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August 3, 2020

VIA ELECTRONIC DELIVERY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th 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, Docket No. AO20060471

Dear Secretary Camacho-Welch:

Enclosed please find Public Service Electric and Gas Company's report in compliance with the Board's Order in the above-captioned proceeding dated July 2, 2020.

Very truly yours,

A handwritten signature in blue ink that reads "Matthew Weissman".

Matthew M. Weissman

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Robert Brabston
Stacy Peterson
Stefanie Brand
Brian Lipman
Ami Morita
Felicia Thomas-Friel

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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IN THE MATTER OF THE NEW JERSEY BOARD)	
OF PUBLIC UTILITIES' RESPONSE TO THE)	Report of PSE&G
COVID-19 PANDEMIC)	BPU Docket No. AO20060471
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Introduction

Public Service Electric and Gas Company (“PSE&G” or the “Company”), a corporation of the State of New Jersey, having its principal offices at 80 Park Plaza, Newark, New Jersey, respectfully submits this report to the New Jersey Board of Public Utilities (“Board” or the “BPU”) in compliance with the Board’s Order in the above-captioned proceeding dated July 2, 2020.¹ In the Regulatory Asset Order, the Board directed each of the State’s public utilities to file quarterly reports of the utility’s COVID-19-related costs incurred and offsets, together with a verification by an authorized representative. In accordance with that directive, PSE&G hereby submits this first quarterly report, for the period ending June 30, 2020.

Background

On July 2, 2020, expressly responding to the “significant and extraordinary COVID-19-related expenditures” incurred, and to be incurred, by the State’s regulated utilities, and expressly acknowledging that those unanticipated expenditures could have a negative financial impact on those utilities, the Board issued an order in this docket authorizing public utilities in New Jersey to establish regulatory assets for incremental COVID-19 Related Expense. In that Regulatory Asset Order the Board acknowledged the unprecedented public health emergency giving rise to

¹ See I/M/O the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic, Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses, Docket No. AO20060471(July 2, 2020)(“Regulatory Asset Order”).

this proceeding, and New Jersey's efforts to mitigate the impacts of the emergency. The Board specifically noted the following:

- Governor Murphy's March 9, 2020 Executive Order No. 103 ("EO 103") declaring a State of Emergency and a Public Health Emergency in response to the COVID-19 pandemic, and authorizing and empowering executive agencies, including the Board, "to promulgate rules to waive, suspend, or modify any existing rule, where the enforcement of which would be detrimental to the public welfare during this emergency";
- the agreement of the State's public electric and gas utilities to suspend service shutoffs given the statewide public health emergency and the effort currently underway in response to the COVID-19 pandemic;
- the Board's March 19, 2020 Order directing all public utilities and regulated entities to immediately cease any in-home or business visits unless there was an immediate risk to health and safety;
- Governor Murphy's Executive Orders intended to protect the public health and limit the spread of COVID-19, and specifically requiring all businesses in the State to accommodate their workforce, wherever practicable, for telework or work-from-home arrangements;
- the Governor's Executive Orders that, respectively, prohibited all non-essential construction projects from continuing in the State, and subsequently (in EO 142) directed that non-essential construction activities could restart, subject to certain safety and social distancing requirements; and
- the Board's May 20, 2020 Order finding that the guidance to the utilities concerning construction activities including in-home visits had been superseded, and that all regulated entities could commence or resume nonessential activities in accordance with the specific mitigation requirements set forth in EO 142.

In light of the on-going public health emergency and State actions outlined above, the Board stated the following in the Discussion and Findings section of the Regulatory Asset Order:

The Board acknowledges that the regulated utilities' response to the COVID-19 pandemic, including but not limited to, complying with the Governor's COVID-19-related Executive Orders, could cause the State's regulated utilities to incur significant and extraordinary COVID-19-related expenditures that could have a negative financial impact on the State's regulated utilities. In view of these extraordinary circumstances and in an effort to minimize the financial impact of COVID19 on the State's regulated

