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November 30, 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
BPU Docket No. AO20060471**

Dear Secretary Camacho-Welch:

Please accept this submission on behalf of Public Service Electric and Gas Company ("PSE&G") as PSE&G's reply to the Petition dated October 2, 2020 of the New Jersey Division of Rate Counsel, and as PSE&G's comments in response to the direction of the New Jersey Board of Public Utilities in an order dated October 28, 2020 in this proceeding.

Consistent with the Order issued by the Board in connection with *In the Matter of 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 No. EO20030254, Order dated March 19, 2020, this document is being filed electronically with the Secretary of the Board and the New Jersey Division of Rate Counsel. No paper copies will follow.

Very truly yours,

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

Matthew M. Weissman

cc: Service List

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE NEW JERSEY :
BOARD OF PUBLIC UTILITIES' RESPONSE : BPU Docket No. AO20060471
TO THE COVID-19 PANDEMIC :

**REPLY AND COMMENTS OF PUBLIC SERVICE
ELECTRIC AND GAS COMPANY**

Please accept this submission on behalf of Public Service Electric and Gas Company (“PSE&G” or the “Company”) as PSE&G’s reply to the Petition dated October 2, 2020 of the New Jersey Division of Rate Counsel (“Rate Counsel”),¹ and as PSE&G’s comments in response to the direction of the New Jersey Board of Public Utilities (“Board” or “BPU”) in an order dated October 28, 2020 in this proceeding.² In that October Order, the Board decided to expand the scope of this proceeding, which was initiated to address New Jersey utilities’ incremental costs flowing from the COVID-19 pandemic, to examine all pandemic issues in a generic proceeding, incorporating the Rate Counsel Petition, and including the submission of public comments.

In the concluding section of its Petition, Rate Counsel states its intent to “open the discussion among the Board, utility service providers and Rate Counsel in developing a thoughtful and measured plan that protects both the interests of utility customers and utility providers.”³ PSE&G agrees with that approach, and the Company thanks the Board for undertaking what we anticipate will be a balanced review of these important issues.

Introduction And Actions Taken To Date

PSE&G is sensitive to the ongoing public health emergency due to COVID-19 and its wide-reaching impacts on New Jersey, and on the Company’s customers and employees, as described in the Rate Counsel’s Petition. The Company recognizes that customers are facing the challenge of balancing energy bills, food and medicine, particularly economically disadvantaged families. We also recognize the high death rates and unemployment rates impacting our State due to COVID-19, particularly in the low-income, low-wage, and small business communities.⁴ The Company has responded and is continuing to respond to changing customer and community needs and economic challenges during this time, while maintaining safe, reliable service.

New Jersey was among the very first states in the country to experience the severe public health and financial hardship caused by COVID-19. On March 13, 2020 PSE&G voluntarily announced the suspension of shutoffs for all gas and electric customers, which has remained in

¹ *I/M/O COVID-19 Related Arrearages, Petition of the New Jersey Division of Rate Counsel (“Petition”)* (October 2, 2020).

² *I/M/O the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic*, Dkt. No. AO20060471, Procedural Order and Order Designating Commissioner (“October Order”) (October 28, 2020).

³ Rate Counsel Petition, at 18.

⁴ Rate Counsel Petition, at 5-8.

place. We are currently operating under New Jersey Governor Phil Murphy’s Executive Order 190, signed on October 15, 2020. This Order imposes a statewide moratorium on utility shutoffs for residential customers until March 15, 2021. PSE&G supports Governor Murphy on this moratorium and will continue to work with his Administration and the Board on an appropriate path for resuming normal operations.

In addition to this shutoff moratorium, back in March PSE&G took the initiative to restore service to all residential customers who had previously been disconnected for nonpayment, waiving all reconnection fees as well as deposit requirements for new or existing customers. PSE&G also proactively refunded deposits to struggling non-residential customers to help ease their burden. At that time, we also began waiving any late payment charges on all non-residential accounts. Since August, PSE&G has provided flexible deferred payment arrangements to our customers requiring \$0 down payment and by extending the timeframe to pay outstanding balances up to 12 months for non-residential customers and 24 months for residential customers.

We would also like to highlight other steps PSE&G and the PSEG Foundation have taken to help alleviate some of the pain during this extraordinary time:

- The Foundation has committed \$2.5 million towards alleviating the medical, social and economic impacts of the COVID-19 pandemic in 2020 and through 2021;
- PSE&G has taken the unprecedented step of compensating our customers with more than \$800,000 in reimbursements for spoiled food during Hurricane Isaias, because of the added strain of the pandemic.
- The Company has provided proactive outreach and collaboration with local nonprofits to help low-income customers and small businesses identify available financial resources, including Low Income Home Energy Assistance Program (“LIHEAP”) and Paycheck Protection Program (“PPP”) loans.

