Company’s tariff, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A (“Petition”). As reflected in the Petition, Elizabethtown sought authority to implement IIP 2 for five (5) years beginning on July 1, 2024 with a total proposed investment level of approximately \$625 million.

The Company’s proposed IIP 2 included the following projects: (i) installing approximately 250 miles of new main and retiring approximately 274 miles of at-risk cast iron, vintage steel, and vintage plastic mains and associated services; (ii) upgrading the Company’s low-pressure system to elevated pressure; and (iii) installing approximately 35,000 excess flow valves (“EFVs”) on the upgraded system.³ According to the Petition, the benefits of the proposed IIP 2 included enhancing the safety and reliability of the Company’s gas distribution system, reducing greenhouse gas emissions, and supporting economic development and employment opportunities in New Jersey.

¹ Executive Order 317 (Feb. 15, 2023), available at <https://nj.gov/infobank/eo/056murphy/pdf/EO-317.pdf>.

² In re the Implementation of Executive Order 317 Requiring the Development of Natural Gas Utility Plans, BPU Docket No. GO23020099, Order dated March 6, 2023.

³ The Company also proposed to relocate inside meter sets, but these costs, like all other meter costs, would not be recovered through the IIP 2.

PROCEDURAL HISTORY

By Order dated January 31, 2024, the Board retained this matter, and pursuant to N.J.S.A. 48:2-32, designated Commissioner Michael Bange as the Presiding Commissioner.⁴ The Board further directed that motions to intervene or participate be filed by February 29, 2024. On February 6, 2024, the New Jersey Large Energy Users Coalition (“NJLEUC”) filed a Motion to Intervene in this matter. On February 27, 2024, the Engineers Labor-Employer Cooperative (“ELEC”) filed a Motion to Intervene in this matter. Motions to participate were filed on behalf of Public Service Electric and Gas Company (“PSE&G”) on January 23, 2024, the Utility and Transportation Contractors Association of New Jersey (“UTCA”) on February 27, 2024, Skoda Contracting Co. (“Skoda”) on February 28, 2024, and the New Jersey Laborers-Employers Cooperation and Education Trust (“NJLECET”) on February 29, 2024. By correspondence dated April 16, 2024, the New Jersey Division of Rate Counsel (“Rate Counsel”) opposed the Motion to Intervene filed by ELEC, but did not object to the granting of participant status to ELEC. Rate Counsel did not oppose the Motion to Intervene filed by NJLEUC or the Motions to Participate filed by PSE&G, UTCA, Skoda, or NJLECET. By correspondence dated March 1, 2024, Elizabethtown indicated that it did not oppose any of the Motions filed. By Order dated April 25, 2024, Commissioner Bange granted NJLEUC’s Motion to Intervene, denied ELEC’s Motion to Intervene and, in the alternative, granted ELEC participant status; and granted the Motions to Participate filed on behalf of PSE&G, UTCA, Skoda, and NJLECET.⁵

⁴ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program (“IIP”) and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR23120882, Order dated January 31, 2024.

⁵ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program (“IIP”) and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket No. GR23120882, Order dated April 25, 2024.

Notices of this proceeding, including 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. Two (2) virtual public hearings were held on May 2, 2024. No members of the public appeared or provided comments at the hearings. The Board received three (3) written public comments in support of the Program.

In recognition of the fact that Board Staff initiated an EO317 stakeholder proceeding concerning the future of natural gas, by Order dated July 24, 2024, the Board approved a stipulation of settlement holding the Petition in abeyance for eighteen (18) months and authorizing Elizabethtown to conduct an extension of its then-current IIP, which was authorized by the Board in BPU Docket No. GR18101197, during the abeyance period.⁶

Pursuant to the stipulation approved by the July 2024 Order, on January 23, 2025, the Company, Board Staff, Rate Counsel, and NJLEUC (collectively, "Parties" and each a "Party") convened for a status conference to resume this proceeding. By correspondence dated February 7, 2025, Elizabethtown updated the Petition and proposed a procedural schedule. By Prehearing Order dated April 7, 2025, Commissioner Bange approved a procedural schedule.⁷ At the request of the Parties, Commissioner Bange modified the procedural schedule twice to permit additional time for settlement discussions and ultimately suspended the procedural schedule.⁸

⁶ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, BPU Docket Nos. GR18101197 and GR23120882, Order dated July 24, 2024 ("July 2024 Order").

