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September 3, 2021

**Via Electronic Mail**

Jeremy Clark  
Vice President  
Pegasus Global Holdings, Inc.®  
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[j.clark@pegasus-global.com](mailto:j.clark@pegasus-global.com)

**Re : In the Matter of the Petition of Atlantic City Electric Company  
For Approval of Electric Base Rate Adjustments Pursuant to the  
Infrastructure Investment Program and Related Cost Recovery Mechanism  
Pursuant to N.J.A.C. 14:3-2A.1 et seq., BPU Docket No. EO18020196  
Draft Independent Semi-Annual Monitor Report (Q2-Q4 2020)**

Dear Mr. Clark:

The Division of Rate Counsel (“Rate Counsel”) provides its comments regarding the *Confidential Draft Infrastructure Investment Program Independent Monitor Report Covering Q2 2020 - Q4 2020* (“Semi-Annual Report”) submitted by Pegasus Global Holdings, Inc. (“Pegasus” or “Independent Monitor”). The report documents Atlantic City Electric (“ACE” or “the Company”) activities associated with the Infrastructure Investment Program (“IIP”) conducted through December 31, 2020.

The following table summarizes ACE’s IIP quarterly spending and forecasts from the Pegasus reports for 2020.

Report	Actual Cumulative Spend	Spending Forecast	Stipulation Amount
2019- 1Q2020	\$23,843,911	\$95,323,860	\$96,461,222
2Q-4Q2020	\$53,065,168	\$100,501,160	\$96,461,222

As expected, the cumulative spending trends have been accelerating as more projects enter into construction for the IIP program.

At the end of the fourth quarter 2020, ACE has spent over half of the stipulated \$96.4 million. The Independent Monitor does not report that cumulative spending ending for the quarter ending December 31, 2020 has been \$53,065,168 or 55% percent of the stipulated \$96,461,222 program. Instead the Independent Monitor reports that the \$53,065,168 represents 53% of the *current forecast* of \$100,501,160. Rate Counsel notes that the current forecast of \$100,501,160 is \$4,039,938 over the stipulated amount of \$96,461,222.

Rate Counsel is concerned that the forecast amounts at the end of 2020 for a number of IIP projects (across all project types) are exceeding their stipulated total budget. These projects include:

<b>Project</b>	<b>Project ITN</b>	<b>Total Budget</b>	<b>Current Forecast</b>	<b>Variance</b>
Install Reclosers Controllers/Radios	72030	\$11,345,347	\$11,454,571	\$109,224
Network Communication Mesh – Distribution Automation Equipment**	71207 (now 71208 & 75441)	\$3,125,000	\$5,916,217	\$2,791,217
Motts Farm Substation: Distribution Line Modifications & Upgrade 15kV Switchgear	72514	\$2,187,092	\$4,293,821	\$2,106,729
	72516	\$4,095,978	\$5,518,899	\$1,422,921
Network Mesh – Equipment Maintenance (Winslow & Cape May)	73429	\$20,000	\$440,000	\$400,000
	73430	\$20,000		

Given the semi-annual timing of the report, Rate Counsel is concerned that the cost overrun trends seen at the end of the 2020 will continue in future reports for 2021 and if other recurring and budget projects also experience overruns. Rate Counsels also understands that some of the cost overruns seen in these projects may be offset by cost underruns from other projects. Nevertheless, Rate Counsel would like to see how the Company is containing costs of the IIP program.

Attached to this letter are more detailed informal questions regarding the Semi-Annual Report labeled as RCR-IM-1 through RCR-IM-12. At this time, Rate Counsel reserves its right to submit comments based on the Company's response to these informal questions and other questions from Board Staff.

Mr. Jeremy Clark  
September 3, 2021  
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If you have any questions, please contact me at [dwand@rpa.nj.gov](mailto:dwand@rpa.nj.gov).

Sincerely,

Brian O. Lipman, ACTING DIRECTOR  
DIVISION OF RATE COUNSEL

By: /s/ T. David Wand  
T. David Wand, Esq.  
Deputy Rate Counsel

DW/dl  
Attachment  
cc: Service List (via electronic mail)

**In The Matter Of The Petition Of Atlantic City Electric Company For Approval of an  
Infrastructure Investment Program, and Related Cost Recovery Mechanism,  
Pursuant to N.J.A.C. 14:3-2A.1 et seq.  
Draft Independent Semi-Annual Monitor Report (Q2 -Q4 2020)**

**BPU Docket No. EO18020196**

**DIVISION OF RATE COUNSEL INFORMAL DISCOVERY QUESTIONS**

- RCR-IM-1. With reference to ITN 73294, Recloser Installation ACE, and page 16 of the IM 2Q2020-4Q2020 report, please describe the Company's historical and current efforts to contain costs for the project while meeting the IIP objectives.
- RCR-IM-2. With reference to ITN 73016, Paulsboro substation, and page 19 of the IM 2Q2020-4Q2020 report:
- a. Please describe if the scope of the project has changed as a result of the competitive bids for completing the work.
  - b. Please indicate how the Company plans to continue to maintain this project below budget.
- RCR-IM-3. With reference to ITN 72514, Motts Farm substation: distribution line modifications, and pages 20-23 of the IM 2Q2020-4Q2020 report:
- a. Please describe the Company's efforts to contain current and future costs for the project.
  - b. Please provide a copy of the Company's alternative analysis justifying the current change of scope.
- RCR-IM-4. With reference to ITN 72379, Mickleton substation and pages 18 and 19 of the IM 2Q2020-4Q2020 report, please confirm that the original scope for the project was completed at \$4.252 million.
- RCR-IM-5. With reference to ITN 72802, Newport substation and page 20 of the IM 2Q2020-4Q2020 report, please describe how the reduced change in scope will meet the IIP objectives.
- RCR-IM-6. With reference to ITN 72516, Motts Farm substation: upgrade 15 kV switchgear and pages 20-23 of the IM 2Q2020-4Q2020 report:
- a. Please describe the Company's efforts to contain current and future costs for the project.
  - b. Please provide a copy of the Company's alternative analysis justifying the current change of scope.
- RCR-IM-7. With reference to ITN 70497, Atlantic Region Substation fiber optic entrances and pages 24 and 25 of the IM 2Q2020-4Q2020 report, please describe the Company's efforts to contain current and future costs for the project.

- RCR-IM-8. With reference to ITN 72517, Motts Farm to West Creek OPS fiber build and pages 25 and 26 of the IM 2Q2020-4Q2020 report, please describe if the Company anticipates cost savings for the project and if the costs savings will impact the scope for the project.
- RCR-IM-9. With reference to ITN 73430, Replace SSN Access Point and Repeater Batteries and pages 27 and 28 of the IM 2Q2020-4Q2020 report, please describe the Company's efforts to contain current and future costs for the project.
- RCR-IM-10. With reference to ITN 72030, Install Radio Control ACE Reclosers and page 17 of the IM 2Q2020-4Q2020 report, please describe the Company's efforts to contain current and future costs for the project.
- RCR-IM-11. With reference to ITN 73976, Replace Batteries ACE and pages 26 and 27 of the IM 2Q2020-4Q2020 report, please describe the Company's efforts to contain current and future costs for the project.
- RCR-IM-12. With reference to ITN 72029, Install Radio control ACE capacitors and pages 14 and 15 of the IM 2Q2020-4Q2020 report, please describe the Company's efforts to contain current and future costs for the project

**I/M/O the Petition of Atlantic City  
Electric Company for Approval of  
Electric Base Adjustments Pursuant  
to the Infrastructure Investment  
Program  
BPU Docket No. ER18020196  
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