In Light Of These Actions And Others, Much Of The Relief Requested In Rate Counsel’s Petition Has Already Been Provided

On October 2, 2020, Rate Counsel filed a Petition requesting that the Board open a formal proceeding and issue an order applicable to all utilities addressing multiple Rate Counsel recommendations, including continuation of the moratorium on disconnection and restoration of utility service; pre-emptive suspension of new base rate and infrastructure programs; and significant new data gathering and reporting requirements, among other things.

Much of the relief requested by Rate Counsel has already been provided. Where PSE&G has been provided access to the meter, the Company has already reconnected all utility customers disconnected for non-payment. In addition, PSE&G has waived any fees or interest on late payments, and waived fees and deposits to establish or reconnect service for residential and small business customers experiencing financial hardship. Rate Counsel’s request that utilities facilitate customers’ showing of financial hardship by minimizing or waiving required documentation is also moot, since PSE&G does not require that documentation.

With regard to data collection and reporting, again, much of the information requested is already provided. Rate Counsel requests that utilities be required to record and publicly report the aggregate level of late payments, payment arrearages and shutoffs by utility, customer service class and zip code for at least the last two full calendar years (i.e., calendar years 2018 and 2019) to the present, and continuing after the moratorium ends. In fact, PSE&G currently provides monthly reporting to the BPU in a Monthly Collection Statistics report, which includes number of overdue accounts; number of customers sent shut-off notices; number of disconnections and reconnections; details on arrearages; and number of new DPAs.⁵ Regarding Rate Counsel’s request that this information be reported by zip code, due to limitations in PSE&G’s reporting system and the large number of delinquent customers, reporting this data by zip code would require significant time and effort. PSE&G suggests that zip code level information not be required without a clear understanding of the costs and the benefits of providing that information, and without ensuring that utilities recover the cost of that additional reporting.

Similarly, certain of Rate Counsel’s requests for relief are unnecessary at this time and/or inappropriate. It is unnecessary, for example, for the Board to “[o]pen an investigation to determine the number of customers in arrears, the amount owed, and the scope of the COVID-19-related uncollectibles issue.” PSE&G acknowledges, as we believe do other New Jersey utilities, that there is an arrears issue, and that concern is supported by broader economic data. PSE&G also takes issue with Rate Counsel’s proposal that the Board “[e]xtend the voluntary moratorium on utility service shutoffs through April 1, 2021 for both residential and non-residential customers.” Extending a moratorium without having a forgiveness program in place does not serve customers, as they will just get further behind. Thus, PSE&G agrees with Rate Counsel’s proposal that the Board establish a debt forgiveness program or establish or establish some sort of a crisis fund for utility customers facing financial hardship due to COVID. It is understandable that Rate Counsel seeks a “source of funding to cover the arrearages outside of the SBC or other ratepayer funded programs,” and PSE&G agrees that the State should do everything possible to access all available federal and other funds for this purpose. However, it would be wholly inappropriate to impose that funding requirement obligation on the utilities’ themselves. Rather, mechanisms such as the Societal Benefits Charge should be enhanced to ensure full and timely recovery of costs, including, but not limited to, carrying charges and lost opportunity costs associated with growing arrearages associated with the pandemic.

Rate Counsel requests that the Board “[i]dentify the best practices for helping ratepayers afford their utility bills, including a financial relief program, and direct implementation of those practices” PSE&G agrees that this is important information that should be developed and shared among all stakeholders. As indicated above, PSE&G has taken many steps in 2020 to increase awareness of the various energy assistance programs available, including:

- Mailings to all delinquent senior citizens to promote Lifeline.

⁵ Regarding DPAs, Rate Counsel requests that utilities report data on: total number of customers enrolled in a DPA, number of new customers with a DPA, dollar amounts subject to a DPA, number of customers who successfully completed the DPA and number of unsuccessful DPAs. Information regarding number of customers, number of DPAs, and dollar amounts subject to DPAs is also available.

- Employing a firm to perform outreach activities throughout the state, focusing on distributing materials to residents served by soup kitchens and food banks.
- Proactive outreach and collaboration with local non-profit to provide direct customer information sessions via Zoom.

With regard to particular assistance programs, NJ currently has a forgiveness program called Fresh Start from which now, for the very first time, customers eligible for the Universal Service Fund (USF) can benefit. Unfortunately, this program is only available to the lowest income customers, and is only available one time to each customer. PSE&G supports a change that would allow our customers to apply for this relief a second time, through the end of the COVID-19 crisis. The Company would also encourage the Board to consider increasing the eligibility guidelines to address customers whose incomes are above the current eligibility requirements for USF.

