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APR 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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APR 12 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STEFANIE A. BRAND
Director

April 11, 2019

Via Hand Delivery

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Ave., 10th Floor
P.O. Box 350
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FORWARD
CASE MANAGEMENT
2019 APR 15 P 12:56
BOARD OF PUBLIC UTILITIES
TRENTON, NJ

**Re: I/M/O Joint Petition for Approval of SUEZ New Jersey Inc. for
Approval of a Pilot Program to Facilitate the Replacement of Lead
Service Lines & a Related Cost Recovery Mechanism
BPU Docket No. WO19030381**

Dear Secretary Camacho-Welch:

Please accept this letter in response to the letter ("Suez Letter") to the Board of Public Utilities ("Board") sent by Petitioner SUEZ New Jersey ("Suez" or "Company") on April 8, 2019 regarding the above-referenced matter. In its letter, the Company modified its Petition by withdrawing its request for expedited treatment on the Board's April agenda for a tariff implementing a cost-sharing mechanism for replacement of the customer-owned portion of lead service lines. Through this letter, Suez continues to request Board action in April to assign a BPU commissioner to its Petition, and for deferred accounting "for any aspects of the pilot program." Suez Letter at 2. The Division of Rate Counsel ("Rate Counsel") objects to Suez's unsupported request for deferred accounting, and submits that Board action in April, if any, should be limited solely to the appointment of a Commissioner to preside over the matter.

In December 2018, Suez informed the Department of Environmental Protection ("DEP") that it experienced exceedances of the lead action level in 15 samples during the second half of 2018. This exceedance triggered the Federal Lead and Copper Rule's requirement that at least seven percent of Suez-owned lead service lines be replaced annually. On March 22, 2019, Suez filed its Petition for a pilot program. In its Petition, Suez noted its intention to prioritize

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replacement of Suez-owned lead service lines. Petition at 6. In conjunction with this work, Suez's Petition requests approval of a pilot program to replace the customer-owned side of the service line, in conjunction with working on Suez-owned property, if the customer's line was determined to be made of lead, with such replacement being subsidized by ratepayers. Id. at 8. This pilot program, if approved, will result in a surcharge that includes replacement costs of the customer-owned side of the service line. The Company-owned side of the service line will be included in base rates through a base rate case. Suez Letter at 2.

Following objection to this ratepayer subsidization by Rate Counsel, through the Suez Letter the Company updated its Petition by withdrawing its request for approval in April of a new tariff that would have allowed ratepayer-subsidized replacement of customer-owned lead service lines. The Company continues to request that the Board act in April to appoint a Commissioner as hearing officer, and to approve "deferred accounting for any aspects of the pilot program." Suez Letter at 2. By this letter, Rate Counsel offers its objection to Suez's request for deferred accounting.

Board policy dictates that deferred accounting only be granted where "extraordinary circumstances" are present. I/M/O Elizabethtown Gas Co.'s Request for Deferred Accounting Authority for Costs & Lost Revenue Related to Veterans' Organizations Pursuant to N.J.S.A. 48:2-21.41 & Associated Tariff Changes, BPU Docket No. GR19010017, Order at 6 (2/27/19) ("The Board notes...that extraordinary circumstances must be present in order to permit a utility to qualify for deferred accounting.") In addition to extraordinary circumstances, the issue must have a "significant financial impact on the company's financial health...." Id. at 7. Absent a demonstration of these criteria, deferred accounting is inappropriate.

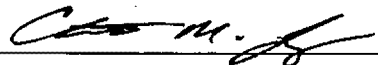
As an initial matter, now that the Company has withdrawn its request for an expedited tariff for ratepayer-subsidized replacement of customer-owned lines, Rate Counsel is unclear for what costs the Company is seeking deferred accounting. Because the customers will bear the full cost of replacing their service lines, there does not appear to be any costs to the Company. The request for deferred accounting appears to be moot.

Furthermore, if such costs do exist, the Company has failed to demonstrate that it is entitled to deferred accounting for them. Suez fails to explain what these costs are, how much they will total, or that they create extraordinary circumstances or have a significant financial impact on the company's financial health, both of which must be demonstrated before the Board will grant deferred accounting. With the exception of a one-page spreadsheet containing rounded, projected numbers and captioned "calculation example," Suez's Petition is wholly devoid of this information. Suez has failed to meet its burden of proof that deferred accounting is appropriate under the policy delineated by the Board. Furthermore, the Company has not proven that deferred accounting must be approved on an expedited basis, denying Board Staff

and Rate Counsel the opportunity to conduct discovery on the request in the process. As it currently stands, Suez has failed to satisfy the Board's very narrow criteria for approval of deferred accounting. Rate Counsel respectfully submits that Suez's request for deferred accounting should be denied, and all issues related to its Petition be vetted in the normal course.

Respectfully submitted,
STEFANIE A. BRAND
Director, Division of Rate Counsel

By:


Christine M. Juarez
Assistant Deputy Rate Counsel

cc: Service List (via e-mail & regular mail)

**In the Matter the Petition of
SUEZ New Jersey Inc. for
Approval of a Pilot Program to
Facilitate the Replacement of Lead
Service Lines and a Related Cost
Recovery Mechanism**

BPU Docket No. WO1903381

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