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VIA E-MAIL ONLY

Sherri Golden, Secretary of the Board
Board of Public Utilities
44 S. Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 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 brief on behalf of Public Service Electric and Gas Company (“PSE&G” or the “Company”) in response to the Motion for Reconsideration and/or Clarification (“Motion”), dated June 22, 2023, filed by Atlantic City Electric Company (“ACE”) regarding the Board’s June 7, 2023 Order in this matter, and the letter brief of the New Jersey Division of Rate Counsel, dated June 27, 2023, in opposition to ACE’s Motion for reconsideration (“Rate Counsel Brief”).

Like ACE, PSE&G has for many years recovered the cost of its uncollectible customers’ accounts, also referred to as its electric bad debt costs, through the Societal Benefits Charge (“SBC”). Consistent with New Jersey statutory law, PSE&G’s electric tariff approved by the New Jersey Board of Public Utilities (“Board” or “BPU”) provides that the SBC is a “mechanism . . . designed to insure recovery of costs associated with activities that are required to be accomplished to achieve specific public policy determinations mandated by Government.” The tariff also specifies the separate components of the SBC, including the Energy Efficiency and Renewables (EE&R) Programs component and the Social component, which “shall recover costs associated with existing social programs. . . . includ[ing] but . . . not limited to uncollectible customers’ accounts.”¹

Thus, PSE&G’s electric bad debt costs, whether attributable to COVID-19 or any other cause, are properly recoverable through the utility’s SBC. Moreover, continued recovery of those costs through the SBC is required under the August 18, 2021 Board order resolving

¹ See Public Service Electric and Gas Company, B.P.U.N.J. No. 16 Electric, Ninth Revised Sheet No. 57 and Original Sheet No. 58; see also N.J.S.A. 48:3-60(a)(1).

PSE&G's most recently-completed SBC proceeding, and would be entirely consistent with the terms of the Board's June 7, 2023 order in the above-referenced docket.²

PSE&G's most recently-completed SBC case was conducted in 2020-2021, and the parties recognized the significant impact that COVID-19 was having on PSE&G's operations and costs at that time. In the stipulation resolving that case (the "2021 Stipulation"), the parties specifically recognized that COVID-19 was causing a significant increase in PSE&G's electric bad debt costs. The parties also agreed that those electric bad debt costs had been reviewed, were recoverable, and would begin to be recovered in September 2021 through the SBC. The agreement provided that recovery would be limited so as to moderate the impact on customers, but was also clear that the unrecovered costs would earn interest and *remain in the SBC balance, for recovery in PSE&G's following SBC case.* The Board's order and the parties' stipulation were very clear on these points:

Staff and Rate Counsel have propounded discovery to which the Company has responded and the Parties agree that, as shown on Attachments A and B of the Stipulation, respectively, \$290.5 million is eligible for recovery via the electric SBC and \$56 million is eligible for recovery via the gas SBC. However, in light of the proposed electric increase attributable to the increase in the Social component of the electric SBC due to the COVID-19 pandemic, through both its impact on the economy and the resulting suspension of shutoff activities, the increase in the Social component of the electric SBC will be limited to an amount that offsets the decrease in the EE&RE component of the electric SBC. As shown in Attachment A of the Stipulation, \$151.1 million is eligible for recovery via the Social component of the electric SBC. Given the limit on the Social component increase described above, the annual amount to be recovered in the revised rate will be reduced to \$73.3 million. *The balance of \$77.9 million eligible for recovery ("Deferred Amount") that is not incorporated into the Social component of the SBC due to the limit on the Social component increase will be deferred within the Social component of the electric SBC, for recovery beginning in the next SBC proceeding to be filed by PSE&G (and/or a subsequent SBC proceeding, if necessary, to address recovery of any remaining deferred amounts) This amount will remain in the Social component of the electric SBC under-recovered balance and accrue interest until fully recovered.*³

It can be demonstrated that the annual amount of \$73.3 million currently being recovered through PSE&G's BPU-approved electric SBC rate includes incremental costs incurred in connection with COVID. Thus, Rate Counsel's claim that there are no Board orders

² I/M/O the Petition of PSE&G for Approval of Changes in its Electric and Gas Societal Benefits Charge, Decision and Order Approving Stipulation, Dkt. Nos. ER20110734 and GR20110735 (August 18, 2021)(“August 2021 Order”); I/M/O the New Jersey Board of Public Utilities Response to the COVID-19 Pandemic, BPU Docket No. AO20060471, Order (June 7, 2023)(“June 2023 Order”).