utilities, the Board **HEREBY AUTHORIZES** each of the State’s regulated utilities to create a COVID-19-related regulatory asset by deferring on their books and records the prudently incurred incremental costs related to COVID-19 beginning on March 9, 2020, and through September 30, 2021, or 60 days after Governor Murphy issues an order, declaration, proclamation, or similar announcement that the Public Health Emergency is no longer in effect, or in the absence of such an order, declaration, proclamation or similar announcement, 60 days from the time the Public Health Emergency automatically terminates pursuant to N.J.S.A. 26:13-3(b), whichever is later. The Board **FINDS** the deferral of such costs is appropriate because the current catastrophic health emergency is outside the control of the utilities and is a non-recurring event. The Board **ORDERS** all deferred incremental COVID-19- related costs be offset by any federal or state assistance that the utility may receive as a direct result of the COVID-19 pandemic. The Board **HEREBY ORDERS** that all affected utilities maintain detailed records of the incremental COVID-19-related costs and savings during the COVID-19 pandemic.

As noted above, the Board also directed each utility that establishes a COVID-19 regulatory asset account pursuant to the Regulatory Asset Order to file quarterly reports of the COVID-19-related costs incurred and offsets, together with a verification by an authorized representative, with the first quarterly report to be filed in this Docket on August 1, 2020 for the period ending June 30, 2020. Each subsequent quarterly report shall be filed no later than 30 days after the end of the calendar quarter.

Incremental COVID-19 Costs -- Summary

The table below provides a summary of the incremental COVID-19 costs proposed by PSE&G to be included in the COVID-19 Regulatory Asset for the most recent quarter; subsequent quarterly reports will include the quarterly figure and the total to date. The details supporting each line item are discussed below the table:

Incremental COVID-19 Costs -- Detail

COVID-19 Regulatory Asset Summary (\$k)	Mar-20 to Jun-20		
	Electric	Gas	Total
Incremental COVID-19 Costs			
COVID-19 Preparation and Response	5,171	4,377	9,547
Personal Protection Equipment (PPE)	984	1,542	2,526
Direct COVID-19 OT Labor	192	404	596
Incremental Bad Debt Expense	-	11,064	11,064
Incremental AR Carrying Charge	865	426	1,290
Forgone Distribution Volumetric Revenues	TBD	TBD	TBD
Forgone Distribution Fee Revenues	1,994	826	2,820
Lost Productivity	TBD	TBD	TBD
Other	-	-	-
Total Incremental Costs	9,205	18,639	27,844
Incremental COVID-19 Savings & Cost Offsets			
COVID-19 Confirmed Savings	(182)	(78)	(260)
Federal/State Offsets	TBD	TBD	TBD
Other	-	-	-
Total Savings/Cost Offsets	(182)	(78)	(260)
Total COVID-19 Regulatory Asset	9,023	18,560	27,584

The incremental costs the Company seeks to defer related to the COVID-19 pandemic are detailed below:

INCREMENTAL COVID-19 COSTS

COVID-19 Preparation and Response:

- **Description** – Costs associated with establishing remote reporting sites in order to ensure proper social distancing. These costs include: the lease of office and storage trailers, propane service, fork lifts, dumpsters, port-a-johns, washing stations, generators, shower stations, light towers, water, electrician services, cleaning and sanitizing and security. While the Electric divisions were able to set the remote locations on PSE&G property, some Gas sites were required to be set up on leased property and as a result incurred lease costs. This category also includes other preparation and response costs, including the Company’s pandemic hotline.
- **Incremental Nature** – all costs listed in this category were a direct result of COVID-19 and would not have been incurred but for the pandemic.

Personal Protection Equipment (PPE):

- **Description** - Incremental costs of items required for the protection of customers and employees such as coveralls, booties, respirators, gloves, goggles, hazmat bags, face shields/masks, protectors, hoods & liners, and sanitation kits. Note: costs are only included if they are taken out of inventory and provided to employees
- **Incremental Nature** – PSE&G uses Personal Protective Equipment during many activities; additional PPE required to perform activities during the pandemic have been purchased and tracked separately.

Direct COVID-19 OT Labor:

- **Description** - All COVID-related activity and materials are separately tracked, e.g., time spent on “first team” planning activities, ordering materials, establishing remote work sites, giving and receiving training, respirator fit tests, additional hospital circuit patrols, as well as travel and non-productive time spent at remote work sites.
- **Incremental Nature** – The figure provided above is for incremental COVID-19-related overtime only. PSE&G has incurred overtime costs on various activities specifically related to COVID-19 such as establishing remote work sites and covering self-quarantined employees’ work shifts.