⁷ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Prehearing Order Setting Procedural Schedule, BPU Docket No. GR23120882, Order dated April 7, 2025.

⁸ In re the Petition of Elizabethtown Gas Company to Implement an Infrastructure Investment Program ("IIP") and Associated Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:3-2A, Order Modifying Procedural Schedule, BPU Docket No. GR23120882, Orders dated July 8, 2025 and October 3, 2025.

Extensive discovery was conducted and several settlement discussions were held. As a result, the Parties reached a resolution of all matters set forth in this Stipulation of Settlement (“Stipulation”). Specifically, the Parties hereby STIPULATE AND AGREE to the following:

STIPULATED MATTERS

IIP 2 Investments

1. Elizabethtown may implement the IIP 2 pursuant to the requirements of N.J.A.C. 14:3-2A.1 *et seq.*, subject to the terms of this Stipulation. The IIP 2 will include accelerated capital investment in Elizabethtown’s gas distribution system and a related cost recovery mechanism (“IIP 2 Cost Recovery Mechanism”), as described herein. In addition, this Stipulation includes Baseline Capital Spending amounts (defined below in Paragraph six (6)) to be made by the Company and recovered in the ordinary course through base rates as described below.

2. The IIP 2 shall consist of the capital investment of up to \$100 million, excluding the Baseline Capital Spending amounts (defined below in Paragraph six (6)), Allowance for Funds Used During Construction (“AFUDC”), and Independent Monitor costs (“IIP 2 Capital Investment Cap”), in the Company’s gas distribution system over the two (2)-year period beginning January 1, 2026 through December 31, 2027. The capital investments may be recovered through the IIP 2 Cost Recovery Mechanism permitted pursuant to N.J.A.C. 14:3-2A.6.

3. The IIP 2 Capital Investment Cap of \$100 million is derived by applying a cost-per-mile cap of \$2.0 million per mile to an IIP 2 mileage cap of fifty (50) miles over the two (2)-year IIP 2 term. The projects to be recovered through the IIP 2 Cost Recovery Mechanism consist of the replacement of up to fifty (50) miles of cast iron and at-risk vintage steel mains and related services, as well as the installation of EFVs where gas service line replacements require, excluding EFVs installed upon customer request (“IIP 2 Projects”). Vintage steel includes pre-1971 coated

steel facilities. However, the Company will prioritize the removal of pre-1960s coated steel facilities in accordance with the Company's Distribution Integrity Management Plan (“DIMP”). These projects are intended to enhance distribution system safety and reliability to the benefit of Elizabethtown’s customers, to help support the environment, and to facilitate economic development and employment in New Jersey. The IIP 2 Projects and amounts are incremental to the Company’s normal capital spending budget.

4. Capital investments for the replacement of vintage plastic mains and related services, relocation of meters and labor costs associated with the relocations from an inside to outside location, retirement of district regulators, and conversion of master metered complexes to individually metered apartments are not eligible for recovery through the IIP 2 Cost Recovery Mechanism (“Excluded Investments”). Such Excluded Investments will be credited toward the Baseline Capital Spending amounts defined in Paragraph six (6) provided below.

5. Costs recoverable under the IIP 2 Cost Recovery Mechanism shall not exceed \$2.0 million per mile. Costs incurred by the Company in excess of \$2.0 million per mile will be credited toward the Baseline Capital Spending requirement set forth in Paragraph six (6) of this Stipulation for the year in which the cost is incurred. Recovery of costs in excess of \$2.0 million per mile for IIP facilities may be sought through a future base rate case.

