#### Philip J. Passanante Assistant General Counsel



92DC42 PO Box 6066 Newark, DE 19714-6066 667.313.0418 - Telephone 302.429.3801 - Facsimile philip.passanante@pepcoholdings.com

500 N. Wakefield Drive Newark, DE 19702 atlanticcitvelectric.com

June 22, 2023

#### VIA ELECTRONIC MAIL

sherri.golden@bpu.nj.gov board.secretary@bpu.nj.gov

Sherri L. Golden
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**RE:** In the Matter of the New Jersey Board of Public Utilities Response to the

COVID-19 Pandemic

BPU Docket No. AO20060471

#### Dear Secretary Golden:

Please accept this letter in lieu of a more formerly styled Motion for Reconsideration and/or Clarification pursuant to N.J.A.C. 14:1-8.6 in connection with the above captioned proceeding. For the reasons set forth herein, Atlantic City Electric Company ("ACE" or the "Company") respectfully requests confirmation by the New Jersey Board of Public Utilities ("BPU" or "Board") that the Company's pending Non-Utility Generation Charge ("NGC") and Societal Benefits Charge ("SBC") Reconciliation Petition, BPU Docket No. ER23020057 (the "NGC/SBC Petition"), complies with the Board's recent Order dated June 7, 2023, in the above captioned docket (the "June 7 Order"). ACE further asks that the Board confirm that the SBC is the appropriate mechanism for the Company to seek recovery of its deferred COVID-19 uncollectible expenses, as has been proposed in the NGC/SBC Petition.

#### **Background**

In the June 7 Order, the Board instructed any utility that had sought commencement of cost recovery of COVID-19 deferred regulatory asset balances prior to June 7, 2023 to amend its filing to comply with the mandated requirements set forth in the June 7 Order.

<sup>&</sup>lt;sup>1</sup> N.J.A.C. 14:1-8.6 also states that the Board [of Public Utilities] at any time may order a ... reconsideration on its own motion and extend, revoke or modify any decision or order made by it."

On February 1, 2023, ACE filed its NGC/SBC Petition, wherein the Company has sought commencement of cost recovery of its previously deferred Uncollectible ("UNC") balances through its existing SBC. The NGC/SBC Petition seeks to reconcile the balances for its NGC and SBC expenses for the period June 1, 2022 through forecasts ending May 31, 2024. Included in the 2023 NGC/SBC Petition was an identification of \$25.066 million that had been deferred from cost recovery in the Company's prior two NGC/SBC reconciliation/update filings. These were costs that, "but for" the then ongoing COVID-19 Pandemic, would have been recoverable by ACE in its 2021 and 2022 NGC/SBC reconciliation/update proceedings.

In the Company's 2021 and 2022 NGC/SBC proceedings, the Board approved stipulations of the parties deferring cost recovery in an amount of \$15.735 million (2021 proceeding) and a deferred amount of \$9.331 million (2022 proceeding) of UNC expense related to COVID-19.<sup>2</sup> In each case, the deferred COVID-19-related UNC expenses were authorized by Board Order to be deferred for future recovery by the Company. Finally, ACE's 2023 NGC/SBC Petition proposes to amortize the UNC COVID-19 deferred balance of \$25.066 million over a three-year period. Therefore, in the current NGC/SBC proceeding, the Company is seeking to recover \$8.33 million of its total COVID-19-related UNC deferral.<sup>3</sup>

# The Company's February 2023 NGC/SBC Petition Is Compliant and Consistent with the Board's June 7 Order and Existing Law

The Company respectfully submits that its NGC/SBC Petition already complies with the five (5) requirements of the Board's June 7 Order.

The first of the five (5) requirements established by the Board requires that the Company "[p]ropose a new, separate, special-purpose clause or rider that clearly defines the purpose and scope of the regulatory asset balances being proposed for recovery." The SBC is a separate, special-purpose clause that was expressly established by the legislature for "social programs," including the cost of serving bad debt (or uncollectible accounts). The SBC component of the Company's tariff is where ACE is already authorized to recover its UNC balances from year to year and where the Board has already approved the deferral of the UNC COVID-19-related balances for 2021 and 2022. Additionally, the Company's customers were made aware through the BPU's website, on the Company's website, and through social media outlets, as well as through the Public Notices that were published in newspapers throughout its service territory and mailed to all municipalities and counties with respect to the 2023 NGC/SBC Petition, that ACE is seeking cost recovery of a portion of its COVID-19-related expenses in its SBC tariff charge. ACE respectfully submits that, considering the extent and specificity of the notifications recited above and the explanation provided in those notifications, "a new, separate, special-purpose clause or rider" is unnecessary and unwarranted.

