



Agenda Date: 12/16/15
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PIVOTAL)
UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN)
GAS FOR APPROVAL OF A SAFETY,)
MODERNIZATION AND RELIABILITY PROGRAM AND)
ASSOCIATED COST RECOVERY MECHANISM.)
ORDER DESIGNATING)
COMMISSIONER AND)
SETTING MANNER OF)
SERVICE AND BAR DATE)
DOCKET NO. GR15091090)

Parties of Record:

Mary Patricia Keefe, Vice President, Regulatory Affairs and Business Support, Pivotal
Utility Holdings, Inc. d/b/a Elizabethtown Gas
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

BACKGROUND

In the fourth quarter of 2008, the New Jersey Board of Public Utilities ("Board") called upon the State's public utilities to formulate plans for enhanced investments in infrastructure that would both increase service reliability and promote economic development. On January 20, 2009, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition in Docket Nos. EO09010049 and GO09010053 seeking approval of the Company's Utility Infrastructure Enhancement ("UIE") program as an effort to revive the State's economy and stimulate job growth through capital spending projects that would enhance reliability.

On April 28, 2009, following execution of a Stipulation of Settlement by the Company, Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel"), the Board issued an Order ("April 28 Order") authorizing the accelerated investment by Elizabethtown in four capital projects involving gas distribution infrastructure-related work that was outside the scope of the Company's normal capital budget at a projected cost of approximately \$60.4 million over a two-

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter. Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.

year period from April, 2009 through March 31, 2011. The Board found that the investment in the four UIE projects, if properly executed, would support the State's initiative to stimulate economic development and job growth, while enhancing service reliability, safety and system integrity.

On November 12, 2010, Elizabethtown filed a petition in Docket Nos. GO10120969 and GR09090195 requesting that the Board approve an extension of the UIE ("UIE II"). In addition to seeking an increase in its UIE rider rate to recover program costs, the Company also sought authority to complete certain UIE projects that had not been constructed due to increased costs which would have exceeded the UIE budget. The Company proposed to complete these projects in a manner consistent with the UIE program approved by the April 28 Order, and to add one additional project to the UIE program at a total projected incremental cost of \$40.1 million for the UIE projects. By Order dated May 16, 2011 ("May 16, 2011 Order"), the Board approved the Stipulation of Settlement executed by the Company, Board Staff and Rate Counsel authorizing the UIE II program and associated cost-recovery mechanism.

Pursuant to the April 28 Order and May 16, 2011 Order, Elizabethtown completed the UIE and UIE II projects that included the replacement of approximately 29 miles of elevated pressure, ten to twelve-inch cast iron main and the replacement of approximately 36 miles of low pressure, four-inch cast iron main.

By Order dated August 21, 2013 ("August 21, 2013 Order"), the Board approved a Stipulation of Settlement in Docket No. GO12070693 to implement a four-year Accelerated Infrastructure ("AIR") program that authorized the Company to invest over \$115 million to continue the replacement of bare steel mains, cast iron mains and other facilities. The AIR program will expire on September 1, 2017. According to the Company, it is anticipated that the AIR program will replace approximately 74 miles of low pressure cast iron main and 5 miles of elevated pressure cast iron main. The August 21, 2013 Order also required Elizabethtown to file a base rate case no later than September 1, 2016 ("2016 Base Rate Case").

The Current Petition

On September 22, 2015, the Company filed a petition with the Board seeking approval to implement and administer its Safety, Modernization and Reliability ("SMART") program and a related SMART rider to the Company's tariff to permit it to recover the costs of the program. The Company seeks approval to spend up to \$1.102 billion in SMART investments across its gas service territory over ten years. According to the petition, the SMART program will complete remaining projects to replace cast and ductile iron mains and unprotected and bare steel, copper, and vintage plastic mains and services in the Company's service territory. The Company also proposes to relocate inside meter sets, upgrade its legacy low pressure system to an elevated pressure system, and, as a consequence, install excess flow valves and retire district regulators as needed to accommodate the elevated pressure on the system. At this time, the Company anticipates these expenditures, if approved, will result in the replacement of approximately 630 miles of mains and 67,000 bare steel and copper services.

The Company proposes to recover the revenue requirements associated with the SMART program by utilizing the same cost-recovery methodology and rate design as used for UIE and UIE II. Specifically, it proposes to establish an initial SMART rider rate designed to recover the Company's projected SMART program costs from the end of the test year of the 2016 Base Rate Case (currently anticipated to be April 1, 2017) through March 31, 2018, subject to

reconciliation in its annual SMART rider filing to be filed by the Company on or before January 1, 2018 ("January Filing"). According to the petition, the January Filing would reflect (1) the reconciliation of actual and projected SMART program costs and cost recoveries through March 31 of the year in which the filing was made, and (2) projected SMART program costs through the next succeeding April 1 through March 31 SMART recovery year.

DISCUSSION

The Board has determined that the SMART petition described above should be retained by the Board for hearing and, pursuant to N.J.S.A. 48:2-32, **HEREBY DESIGNATES** Commissioner Mary-Anna Holden as the presiding officer who is authorized to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.

Further, the Board **HEREBY DIRECTS** that any entities seeking to intervene or participate in this matter file the appropriate application with the Board by January 15, 2016.

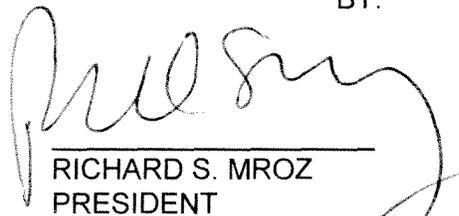
Also in the interests of economy, all parties are **HEREBY DIRECTED** to serve all documents electronically, while still providing hard copies to the Board for those documents which must be filed with the Board, and also providing hard copies as requested by the parties.

Finally, the Board **HEREBY DIRECTS** Staff to post this Order on the Board's website.

This Order shall be effective on December 26, 2015.

DATED: 12/16/15

BOARD OF PUBLIC UTILITIES
BY:

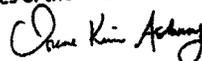

RICHARD S. MROZ
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST: 
IRENE KIM-ASBURY
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A
ELIZABETHTOWN GAS FOR APPROVAL OF A SAFETY, MODERNIZATION AND
RELIABILITY PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM
DOCKET NO. GR15091090**

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