This Proceeding Must Appropriately Balance The Interests Of All Stakeholders, Including Taking Into Account The Utilities’ Long-Term Financial Condition

As noted at the outset, the purpose of this proceeding should be to develop a thoughtful and measured COVID-19 plan that protect utility providers as well as the interests of customers. For that reason, PSE&G respectfully states that Rate Counsel’s description of the Board’s authority and jurisdiction, while generally not objectionable, provides little direction regarding exactly how the Board is to protect those interests.”⁶ For example, Rate Counsel contends that “the Board has the authority to order utilities to maintain service to customers, even if customers are unable to pay their bills during this unprecedented public health and economic crises.” While perhaps superficially true when taken out of context, it is not a reasonable basis for Board action; neither PSE&G nor any other utility can be expected, let alone required, to provide service without compensation, and the New Jersey Supreme Court case (from 1952) that Rate Counsel relies on makes clear that the utilities’ financial and other interests must be taken into consideration.⁷

In its July 2, 2020 Order commencing this proceeding,⁸ the Board expressly responded to the “significant and extraordinary COVID-19-related expenditures” incurred, and to be incurred, by the State’s regulated utilities, and acknowledged that those unanticipated expenditures could

⁶ Rate Counsel Petition, at 3-4. In other words, PSE&G neither admits nor denies these assertions in Rate Counsel’s Petition. The statutory provisions speak for themselves.

⁷ *Pennsylvania R. Co. v. Public Utilities Comm’rs Bd.*, 11 N.J. 43 (1952), cited in Rate Counsel’s Petition at 4, involved a proposal to simply discontinue service on four of the “seven most heavily patronized . . . trains operating” in Philadelphia. Notwithstanding the railroad’s claim that it would “fail[] to earn an adequate return from the passenger service operated on the line,” the proposal was rejected. Importantly, the Court considered the fact that the railroad would easily earn its return due to “the recent extraordinary industrial and residential development under way in the territory through which this line passes” which, the Board found, “may reasonably be expected to result in a substantial increase in the number of passengers using the line, including these four trains, and in the volume of freight which will probably be carried in the future.” That case hardly supports the proposition that New Jersey utilities may be required to provide service without just compensation

⁸ *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, Order (July 2, 2020)(“Regulatory Asset Order”).

have “a negative financial impact on [those] utilities.”⁹ The Board did not make this determination in a vacuum. The accounting firm Deloitte recently noted that many state regulatory commissions have taken actions to address circumstances under which public utilities are now providing essential services:

As the spread of the pandemic increases, entities are experiencing conditions often associated with a general economic downturn, including, but not limited to, financial market volatility and erosion of market value, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand and supply constraints, layoffs and furloughs, and other restructuring activities. The continuation of these circumstances could have a prolonged negative impact on an entity’s financial condition and results.¹⁰

Deloitte went to point out that beyond cost deferrals, many rate-regulated utilities and regulators are evaluating or in some cases are in active discussion regarding the potential for recovery of lost revenues due to the significant reduction in demand or the voluntary or mandated suspension of other customer billings.

In light of these circumstances, when considering the appropriate means to address uncollectibles and related issues, in this generic proceeding as well as elsewhere, the Board should balance the immediate interests of customers with the longer-term interest of both customers and utility investors in maintaining a stable regulatory environment and ensuring the health of essential service providers. Mechanisms like the SBC, which help utilities to better manage arrearages, put those companies on a stronger financial footing, thereby helping them meet their statutory obligations to provide safe, adequate, and reliable service. Financially strong utilities are better positioned to make investments in infrastructure (discussed below), which will help put more people to work and provide economic stimulus that has benefits across the economy, while also supporting the State’s energy and environmental goals.

Utility Investment Programs Can Stimulate the Economy And Provide Important Customer Benefits

Rate Counsel’s recommendation that the Board suspend all new utility base rate filings and infrastructure programs is short-sighted, and could result in further damage to the State’s economy to the detriment of the customers Rate Counsel seeks to assist. Utility investment in general, including traditional infrastructure projects as well as renewables and energy efficiency

⁹ Regulatory Asset Order, at 3.

¹⁰ See Deloitte, “COVID-19 accounting and reporting considerations for power, utilities, and renewables”, available at <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/covid19-accounting-and-reporting-considerations.pdf>. See also Public Service Enterprise Group, Form 10Q, filed October 30, 2020 (“While the impact on our results of operations, financial condition and cash flows for the nine months ended September 30, 2020 has not been material, a prolonged coronavirus pandemic and the associated economic impacts, which could extend beyond the duration of the pandemic, could materially impact cash from operations, Accounts Receivable and bad debt expense.”).

investment, produces a significant number of jobs and spur economic activity both directly and indirectly, and these programs will aid the State in its economic recovery. PSE&G's pending and future programs support New Jersey's energy efficiency, clean energy and environmental justice priorities, and will produce more modern, resilient, and reliable infrastructure as the State continues to face stronger storms. Base rate cases, which Rate Counsel also seeks to suspend, help keep utilities financially sound by providing a mechanism for the recovery of all prudent investments, and are also the forum where final review of the work completed under infrastructure programs can be evaluated.¹¹