Baseline Capital Spending

6. In addition to the IIP 2 expenditures described in Paragraphs one (1) through five (5) above, over the two (2)-year IIP 2 investment period from January 1, 2026 through December 31, 2027, the Company agrees to maintain Baseline Capital Spending amounts consisting of: (i) a Total Capital Baseline Spend and (ii) an IIP 2 Baseline Spend as defined below. Elizabethtown will seek recovery of the Baseline Capital Spending amounts in a future base rate case. If the

Company fails to maintain an annual baseline capital expenditure level prescribed herein, the amount of investment eligible for recovery through IIP 2 Cost Recovery Mechanism for the subsequent year will be reduced by an amount equal to the difference between the applicable baseline and the actual annual capital expenditure made by the Company. However, if the Company fails to maintain, for the second and final year of the Program, an annual baseline capital expenditure of at least the applicable agreed level, no recovery of IIP 2 Cost Recovery Mechanism eligible costs will be permitted for the second and final year for which the annual baseline expenditure is not met. If the annual baseline capital expenditure is not met for the second and final year of the Program, then traditional ratemaking practices will apply for that year and there will be no deferral of any IIP 2 Rate Mechanism-related cost for that year. Instead, all IIP 2 Cost Mechanism-related costs for the second and final year of the Program in which the annual baseline capital expenditure level was not met will be reviewed in the Company's next base rate case and recovered through base rates, if reasonable and prudent. Elizabethtown may petition the Board seeking an exception from the Baseline Capital Spending requirements contained herein based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Signatories reserve their rights to take any position on such a request.

7. The Total Capital Baseline Spend will be equal to an annual amount of \$97 million per IIP 2 year or \$194 million over the two (2)-year IIP 2 investment period January 1, 2026 through December 31, 2027. The Total Capital Baseline Spend (\$97 million) is based upon the Company's five (5)-year historical capital spending (2020-2024). The specific capital investments made by the Company as part of the Total Capital Baseline Spend are within the discretion of Elizabethtown and shall include all capital expenditures, including Excluded Investments and costs

in excess of \$2.0 million per mile. New business expenditures included in the Total Capital Baseline Spend shall not exceed an annual amount of \$24 million per year for the duration of IIP 2.

2. The Total Capital Baseline Spend shall not include expenditures associated with the IIP 2 Baseline Spend.

8. The IIP 2 Baseline Spend will be equal to 10% of the IIP 2 budget or \$10 million over the two (2)-year IIP 2 investment period from January 1, 2026 through December 31, 2027. The IIP 2 Baseline Spend will consist of expenditures on projects similar to those eligible for recovery under the IIP 2 Cost Recovery Mechanism.

Term

9. Each Party shall use its best efforts to ensure that this Stipulation will be considered at the Board's earliest available regularly scheduled public agenda meeting to allow for a start date as soon as practicable after Board approval. Should the Board issue an Order approving this Stipulation, it will become effective upon such date that the Board specifies and in accordance with N.J.S.A. 48:2-40. However, the Parties understand there is no guarantee that this matter will be decided on a particular date or at a specific Board meeting.

10. The IIP 2 two (2)-year investment period shall commence on January 1, 2026 and end on December 31, 2027. The Company may include IIP 2 non-construction expenditures, such as planning and engineering of IIP 2 project upon Board approval of the IIP 2, provided that such expenditures were incurred for plant placed in service as part of the Program on or after the effective date of the Board's Order approving the Program pursuant to N.J.A.C. 14:3-2A.6(c). The Company shall have the option to seek Board approval to extend the IIP 2 Program beyond the term provided herein. The Parties reserve their rights to take any position on such a request.

Prioritization of Projects

11. IIP 2 Projects will be prioritized utilizing Elizabethtown's DIMP, which is a risk-based process followed by the Company. In prioritizing IIP 2 Projects, Elizabethtown will continue to integrate advanced leak detection technology information and methane emission flow rates, as appropriate, and consider additional factors such as construction, efficiencies, logistics and other risk factors within Elizabethtown's discretion, including the prioritization ranking methodology within the Company's DIMP. If construction, logistics and/or other issues on a project area (*i.e.* municipal/county paving costs, traffic control, etc.) render work within that project area impossible, impracticable, and/or significantly more expensive, Elizabethtown may postpone that project and proceed to work on subsequent prioritized projects. Elizabethtown may resume work on a postponed project after resolution of the issues with the project area. As mentioned above, while IIP 2 Projects will include pre-1971 coated steel, the Company will look to prioritize the removal of pre-1960s coated steel in accordance with the Company's DIMP.

