STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In The Matter of the	**:**	
New Jersey Board of Public Utilities'	**:**	**BPU Docket No. AO20060471**
Response to the Covid-19 Pandemic	**:**	
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	:	

AFFIDAVIT OF DEBORAH FRANCO IN SUPPORT OF MOTION TO EXTEND THE CLOSE OF THE COVID-19 <u>REGULATORY ASSET PERIOD</u>

STATE OF NEW JERSEY :
ss:
COUNTY OF UNION :

DEBORAH FRANCO, being of full age and duly sworn deposes and says:

1. I am the Vice President, Rates, Regulatory and Sustainability of SJI Utilities, Inc., the parent of South Jersey Gas Company ("SJG") and Elizabethtown Gas Company ("ETG") (collectively the "Companies"), and as such, I have been involved in the COVID-19 stakeholder process and in the Companies' preparation of the quarterly reports of COVID-19 related costs in the COVID-19 proceeding before the New Jersey Board of Public Utilities ("Board"), under the above-referenced caption.

2. I make this affidavit in support PSE&G's, SJG's and ETG's Motion to extend the close of the COVID-19 Regulatory Asset Period as I have knowledge of the effect that COVID-19 has had, and will continue to have, on the Companies' billing and collection process.

3. I am aware of the Board's July 2, 2020 Order Authorizing the Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses and of the September 30, 2021 close of the deferral period established by this Order.

4. The effects of COVID-19 and the associated moratorium on SJG and ETG customer accounts have been substantial.

5. As the moratorium continues, bad debt continues to increase. Unpaid accounts have grown exponentially and customer arrearages have reached unparalleled levels

6. For SJG, as of May 2021, overdue AR is $14.0M higher ($55.5M vs. $41.5M) than it was for May 2019, a 33.8% increase. SJG's customers with bills greater than 6 months old are significantly higher than pre-pandemic levels (23.5K vs 14.8K). For ETG, overdue AR as of May is $15.5M higher ($33.8M vs $18.3M) than May 2019 levels, an 85% increase. ETG customers with bills greater than 6 months old are also significantly higher than pre-pandemic levels (17.5K vs. 12.1K).

7. As incremental bad debt continues to mount, so do the carrying costs on this bad debt, which again is $55M for SJG and $33.8M for ETG.

8. Customer engagement has reduced significantly since the start of the moratorium.

9. LIHEAP payments received by SJG have decreased by 20.3% (3,994 payments received vs. 3,183 payments received). For ETG, LIHEAP payments have decreased by 25% (4,839 payments received vs 3,640 payments received).

10. Assuming customers engage the Companies will not be able to significantly reduce the above-referenced outstanding balances as extended shut-off and collection restrictions continue to discourage customers from addressing their utility arrearages.

11. The older a receivable is the probability of it being paid off diminishes due to customers' inability to pay down such a large amount, as well as due to move in and move out activity.

12. The extended moratorium on field collection activity has caused long-term delays in addressing AR balances. This has resulted in customers accumulating larger arrearages, and the overall quality of the aged AR continue to decline in terms of collectability, driving higher write-offs.

13. The Board's expansion/extension of USF/Fresh Start program in the current matter should help, however not all customers will be eligible, and of those that are eligible, it is unknown how many of these customers will meet the payment terms to earn the arrearage forgiveness.

14. The Companies will therefore not know the full extent of its write off exposure until the conclusion of the Fresh Start program in late 2023.

15. To prudently address the large increase in both the number of accounts and the AR associated with those accounts due to the extended delays in collection activity, the Companies will need to hire both additional field collection and call center employees to effectively handle the increased work once collection activity can recommence.

16. This expense will not begin until 2022 and is another expense that will extend well beyond the September 30th close of the current COVID deferral period as the Companies estimate—based on the amount of arrearages currently, and as projected forward—it will take several years to bring the incremental arrearages down to pre-COVID-19 levels.

17. I swear that the foregoing statements are true to the best of my knowledge.

By: ______________________________
Deborah M. Franco

Sworn and subscribed before me
this 6th day of July, 2021

CAROLYN A. JACOBS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 28, 2023