In addition, Rate Counsel's proposal ignores the manner in which the State and the Board have previously responded to major economic downturns – by encouraging prudent utility infrastructure investment to stimulate the economy. Indeed, increased infrastructure work is an established means of addressing the type of economic crisis the State is now facing. In response to the significant economic downturn, sometimes referred to as the “Great Recession” of 2008, in April 2009 the Board approved PSE&G's Capital Economic Stimulus Infrastructure Program (“Stimulus Program”).¹² PSE&G filed the Stimulus Program in direct response to a call from Governor Corzine for the Board of Public Utilities to implement infrastructure programs to, among other things, provide immediate assistance for New Jersey residents and support long term economic growth.¹³ The Board recognized then, as it should recognize now, that utility investments could result in near-term job growth and economic recovery, as well as system improvements, that far outweigh the rate impact of those investments. The New Jersey economy subsequently rebounded from the Great Recession of 2008.

Rate Counsel, however, narrowly focuses on only one aspect of utility programs – the potential rate increases to utility customers that might result. The Board should, as it has in the past, consider the *entire* economic picture and should evaluate each utility filing in turn, in light of all the circumstances present at the time of the filing, which may include an ongoing pandemic response. PSE&G does not take lightly the economic challenges facing customers at this time. However, these considerations should be carefully scrutinized by the Board on a case-by-case basis, and the Board should not pre-emptively ban all new filings. Rate Counsel's proposal would stifle innovation, impact reliability as systems continue to age, impede the State's progress toward meeting green energy goals,¹⁴ and prevent any consideration of the broader economic gains that

¹¹ Rate Counsel's assertion that current circumstances are “further exacerbated by the many utility filings currently before the Board requesting hundreds of millions of dollars in new and increased rates” (Rate Counsel Petition, at 8 and note 25) is misleading. Simply identifying the substantial costs and efforts associated with modernizing and hardening the State's utility infrastructure and making it greener in response to State environmental policy does not dictate that the Board should begin ignoring these important initiatives at this critical time.

¹² *I/M/O The Petition of Public Service Electric and Gas Company for Approval of a Capital Economic Stimulus Infrastructure Investment Program and an Associated Cost Recovery Mechanism Pursuant to N.J.S.A. 48:2-21 and 48:21.1*, Decision and Order (December 17, 2009) (“Stimulus Program Order”).

¹³ Stimulus Program Order at 2.

¹⁴ Notably, the Board has not slowed the momentum toward programs that help the State to reach goals set forth in the 2019 version of the Energy Master Plan and the 2020 Plug In Vehicles Act. In the midst of pandemic response, the Board has directed the state's electric distribution utilities to file new programs for advanced metering infrastructure and electric vehicles.

any individual utility's proposals may offer to aid all customers and the State in emerging from this crisis.

Rate Counsel Seeks Relief That Is Better Considered By The Board Case-By-Case

PSE&G supports the Board's decision to address the issues raised by Rate Counsel in a broad, generic proceeding. PSE&G cautions the Board, however, that this proceeding should not establish, at least in the near term, a static set of directives. The circumstances created by the COVID-19 response are fluid, and are likely to continue to change over time. For example, following initial restrictions put in place on public gatherings and business operations early in the pandemic response, Governor Murphy relaxed those restrictions later in the summer as infection rates dropped. More recently, however, infection rates around the country, and in New Jersey, have risen significantly. The future course of events regarding COVID response is unknown at this time, and may result in reversion back to earlier restrictions, or further relaxation of them, depending on changing circumstances. The economic impacts, therefore, also are likely to continue fluctuating.

Thus it is difficult, if not impossible, for utilities and the Board today to know how best to balance the needs for utility investments with the economic considerations on a statewide basis for all utilities. The issuance of Executive Order 190 just days after Rate Counsel filed its petition highlights the need for the Board to remain nimble in its consideration of COVID-19 issues. A static order with preemptive directives seems inadvisable when the Board can continue to address COVID response issues more flexibly as the pandemic response continues. For these reasons, PSE&G suggests that the Board should continue to permit utilities to submit filings that can be evaluated by the Board, Rate Counsel, and the public in due course.

Conclusion

In summary, PSE&G stands ready to continue to provide safe, reliable service and to continue provide its customers with reasonable accommodations and assistance during these challenging times. The Company has and will continue to provide information to the Board and Rate Counsel regarding these, and future efforts. While the Company acknowledges the issues Rate Counsel raises regarding COVID-19 response, the Company believes that these issues are best addressed through collaboration on an ongoing basis; this proceeding should not result in the development of fixed directives or categorical prohibitions of utility filings.

Thank you for your consideration of this response.

Very truly yours,



Matthew M. Weissman