Leak Metrics

12. The Company will reduce its year-end open leak inventory by one (1) percent for each year of the IIP 2, except if the Board determines that there exists extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. This open leak reduction metric includes all post-approval open leaks subject to an open-leak performance cap for each year of IIP 2. The cap for the first year following the date of Board approval is set at the average number of year-end open leaks the Company has experienced during the past three (3) calendar years. Thereafter, the cap will be reduced by one (1) percent for the remaining year of IIP 2. The year-end open leak performance caps for each year of IIP 2 are set forth in Appendix A, hereto. Additional reporting will be

provided as outlined in Paragraph twenty-three (23) below. Elizabethtown may petition the Board seeking an exception from the requirements of this Paragraph based on extraordinary circumstances, including, but not limited to, extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Parties reserve their rights to take any position on such a request. Any such petition shall provide the reason and supporting evidence for the Company's failure to meet the open-leak performance cap and a plan to bring the Company back into compliance.

13. If Elizabethtown exceeds the open-leak performance cap at December 31, 2026, it will notify all Parties, and schedule a conference to discuss within thirty (30) days of Elizabethtown's determination that it failed to meet such target. If the Company exceeds the open-leak performance cap at December 31, 2027, the Company shall achieve compliance with this obligation without seeking cost recovery from ratepayers for any expenditures incurred for this purpose. Elizabethtown may request, and the Board may consider, an exception from the requirements of this Paragraph of the Stipulation based upon extraordinary circumstances, including but not limited to extreme weather, labor disputes, acts of war or terrorism, and/or other alleged *force majeure* circumstances. The Signatories reserve their rights to take any position on such a request.

Cost Recovery

14. Elizabethtown will be permitted to recover the revenue requirement associated with a maximum of \$100 million in IIP 2 investments, plus AFUDC and independent monitor costs, through the IIP 2 Cost Recovery Mechanism as described below and in Appendix B, hereto, in accordance with Rider F of the Company's tariff to be included with the Company's cost recovery filings, a sample of which is set forth in Appendix C, hereto. The rate adjustments established in

the cost recovery filings shall be provisional and subject to refund based upon a Board finding that Elizabethtown imprudently incurred capital expenditures under the Program. The prudence of the IIP 2 Projects will be reviewed by the Board in the Company's subsequent base rate proceedings. If the costs for IIP 2 Projects exceed the amount allowable under IIP 2, Elizabethtown may seek recovery of those additional costs not subject to recovery in the IIP 2 Cost Recovery Mechanism in a subsequent base rate case.

15. The Company may seek cost recovery for completed IIP 2 Projects in accordance with the cost recovery filings to be submitted on dates determined by the Company, which shall have rate effective dates no earlier than August 1, 2026. The Company shall provide Board Staff and Rate Counsel with at least 60 days' written notice prior to the filing of a rate recovery petition. The Company may file up to two (2) roll-ins which will be at least twelve (12) months apart. The cost recovery filing requirements are set forth in N.J.A.C. 14:3-2A.1 *et seq.*, with Minimum Filing Requirements contained in Appendix D, hereto.

16. As reflected in Appendix B, hereto, the costs to be included in rates shall include the following: depreciation expense providing for the recovery of the invested capital over its useful book life, and a return on the net investment, which will be calculated as the gross investment (excluding independent monitor costs), plus AFUDC, less depreciation expense and deferred income taxes. The return on this net investment shall be calculated utilizing the Weighted Average Cost of Capital ("WACC") approved in the Company's 2024 base rate case in Docket No. GR24020158.⁹ The WACC is 7.58% (6.93% after-tax), which is based on a return on equity ("ROE") of 9.60% and an equity component of 55%. Any change in the WACC authorized by the

⁹ In re the Petition of Elizabethtown Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR24020158, OAL Docket No. PUC 03991-2024 N, Order dated November 21, 2024 ("2024 Base Rate Case").