³ August 2021 Order, at 3-4 (italics added).

“authoriz[ing] the electric utilities to request recovery of their incremental COVID-related costs through their SBC filings” (Rate Counsel Brief, page 4 of 8), is incorrect.

While the parties to the 2021 Stipulation did agree that the amortization period for recovery of the Deferred Amount would be “based upon the outcome of the COVID-19 Proceeding,” there was no suggestion that the magnitude or the prudence of the actual costs covered by that stipulation would be subject to any further review. Indeed, the stipulation stated that the \$77.9 million Deferred Amount could only be “modified by appropriate offsets, i.e., funds received from any federal, state or other program” Indeed, the Board expressly found that “the actual SBC costs and expenses incurred through December 31, 2020” – including incremental electric bad debt cost attributable to COVID -- “were reviewed by the Parties and determined to be reasonable and prudent.”⁴

It should also be noted that at the time the parties entered in the stipulation resolving PSE&G’s 2020-2021 SBC case the Company had been clear – through its quarterly reports of its COVID-19 incremental costs -- that it intended to continue to recover its electric bad debt costs through the SBC clause created for that purpose, as set forth in PSE&G’s tariff, and that PSE&G’s claim for incremental bad debt expense in the separate COVID-19 cost recovery case would be limited to incremental expense for *gas* bad debt.⁵

PSE&G agrees with ACE that the SBC is a “special clause” that meets all the requirements of the June 2023 Order, and that the Deferred Amount should be recovered through PSE&G’s SBC, as required under the August 2021 Order and proposed in the Company’s SBC filing submitted on January 9, 2023 that is still pending before the Board. Like ACE’s clause, the SBC component of PSE&G’s tariff is where PSE&G is already authorized to recover its electric bad debt balances, and where the Board has already approved the deferral of COVID-related electric bad debt; as stated by ACE, “*a new, separate, special-purpose clause or rider*” (requirement (1) of the June 2023 Order) is unnecessary and unwarranted. Also like ACE, PSE&G’s SBC tariff charge is designed to provide a volumetric rate and is applicable to all customers receiving electric service from the Company, satisfying requirement (2). Similarly, and in satisfaction of requirement (3) of the June 2023 Order, PSE&G has proposed in its January 2023 SBC petition an amortization period of three years for recovery of the \$77.9 million Deferred Amount, which we agree with ACE is a reasonable recovery period for the utility and its customers. Also like ACE, by inclusion in the Company’s SBC balance, any outstanding balance is subject to the Board approved the two-year constant maturity treasury rate plus 60 basis points reset each August, consistent with the Board’s requirement (4) that the recovery of incremental COVID costs include carrying costs at a reasonable rate for any over- or under-recovery. With respect to requirement (5) of the June 2023 Order, all relevant documentation for recovery on an amortized basis of the Deferred Amount has been included in PSE&G’s January 2023 SBC Petition and the Testimony and Schedules attached thereto.

⁴ August 2021 Order, at 5.

⁵ PSE&G Initial Quarterly Report on COVID-19 Incremental Costs (“Report of PSE&G”), at 5, submitted in this docket (August 3, 2020).

PSE&G stands by the terms of the August 2021 Order finding that the Company's actual SBC costs and expenses incurred through December 31, 2020 – including incremental electric bad debt cost attributable to COVID-19 – were reasonable and prudent, and are recoverable through the SBC. The Company also notes that in its filing dated July 17, 2023 in this docket seeking authorization to recover its other – i.e., non-electric bad debt -- incremental COVID-19 costs, PSE&G has provided support for the incremental bad debt on the gas side of the business.⁶ Since collection activities are the same with respect to gas and electric bills, the prudence of the incremental electric bad costs being reviewed in PSE&G's pending SBC docket as well as the incremental gas bad costs included in PSE&G's COVID-19 claim are supported by the testimony submitted in the COVID matter.

Thank you very much for your consideration. If you have any questions or comments, please do not hesitate to contact me.

Respectfully submitted,



Matthew M. Weissman

CC: Service List (via electronic mail)

⁶ See Testimony of Jane Bergen, Director of Billing Revenue and Controls (July 17, 2023).