Incremental Bad Debt Expense

- **Description and Incremental Nature** - During a shut-off/collection moratorium, write-offs decline and Accounts Receivable (“A/R”) increase in amount and decline in quality, driving the need for higher reserves by recording Bad Debt Expense. PSE&G’s electric bad debt expenses are recovered through the Societal Benefits Clause. As a result, there is no claim for higher electric bad debts in this report. However, PSE&G is exposed to changes in gas bad debt expenses, and incremental amounts of this expense are included in this report.

An extended voluntary moratorium on field collection activity has caused long term delays in addressing AR balances. In many cases this will result in customers accumulating larger balances due, making it harder for them to catch up. For example, given the extended COVID-19 collection suspension combined with the winter moratorium periods, some customers will have been shielded from collections for a year and a half. As a result, the overall quality of the aged A/R will decline in terms of collectability, driving higher write-offs. PSE&G has already experienced a material increase in aged A/R since the moratorium was established. Since at any point in time, the Reserve should equal the amount of money anticipated to be written off of the A/R currently on the books, the Reserve and bad debt expense will increase first, and the write off will lag as it will follow field collection activity.

Incremental AR Carrying Charge

- **Description and Incremental Nature** -. The table above also reflect the carrying cost on the incremental non current A/R.

Foregone Distribution Volumetric Revenues

- **Description and Incremental Nature** - The state-wide COVID lockdown caused a dramatic change in customers' electricity usage. Since many businesses are closed or at reduced operations, electric sales and demand to these customers are lower than normal. Conversely, electric sales to residential customers are higher than normal given customers are mostly staying home given the need to quarantine, work from home, virtual learning, and so on. Since the lockdown started in March, PSE&G has seen a net decrease in electric sales and demands, and the lingering economic impacts could continue to negatively impact sales and demands. While this report does not include an amount for these costs at this time, PSE&G is continuing to closely monitor this issue and reserves the right to request recovery in the future.

Foregone Distribution Fee Revenues

- **Description and Incremental Nature** - The table above also reflects the value of waived commercial and industrial (C&I) late fees and forgone reconnections fees since the onset of the COVID shutdown, which are fees normally paid by customers (i.e., included in our test year of our last base rate case) that PSE&G has not collected since the beginning of the pandemic.

Incremental Costs of Lost Productivity / Inefficiency Due To Restrictions On Operations And Workforce

- **Description and Incremental Nature** - The restriction and requirements imposed on utility operations due to COVID-19 (e.g., prohibition of certain inside work; social distancing requirements for work that can be done; self-quarantine requirements for persons potentially infected) have caused and will cause PSE&G to experience extraordinary costs that were not anticipated at the time rates were established, and that should be subject to deferral and future recovery. These costs, which are still being quantified, include but are not limited to:
 - (a) Increase in non-productive time – includes both (i) personnel ill or self-monitoring at home, and (ii) personnel on property and ready for work who ultimately cannot be deployed. In addition to increasing costs during the pandemic-driven limitations, work not completed will have to be completed at a later date, resulting in unanticipated increase in OT cost.
 - (b) Increased time required to perform work – due to social distancing requirements, certain jobs can be done but take significantly longer to complete. As above, work not completed will have to be completed at a later date, resulting in increased OT.
 - (c) Increased time required post-shut-down to address backlog – as above, work not completed will have to be completed at a later date, resulting in increased costs.

Finally, PSE&G is also considering the tax impacts of the incremental expenses, such as bad debt.

COVID-19 SAVINGS AND COST OFFSETS

Covid-19 Confirmed Savings

- **Description and Incremental Nature** – Confirmed cost savings as a direct result of the COVID-19 shutdown that will not be offset by additional expenditures in the future.

Federal/States Offset

- **Description and Incremental Nature** – To date there are no offsets attributable to federal or state aid obtained as a result of COVID-19. The Company is reviewing recently enacted legislation to determine if it is eligible for any credits, including whether there is any applicable federal or state tax assistance available.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY



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VERIFICATION

1. I am Scott Jennings, Senior Vice President - Corporate Planning, Strategy & Utility Finance for Public Service Electric and Gas Company.
2. I have read the foregoing report, and the matters and things contained therein are true to the best of my knowledge and belief.



Scott Jennings