Board in a subsequent base rate case shall be reflected in the subsequent monthly revenue requirement calculations. The revenue requirement will also utilize a revenue factor of 1.407347 to reflect State and Federal income taxes, as well as the costs associated with Board and Rate Counsel's annual assessments and uncollectibles. This revenue factor was approved in the Company's 2024 Base Rate Case. Any change to the revenue factor authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations. Following completion of IIP 2, the estimated average monthly bill impact of the IIP 2 projects on a typical residential gas customer using a monthly average of 100 therms is expected to be an increase of approximately \$3.07 or 1.8%, as compared to rates in effect December 1, 2025.

17. As reflected in Appendix B, hereto, the IIP 2 Cost Recovery Mechanism revenue requirement will be reduced by an operations and maintenance ("O&M") credit of \$100,000 per year, or prorated annual amount where applicable, to reflect an O&M savings associated with leak repair on facilities replaced in connection with IIP 2.

18. Cost recovery under IIP 2 is contingent on an earnings test. If the product of the calculation set forth in N.J.A.C. 14:3-2A.6(h), wherein the average jurisdictional common equity balance will be derived by multiplying the average of the Company's beginning and ending net rate base for the annual period by the Board-approved equity ratio in the Company's most recent rate case, exceeds the Company's most recently approved ROE by fifty (50) basis points or more, cost recovery for IIP 2 shall not be allowed for the applicable filing period pursuant to N.J.A.C. 14:3-2A.6(i).

Rates and Rate Design

19. There is no rate impact on customers at this time resulting from approval of IIP 2. The Company will allocate the total revenue requirement to each firm customer class and firm

special contract customers based on the level of distribution revenues from the rate design approved in the 2024 Base Rate Case. A volumetric distribution charge will be determined for each class utilizing the billing determinants used to set rates in the Company’s most recent base rate case. The Margin Revenue Factor set forth in the Company’s Weather Normalization Clause tariff will be revised to reflect the IIP 2 annual rate adjustments authorized by this Stipulation. In Docket No. GR25040222, the Company proposed a change in the manner in which IIP costs are recovered from the Natural Gas Vehicle service classification.¹⁰ If this change or some other change is approved by the Board in Docket No. GR25040222, then that rate design shall be utilized for the IIP 2 Cost Recovery Mechanism in IIP 2 filings subsequent to the adoption of such methodology. To the extent a rate design methodology that differs from the rate design methodology used to set base rates in the 2024 Base Rate Case is adopted, then that rate design, including any updated billing determinants, shall be utilized for the IIP 2 Cost Recovery Mechanism subsequent to the adoption of such methodology. Elizabethtown shall provide the updated billing determinants and supporting data to Board Staff and Rate Counsel at least sixty (60) days prior to any IIP 2 rate adjustment filing for review and approval. Board Staff and Rate Counsel retain all rights with respect to any proposed changes in methodology.

Base Rate Case Filing Requirement

20. The prudence of the IIP 2 Projects will be reviewed by the Board in the Company’s subsequent base rate case proceedings. While N.J.A.C. 14:3-2A.6(f) requires that “[a] utility shall file its next base rate case not later than five years after the Board’s approval of the Infrastructure Investment Program start date”, the Company will file a base rate case no later than January 1,

¹⁰ In re the Petition of Elizabethtown Gas Company for Approval of a Rate Adjustment Pursuant to the Infrastructure Investment Program (“IIP”), BPU Docket No. GR25040222, Petition dated July 15, 2025.