<sup>&</sup>lt;sup>2</sup> See Board Order dated June 7, 2023 in BPU Docket No. ER22020038 (2022 NGC/SBC) and Board Order dated October 6, 2021 in BPU Docket No. ER21020088 (2021 NGC/SBC).

<sup>&</sup>lt;sup>3</sup> In the NGC/SBC Petition, the Company also proposes to refund to customers \$0.853 million, representing an over-collection of certain COVID-19-related expenses incurred by the Company.

With respect to requirement (2) of the June 7 Order, ACE's SBC tariff charge is designed to provide a volumetric rate and is applicable to all customers receiving electric service from the Company. Therefore, ACE's proposal to recover its deferred COVID-19-related expenses through its SBC UNC charge complies with requirement (2) of the Board's June 7 Order.

With respect to requirement (3) of the June 7 Order, as noted above, the Company's 2023 NGC/SBC Petition and the notifications provided in connection therewith, provide for an amortization period of three years, notwithstanding that the costs were accumulated over a two-year period. ACE respectfully submits that this is a reasonable recovery period for itself and its customers.

With respect to requirement (4) of the June 7 Order, the Company is not seeking any special carrying costs with respect to COVID-19 deferred balances. To the extent that the deferred COVID-19-related balances are included in the Company's SBC balance account, any outstanding balance is subject to the Board approved monthly interest calculation based upon the Company's short-term debt rate.<sup>4</sup>

Finally, with respect to requirement (5) of the June 7 Order, ACE respectfully submits that all relevant documentation for recovery on an amortized basis of its deferred COVID-19-related regulatory asset balance has been included in the 2023 NGC/SBC Petition and the Testimony and Exhibits attached thereto.

## EDECA Fully Supports the Recovery and Reconciliation of COVID-19 Uncollectible Costs Through the Societal Benefits Charge

As demonstrated by the Company's – and the collective utilities' – numerous filings in connection with the above docket, ACE has consistently maintained that the SBC is the appropriate, legislatively sanctioned rate recovery mechanism for service of uncollectible accounts. The SBC was included in the Electric Discount and Energy Competition Act of 1999 ("EDECA") as part of electric utility restructuring. EDECA specifically mandates that "the [B]oard shall permit each electric public utility" to recover "the costs for the social programs for which rate recovery was approved by the [B]oard prior to April 30, 1997. . . . Nothing in P.L.1999, c.23 (C.48:3-49 et al.) shall be construed to abolish or change any social program required by statute or [B]oard order or rule or regulation to be provided by an electric public utility. Any such social program shall continue to be provided by the utility until otherwise provided by law, unless the [B]oard determines that it is no longer appropriate for the electric public utility to provide the program, or the [B]oard chooses to modify the program." The cost of serving uncollectible accounts was such an existing social program. The SBC, therefore, is the appropriate means by which COVID-19-related arrears – the cost of serving uncollectible accounts through the Pandemic – should be recovered.

<sup>&</sup>lt;sup>4</sup> See Board's Order in BPU Docket No. ER02080510, dated July 8, 2004, authorizing the use of the Company's monthly actual cost of short-term debt as the interest rate to apply to the over- or under-recovered balance of the NGC/SBC.

<sup>&</sup>lt;sup>5</sup> N.J.S.A. 48:3-60(a)(1).

The legislative history behind EDECA further reveals that the continuation of established consumer protections was a major concern for the Board, and ultimately the Legislature, during restructuring. In its Findings and Recommendations Report, dated April 30, 1997, the Board was "determined to preserve the provision and funding for existing social protection programs, including the winter moratorium program, the costs associated with serving 'bad debt' customers, low-income assistance and weatherization programs." The Board explained that electric utilities have "been relied upon to ensure universal access to electricity service, to be the provider of certain social programs, and to be an integral part of a societal safety net for those less fortunate consumers who are unable to pay their utility bills for reasons beyond their control." When some challenged that these programs should be funded with tax dollars, the Board countered that the electric utilities' provision of "numerous social programs or policies," such as the cost of serving bad debt customers, "are vitally important to numerous residents, and have become ingrained in the fabric of the State's utility industry." Accordingly, the Board went on to "emphasize that electric utilities having the obligation of implementing social programs . . . should not be financially or competitively disadvantaged as a result."

ACE maintains that the cost of serving uncollectible accounts through the COVID-19 Pandemic is a prudently incurred cost driven by governmental directives. Although a similar health emergency had not been seen for 100 years, the Company respectfully submits that the State was able to quickly respond to the COVID-19 public health emergency due, in part, to the long-established social programs established by the Board and retained through restructuring. Electric utilities, such as ACE, responded to COVID-19 by ensuring that customers had the necessary societal safety net of continued electric service during an otherwise uncertain time.