2030, consistent with the requirements of Elizabethtown's Triennium 2 program.¹¹

Independent Monitor

21. Within six (6) months of a final BPU Order in this proceeding, Elizabethtown, following consultation with Board Staff and Rate Counsel, will retain an independent monitor to review and report to Board Staff and Rate Counsel the information contained in N.J.A.C. 14:3-2A.5(c)(2) which provides as follows: (i) the effectiveness of IIP 2 investments in meeting project objectives; (ii) the cost-effectiveness and efficiency of investments; (iii) the appropriateness of cost assignments; (iv) Elizabethtown's compliance with the requirements of N.J.A.C. 14:3-2.9 and 2.10; and (v) any other information required by the Board. Independent Monitor expenses shall be capitalized with no return to the extent consistent with Generally Accepted Accounting Principles and shall be included as part of IIP 2 costs that may be recovered through the IIP 2 Cost Recovery Mechanism as set forth in Paragraph fourteen (14) of this Stipulation. The independent monitor costs will not be subject to AFUDC.

Reporting Requirements

22. The Company shall file semi-annual status reports with the Board, and provide copies to the Parties, for project management and oversight purposes. The semi-annual status reports shall contain the following requirements consistent with N.J.A.C. 14:3- 2A.5(e):

¹¹ On May 24, 2023, the Board directed the utilities to propose Triennium 2 energy efficiency ("EE") and peak demand reduction programs. See In re the Matter of the Implementation of P.L. 2018, C. 17, the New Jersey Clean Energy Act of 2018, Regarding the Second Triennium of Energy Efficiency and Peak Demand Reduction Programs, BPU Docket No. QO23030150 ("May 2023 Triennium 2 Order"). The May 2023 Triennium 2 Order further directed the utilities "to file a base rate case no later than five (5) years after the commencement of an approved EE program" (See May 2023 Triennium 2 Order, Page 38). Elizabethtown's Triennium 2 program was subsequently approved by the Board on October 30, 2024 and commenced on January 1, 2025. See In re the Petition of Elizabethtown Gas Company for Approval of Triennium 2 Clean Energy Programs and Associated Cost Recovery Pursuant to the Clean Energy Act, BPU Docket No. QO23120869, Order dated October 30, 2024. As such, Elizabethtown is required to file a base rate case by no later than January 1, 2030.

- (a) Forecasted and actual costs of IIP 2 for the applicable reporting period, and for the IIP 2 to date, where IIP 2 projects are identified by major category;
- (b) Estimated total quantity of work completed under IIP 2 identified by major category. In the event that certain work cannot be quantified, major tasks completed shall be provided;
- (c) Estimated completion dates for IIP 2, in its entirety;
- (d) Anticipated changes to IIP 2 projects, if any;
- (e) Actual capital expenditures made by Elizabethtown in the normal course of business on similar projects, identified by major category; and
- (f) Any other performance metrics concerning the IIP 2 required by the Board.

23. In addition to information set forth above, the semi-annual status report shall include additional data regarding leaks where available as outlined herein. Some information may not be available at all, or until the leak is repaired.

- a. Manufacturer of pipe
- b. Specific plastic or steel material type of pipe
- c. Year pipe was manufactured
- d. Type of coating

Miscellaneous

24. All appendices referenced in and attached to this Stipulation are incorporated by reference herein as if set forth in the body of this Stipulation.

25. This Stipulation will become effective in accordance with N.J.S.A. 48:2-40.

26. 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 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 an Order in this matter, then any Party hereto is free to pursue legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

27. It is the intent of the Parties that the provisions hereof be approved by the Board, as appropriate, as being in the public interest. This Stipulation is binding on the Parties for all purposes herein. It is understood that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided herein, is intended to be binding only in this proceeding and only as to the matters specifically addressed herein.

28. This Stipulation may be executed in as many counterparts as there are Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

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

ELIZABETHTOWN GAS COMPANY

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

By:



**Dominick DiRocco, Esq.
Vice President, Rates &
Regulatory Affairs**

By:



**Maura Caroselli, Esq.
Managing Attorney - Gas**

GR23120882 12/22/25

**MATTHEW J. PLATKIN
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NEW JERSEY
Attorney for the Staff of the
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By:  _____
**Steven A. Chaplar
Deputy Attorney General**

**NEW JERSEY LARGE ENERGY
USERS GROUP**

By: _____
**Stephen S. Goldenberg, Esq.
Giordano, Halleran & Ciesla**

Dated: 12/22/2025

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF
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Attorney for the Staff of the
New Jersey Board of Public Utilities

By: _____
Steven A. Chaplar
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NEW JERSEY LARGE ENERGY
USERS GROUP

By: _____

Stephen S. Goldenberg, Esq.
Giordano, Halleran & Ciesla

Dated: 12/22/2025

Appendix A

	<u>3 Yr Avg</u>	<u>Reduction</u>	<u>Year End Open Leaks</u>
2025			
2026			243
2027	243	1%	240

	<u>Dec. Yr End</u>	
2023	577	
2024	102	
2025	50	<i>estimated</i>
3 Yr Avg	243	

Appendix B

IIP 2 Cost Recovery Mechanism

The revenue requirement associated with the IIP 2 rate adjustments will be calculated as follows:

$$\text{Revenue Requirement} = ((\text{IIP 2 Rate Base} * \text{After-Tax WACC}) - \text{O\&M} \\ \$100,000 \text{ (pre-tax, included net of tax)} + \text{Depreciation Expense (net of tax)}) * \\ \text{Revenue Factor.}$$

Notes and Definitions:

AFUDC – AFUDC will be calculated using the Modified FERC Uniform System of Accounts method including compounding AFUDC on a monthly basis.

Deferred Income Taxes – will be calculated by multiplying the difference in the Company's tax depreciation expense and book depreciation expense for the plant subject to the IIP 2 by the effective income tax rate. The Company's tax depreciation expense would be adjusted for any bonus depreciation in accordance with Federal tax laws.

Depreciation Expense - Depreciation expense will be calculated as the IIP 2 investments by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates established in the 2024 Base Rate Case and then calculated net of tax. Any future changes to depreciation rates during the IIP 2 construction period will be reflected in the depreciation expense calculation at the time of each subsequent rate adjustment filing. The Company will begin to depreciate an asset once it is placed into service.

IIP 2 Rate Base – The net IIP 2 investments placed in service during the respective cost recovery period, which will be calculated as the gross IIP 2 investment, plus AFUDC, less depreciation expense and applicable deferred income taxes.

IIP 2 Investments – All IIP 2 capital expenditures associated with IIP 2 Projects placed in service, including actual costs of engineering, design and construction, property acquisitions, if any, and including actual labor, materials, overhead, and capitalized AFUDC. While the IIP 2 projects are under construction, they will be recorded in a Construction Work in Progress ("CWIP") account and will accrue AFUDC on a monthly basis. The AFUDC will be capitalized and included in the balance to be recovered through the IIP 2 Cost Recovery Mechanism. At the time the project is deemed used and useful, it will be transferred to a utility plant in service account and the booking of AFUDC will cease. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Independent Monitor – Independent Monitor costs associated with IIP 2 will be capitalized but will not be eligible to earn the rate of return.

Operations and Maintenance (“O&M”) – O&M expenses of \$100,000 per year associated with IIP 2 will not be included in the revenue requirement calculations and will not be subject to deferral.

Revenue Factor - The Revenue Factor adjusts the revenue requirement to reflect State and Federal income taxes, as well as the costs associated with Board and Rate Counsel annual assessments and uncollectibles. The Company will apply the Revenue Factor applied in the 2024 Base Rate Case. Any future changes to the Revenue Factor will be reflected in the subsequent monthly revenue requirement calculations

Taxes – In developing the IIP 2 rates the Company will also apply and collect applicable sales and use tax. Tax adjustments include the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

WACC – The WACC applied to IIP 2 Investments shall be the WACC approved in the Company’s 2024 Base Rate Case in BPU Docket No. GR24020158. The WACC is 7.58% (6.93% after-tax), which is based on a ROE of 9.60% and an equity component of 55%. Any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations.