Since EDECA's enactment, through the initial transition period and the significant economic downturn of 2008-2009 to the present, the Board has consistently authorized ACE to recover the costs of its social programs, such as bad debt or uncollectible accounts, through the SBC. Additionally, the Company's BPU-approved Tariff, at Section IV, Rider (SBC), expressly allows for recovery of "uncollectible accounts." Accordingly, the Company further asks that the Board confirm that the SBC is the appropriate mechanism for ACE to seek recovery of its deferred COVID-19 uncollectible expenses, as has been proposed in the Company's NGC/SBC Petition.

<sup>&</sup>lt;sup>6</sup> Findings and Recommendations, Restructuring the Electric Power Industry in New Jersey, BPU Docket No. EX94120585Y (April 30, 1997) at 9 (emphasis added).

<sup>&</sup>lt;sup>7</sup> *Id.* at 119 (emphasis added).

<sup>8</sup> Id. at 140.

<sup>&</sup>lt;sup>9</sup> Id. at 9.

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#### **Conclusion**

Based upon the foregoing, the Company respectfully requests that the Board determine (1) that the existing UNC component of ACE's SBC is the appropriate regulatory mechanism for recovery of COVID-19-related regulatory asset balances; and (2) that, for purposes of compliance with the June 7 Order, "a *new*, separate special-purpose clause or rider" is not required, especially where, like here, a separate, special-purpose clause – the SBC – already exists. <sup>10</sup>

Respectfully submitted,

Philip J. Passanante
An Attorney at Law of the
State of New Jersey

Enclosure

cc: Service List

<sup>&</sup>lt;sup>10</sup> June 7 Order at page 4.

# I/M/O the New Jersey Board of Public Utilities Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations BPU Docket Nos. EO20030254 and AO20060471

#### **Service List**

#### BPU

Sherri L. Golden Secretary of the Board Board of Public Utilities 44 South Clinton Avenue P.O. Box 350 Trenton, NJ 08625-0350 <u>sherri.golden@bpu.nj.gov</u> board.secretary@bpu.nj.gov

Taryn Boland Chief of Staff taryn.boland@bpu.nj.gov

Robert Brabston, Esquire Executive Director robert.brabston@bpu.nj.gov

Stacy Peterson
Deputy Executive Director
stacy.peterson@bpu.nj.gov

Michael Beck, Esq. Chief Counsel michael.beck@bpu.nj.gov

Carol Artale, Esquire Deputy General Counsel carol.artale@bpu.nj.gov

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

Alice Bator Director, Division of Audits alice.bator@bpu.nj.gov

Michael Kammer Director, Division of Water michael.kammer@bpu.nj.gov

Lawanda Gilbert
Director, Division of Cable
Television and Telecommunications
<a href="mailto:lawanda.gilbert@bpu.nj.gov">lawanda.gilbert@bpu.nj.gov</a>

Julie Ford-Williams
Director
Division of Customer Assistance
julie.ford@bpu.nj.gov

#### **DIVISION OF LAW**

Daren Eppley, Esquire
Division of Law
Hughes Justice Complex
Public Utilities Section
25 Market Street
P.O. Box 112
Trenton, NJ 08625
daren.eppley@law.njoag.gov

Pamela Owen, Esquire pamela.owen@law.njoag.gov

#### **RATE COUNSEL**

Brian O. Lipman, Esquire Division of Rate Counsel 140 East Front Street, 4th Floor P.O. Box 003 Trenton, NJ 08625-0003 blipman@rpa.nj.gov

T. David Wand, Esquire <a href="mailto:dwand@rpa.nj.gov">dwand@rpa.nj.gov</a>

Susan McClure, Esquire <a href="mailto:smcclure@rpa.nj.gov">smcclure@rpa.nj.gov</a>

Brian Weeks, Esquire <a href="mailto:bweeks@rpa.nj.gov">bweeks@rpa.nj.gov</a>

Maria Novas-Ruiz, Esquire mnovas-ruiz@rpa.nj.gov

Bethany Rocque-Romaine, Esquire bromaine@rpa.nj.gov

Robert Glover, Esquire rglover@rpa.nj.gov

Debora Layugan dlayugan@rpa.nj.gov

#### RATE COUNSEL CONSULTANT

Susan Baldwin
13 Church Hill Street
Watertown, MA 02472
smbaldwinconsulting@gmail.com

#### **ELECTRIC & GAS COMPANIES**

#### ACE

Cynthia L.M. Holland, Esquire Assistant General Counsel Atlantic City Electric Company 92DC42 500 N. Wakefield Drive Newark, DE 19714-6066 cynthia.holland@exeloncorp.com

#### PSE&G

Matthew Weissman, Esquire PSE&G 80 Park Plaza, T-5 Newark, NJ 07102-4194 matthew.weissman@pseg.com

Danielle Lopez danielle.lopez@pseg.com

Bernard Smalls bernard.smalls@pseg.com

Caitlyn White <a href="mailto:caitlyn.white@pseg.com">caitlyn.white@pseg.com</a>

Michele Falco michele.falco@pseg.com

#### JCP&L

Joshua Eckert, Esquire JCP&L 300 Madison Avenue Morristown, NJ 07960 jeckert@firstenergycorp.com

#### ROCKLAND

John L. Carley, Esquire Consolidated Edison Co. of NY 4 Irving Place New York, NY 10003 carleyj@coned.com

#### **NJNG**

Andrew K. Dembia, Esquire 1415 Wycoff Road P.O. Box 1464 Wall, NJ 07719 adembia@njng.com

### SOUTH JERSEY GAS & ELIZABETHTOWN GAS

Deborah Franco, Esquire Regulatory Affairs Counsel 520 Green Lane Union, NJ 07083 dfranco@sjindustires.com

#### **BOROUGH OF BUTLER**

Robert H. Oostdyk, Jr., Esquire Murphy McKeon P.C. 51 Route 23 South P.O. Box 70 Riverdale, NJ 07457 roostdyk@murphymckeonlaw.com

James Lampmann
Borough Administrator
1 Ace Road
Butler, NJ 07405
jlampmann@butlerborough.com

### WATER/WASTEWATER COMPANIES

#### **Gordon's Corner Water Company**

David G. Ern, President 27 Vanderburg Road P.O. Box 145 Marlboro, NJ 07746 dgern@gordonscornerwater.com

Eric Olsen eolsen@gordonscornerwater.com

#### Aqua NJ, Inc.

Adam Burger 10 Black Forest Road Hamilton, NJ 08691 aburger@aquaamerica.com

Kimberly Joyce kajoyce@aquaamerica.com

William C. Packer, Jr. wcpackerjr@aquaamerica.com

#### **NJ American Water Company**

Bruce V. Miller, Esquire Sarmili Saha, Esquire Cullen Dykman LLP One Riverfront Plaza Newark, NJ 07102 bmiller@cullenllp.com saha@cullenllp.com

Debbie Albrecht debbie.albrecht@amwater.com

#### **Fayson Lakes Water Company**

John Cannie, President 160 Boonton Avenue Kinnelon, NJ 07405 flwc@optonline.net

#### Montague Water Company

Steve Lubertozzi, President 2335 Sanders Road Northbrook, IL 60062 steve.lubertozzi@uiwater.com

#### **Middlesex Water Company**

Dennis W. Doll 481 C Route 1 South, Suite 400 Iselin, NJ 08830 ddoll@middlesexwater.com

Jay Kooper ikooper@middlesexwater.com

#### Suez Water NJ, Inc.

Rodolphe Bouichou 461 From Road, Suite 400 Paramus, NJ 07652 rodolphe.boulchou@suez.com

Mark Janovic mark.janovic@suez.com

Jim Cagle jim.cagle@suez.com

#### **Midtown Water Company**

John J. Brunetti, President 1655 US Highway 9 Old Bridge, NJ 08857

#### **Shore Water Company**

Samuel Faiello, President 105-23<sup>rd</sup> Avenue South Seaside Park, NJ 08752 samsjf@verizon.net

Gloria Stuart glorstuart@comcast.com

#### **Simmons Water Company**

David B. Simmons, Jr., President P.O. Box 900
Branchville, NJ 07826
dbsjr@simmonstransport.com

#### **Atlantic City Sewer Company**

Tom Kavanaugh Carl Cordek 1200 Atlantic Avenue, Suite 300 Atlantic City, NJ 08401 tkavanaugh@acsewerage.com cordekc@aol.com

#### Lake Lenape Water Company

Jeffrey Fuller, President 83 Eagle Chase Woodbury, NJ 11797 jmf1294@yahoo.com

#### Mt. Olive Villages Water Company

Henry K. Schwartz, President 200 Central Avenue Mountainside, NJ 07902 zln1@aol.com

### MUNICIPAL WATER COMPANIES

Richard Calbi, Director Village of Ridgewood 131 N. Maple Avenue, Suite 5 Ridgewood, NJ 07450 rcalbi@ridgwoodnj.net