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	\$0.0174
SGS	Small General Service	\$0.0187
GDS	General Delivery Service	\$0.0136
GDS	Seasonal SP#1 May-Oct	\$0.0016
NGV	Natural Gas Vehicles	\$0.0320
LVD	Large Volume Demand	\$0.0049
EGF	Electric Generation	\$0.0136
GLS	Gas Lights	\$0.0164
	Firm Special Contracts	\$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 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 and vintage steel mains and services. As part of the IIP, Elizabethtown is upgrading its legacy low pressure system to an elevated pressure system and installing excess flow valves. 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

Effective: Service Rendered
on and after December 1, 2024

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 in Docket No. GR24020158

RIDER “F”

INFRASTRUCTURE INVESTMENT PROGRAM (“IIP”)

(continued)

The Company’s rate of return on common equity shall be calculated by dividing the Company’s regulated jurisdictional net income for the annual period by the Company’s average jurisdictional common equity balance for such annual period. The average jurisdictional common equity balance will be derived by multiplying the average of the Company’s beginning and ending net rate base for the annual period by the Board-approved equity ratio in the Company’s most recent rate case. The Company’s regulated jurisdictional net income shall be calculated by subtracting from total net income the Company’s share of margins from: (1) Interruptible Sales; (2) Interruptible Transportation; (3) Off-System Sales and Capacity Release; and (4) the Energy Efficiency Program.

Date of Issue: November 26, 2024

Effective: Service Rendered
on and after December 1, 2024

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

MINIMUM FILING REQUIREMENTS (MFRs) INDEX

	Minimum Filing Requirements	Schedule
1.	Elizabethtown's income statement for the most recent 12-month period ended on a quarter, as filed with the Board.	
2.	Elizabethtown's balance sheet for the most recent quarter, as filed with the Board.	
3.	Elizabethtown's actual baseline capital spending for both the recovery period and the prior program year.	
4.	Elizabethtown's overall approved IIP capital budget broken down by major categories, both budgeted and actual amounts.	
5.	For each IIP project: a. The original project budget; b. Expenditures incurred to date; c. Work completed, including identified tasks completed, e.g. design phase, material procurement, permit gathering, phases of construction, etc.; d. Anticipated project timeline, including estimated completion date, with updates and expected and unanticipated changes, along with an explanation of the reasons for any changes; and e. A narrative discussion of the effectiveness of the project in improving system performance; including identification of improved facilities (including specific feeders), where appropriate.	
6.	Consistent with the methodology set forth in Appendix B to the Stipulation approved in the Board Order dated June 12, 2019 in BPU Docket No. GR18101197, a calculation of the proposed revenue requirements related to the IIP projects included in Plant-in-Service in that rate recovery period. The calculation should show the actual capital expenditure for the period for which the filing is made, as well as supporting calculations.	
7.	A calculation of the associated depreciation expense, based on those projects closed to Plant-in-Service during the period.	
8.	A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the IIP projects, such as relocation, reimbursement, or stimulus money, and an explanation of the financial treatment associated with the receipt of the government funds or credits.	
9.	Pursuant to N.J.A.C. 14:3-2A.6(h), the results of an earnings test calculation where ROE shall be determined based on the actual net income of the Company for the most recent 12-month period ended on a calendar quarter divided by the average of the beginning and ending common equity balances for the corresponding period.	

10.	<p>The earnings test calculation described in Paragraph 9, immediately above, is a requirement under the IIP regulations and is used to determine if it is appropriate for the Company to recover, or continue to recover, IIP costs. The following information shall be provided to the Board Staff and Rate Counsel with each earnings review:</p> <ul style="list-style-type: none">a. The earnings test shall contain information from the Company's official books and records, and shall be consistent with the Company's independently audited results of operations and its most recent annual report to the Board, and shall include the most recent 12 months of actual financial information ended on a calendar quarter (i.e., net income and rate of return on the average balance of common equity, per books); andb. Rate base (completed IIP net plant additions that have been deemed used and useful but are not yet included in rate base), revenues (including approved IIP revenues not yet in base revenues), expenses, taxes, capital structure, weighted average cost of capital, approved net IIP plant additions not yet in rate base, and other such relevant financial information as may be known to the Company in determining the calculation in Paragraph 10 (a) above	
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