Chris O'Leary, General Manager Borough of Park Ridge Water 53 Park Avenue Park Ridge, NJ 07656 coleary@parkridgeboro.com

Art Dysart, Superintendent Clinton Water and Sewer Utility 43 Leigh Street Clinton, NJ 08809 artdysart@clintonnj.gov

Andrew Dujack, President **Town of Dover Water Commissioners** 100 Princeton Avenue Dover, NJ 07801

Robert Kinsey, Superintendent **Town of Dover Water** 37 North Sussex Street Dover, NJ 07801 rkinsey@dover.nj.us

John Allsebrook, Superintendent Borough of Berlin Water Department 59 South White Horse Pike Berlin, NJ 08009 dpwsupt@berlinnj.org

Kristin Epstein, Assistant Director Trenton Water Works 333 Cortland Street P.O. Box 528 Trenton, NJ 08604 kepstein@trentonnj.org

Patricia McGowan, Water Clerk City of Bordentown Water Department 324 Farnsworth Avenue

Bordentown, NJ 08505 pmcgowan@cityofbordentown.com John J. Wells, Licensed Operator jwalls@cityofbordentown.com

Steve DiOrio, Superintendent
Collingswood Water Department
215 Hillcrest Avenue
Collingswood, NJ 08108
sdiorio@collingswood.com

Mike McIntyre, Director Wildwood Water Utility 3416 Park Boulevard Wildwood, NJ 08260 mmcintyre@wildwoodnj.org

#### <u>CABLE TV AND</u> TELECOMMUNICATIONS

#### Altice USA (f/k/a/ Cablevision)

Marilyn D. Davis, Area Director Government Affairs Altice USA 494 Broad Street, 9<sup>th</sup> Floor Newark, NJ 07102 marilyn.davis16@alticeusa.com

#### Charter Communications f/k/a Time Warner

Michael A. Chowaniec VP-State Regulatory Affairs Charter Communications 400 Atlantic Street Stamford, CT 06901 michael.chowaniec@charter.com

#### Comcast

Elizabeth Murray Senior Director or Regulatory Affairs Comcast 50 Randolph Road Somerset, NJ 08873 elizabeth murray@comcast.com

Stephanie Kosta Vice President – Government Affairs Comcast 3800 Horizon Boulevard, Suite 300 Trevose, PA 19053 stephanie kosta@comcast.com

### **Service Electric Cable TV of Hunterdon, Inc.**

John Capparell General Manager Service Electric Cable TV 2260 Avenue A, LVIP#1 Bethlehem, PA 18017 jcapparell@sectv.com Jennifer Brown Regulatory Affairs Director browni@sectv.com

### INCUMBENT LOCAL EXCHANGE CARRIERS (ILECS)

#### Verizon New Jersey, Inc.

Ava-Marie Madeam Vice President - State Regulatory Affairs NY, NJ, CT 999 West Main Street, 3<sup>rd</sup> Floor Freehold, NJ 07728 avamarie.p.madeam@verizon.com

Sylvia Del Vecchio, Manager Verizon New Jersey, Inc. 9 Gates Avenue, 2<sup>nd</sup> Floor Montclair, NJ 07042-3399 sylvia.i.del.vecchio@verizon.com

Richard C. Fipphen, Esquire Assistant General Counsel Verizon New Jersey, Inc. 140 West Street, 6<sup>th</sup> Floor New York, NY 10007 richard.fipphen@verizon.com

#### CenturyLink

Josh Motzer
Director – State Government
Relations
37 W. Broad Street, Suite 470
Columbus, OH 43215
josh.motzer@centurylink.com

#### Momentum Telecom (Warwick Valley)

Virginia O'Hanlon
Manager - Regulatory & Tax
Compliance
47 Main Street
Warwick, NY 10990
vohanlon@momentumtelecom.com

#### AT&T

Charlene Brown VP External Affairs – NJ AT&T 192 West State Street Trenton, NJ 08873 cb1362@att.com

#### Service Electric of Cable TV

#### New Jersey, Inc.

Robert H. Williams, Esquire General Manager 320 Sparta Avenue Sparta, NJ 07871 bobw@secable.com Robbin Blessing Assistant Manager robbin@secable.com

#### **AARP**

Janine G. Bauer, Esquire 101 Grovers Mill Road, Suite 200 Lawrenceville, NJ 08648 jbauer@szaferman.com

Evelyn Liebman
Director of Advocacy
AARP NJ State Office
303 George Street, Suite 505
New Brunswick, NJ 08901
eliebman@aarp.org