



State of New Jersey

DIVISION OF RATE COUNSEL

140 EAST FRONT STREET, 4TH FL

P.O. Box 003

TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

BRIAN O. LIPMAN
Director

December 29, 2021

Via Electronic Mail

Jeremy Clark
Vice President
Pegasus Global Holdings, Inc.
1750 Emerick Road
Cle Elum, WA 98922
j.clark@pegasus-global.com

**Re : In the Matter of the Petition of Atlantic City Electric Company or
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 (Q1-Q2 2021)**

Dear Mr. Clark:

The Division of Rate Counsel ("Rate Counsel") provides its comments regarding the *Confidential Draft Infrastructure Investment Program Independent Monitor Report Covering Q1 2021- Q2 2021* ("2021 First Half 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 June 30, 2021.

At the end of the first half of 2021, the IIP program total actual spending was over two-thirds of the stipulated amount. The Independent Monitor reports that spending for the first half of the year ending June 30, 2021 has been \$14 million or 13.3 percent of the current forecast of \$105.2 million. Rate Counsel notes that the current forecast of \$105.2 million is \$8.8 million over the stipulated amount of \$96.4 million.

The IM reports that the current forecast for the Distribution Line Projects (71431) has a budget of \$7.319 million with actual spending at \$5.977 million. The IM notes that there is \$1.342 million remaining in the forecast that is scheduled for completion by the end of 2021. The IM notes that as of the end of June 30, 2021, the High Street Distribution Automation project was delayed due the New Jersey Turnpike Authority awaiting as-built drawings from

South Jersey Gas. The other project awaiting completion is the work in the Winslow district. Rate Counsel is interested in understanding if the delay by South Jersey Gas has impacted the cost of the project for ACE.

The IM reports that the current forecast for the Capacitor Radio/Regulator Control Projects (72029 and 72031) has a budget of \$2.17 million with actual spending at \$0.488 million. The IM notes that there is \$1.68 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that the capacitor and regulator work is anticipated to be completed in the Winslow District in the second half of 2021 and the capacitor work in the Glassboro District will commence in 2021, with the balance forecasted for completion in early 2022.

The 2021 First Half Report notes that the current forecast for the Distribution Substation Projects (73935) has a budget of \$6.03 million with actual spending at \$2.76 million. The IM notes that there is \$3.26 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that work on the following substations will commence in 2022: Merion, Clayton, Laurel Street, Fairton, and Corson. The microprocessor relay upgrades are expected to be completed at Ship Bottom, Cedar, Tuckahoe, and Carlls by the end of 2021. The IM noted that ACE has observed rising cost trends at the Ship Bottom and Cedar substations and that the Company is determining if the cost increase trends may impact other substations. Rate Counsel is interested in knowing what cost containment measures are being implemented for the remainder of the projects.

The IM reports that the current forecast for the Automatic Circuit Recloser Project (73294) has a budget of \$25.39 million with actual spending at \$25.98 million and the current forecast at \$28.30 million. This project is currently \$2.91 million overbudget. The IM notes that there is \$2.32 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that the Company has experienced cost pressures in construction and traffic management that have contributed to the overspending. Rate Counsel interested in knowing how these cost pressures are impacting other distribution projects for the Company.

The IM reports that the current forecast for the ACR Recloser Communication Projects (72030 and 70365) have a budget of \$11.45 million with actual spending at \$11.19 million and the current forecast at \$12.71 million. This project is currently \$1.25 million overbudget. The IM notes that there is \$1.51 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that the Company's overspending includes general assets that will not be recovered through the IIP and system licensing costs. Rate Counsel is interested in understanding more about the non-recoverable general assets and the licensing costs.

The 2021 First Half Report notes that the current forecast for the UComm Network Mesh Projects (71207, 71208, and 75441) have a budget of \$3.12 million with actual spending at \$5.88 million and the current forecast at \$5.88 million. This project is currently \$2.76 million overbudget. The IM noted that the Company's increased spending was due to a determination that a more robust network communication mesh would be required to support the planned

recloser saturation. This change in determination resulted in a design change that allows the network to be independent of the recloser operation by adding independent repeaters and dual/multiple master redundancy. The IM notes that the in-service number remains at \$3.12 million indicating that the Company has capped the IIP recovery for this project. Rate Counsel is interested in understanding if the Company plans to recover the overspending in base rates.

The IM reports that the current forecast for the Paulsboro Project (73016) has a budget of \$4.35 million with actual spending at \$1.71 million and the current forecast at \$1.92 million. This project is currently \$2.43 million underbudget. The IM notes that there is \$0.21 million remaining in the forecast that is scheduled for completion in 2021.

The IM reports that the current forecast for the Newport Project (72802) has a budget of \$9.44 million with actual spending at \$0.83 million and the current forecast at \$8.94 million. This project is currently \$0.94 million underbudget. The IM notes that there is \$7.66 million remaining in the forecast that is scheduled for completion in 2023. Rate Counsel is interested in understanding how the Company plans to manage the scope of the work.

The IM reports that the current forecast for the Motts Farm Projects (72514 and 72516) have a combined budget of \$6.28 million with actual spending at \$0.37 million and the current forecast at \$9.81 million. This project is currently \$3.53 million overbudget. The IM notes that there is \$9.44 million remaining in the forecast that is scheduled for completion in 2023. The addition of two new feeders to improve sectionalizing the existing load has driven the increase in forecasted cost for the project. Rate Counsel is interested in understanding how the Company plans to manage the scope of the work.

The IM reports that the current forecast for the Stratford Projects (73723 and 73725) have a combined budget of \$7.89 million with actual spending at \$0.66 million and the current forecast at \$7.89 million. The IM notes that there is \$7.23 million remaining in the forecast that is scheduled for completion in 2023. Rate Counsel is interested in understanding how the Company plans to manage the remaining scope of the work.

The 2021 First Half Report notes that the current forecast for the Fiber Upgrade Projects (70497) have a budget of \$2.35 million with actual spending at \$1.99 million and the current forecast at \$2.95 million. This project is currently \$0.60 million overbudget. The IM notes that there is \$0.95 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that the overspend was the result of spending associated with non-recoverable transmission assets that will not be recovered through the IIP.

The IM reports that the current forecast for the Smart Grid Infrastructure Project (73501) has a budget of \$4.35 million with actual spending at \$2.87 million and the current forecast at \$4.35 million. The IM notes that there is \$1.47 million remaining in the forecast that is scheduled for completion in 2022. Rate Counsel is interested in understanding how the Company plans to manage the remaining scope of the work.

Mr. Jeremy Clark
December 29, 2021
Page 4 of 4

The IM reports that the current forecast for the Distribution Equipment Maintenance Project (73976) has a budget of \$1.44 million with actual spending at \$1.06 million and the current forecast at \$1.85 million. This project is currently \$0.41 million overbudget. The IM notes that there is \$0.78 million remaining in the forecast that is scheduled for completion in 2022. The IM notes that the growth on the system has resulted in increased maintenance requirements compared to historical rates. Rate Counsel is interested in understanding how and why maintenance requirements have increased for the Company.

Similar to 73976, the IM reports that the current forecast for the Communication Equipment Maintenance Projects (73429 and 73430) has a budget of \$0.04 million with actual spending at \$0.70 million and the current forecast at \$0.90 million. This project is currently \$0.86 million overbudget. The IM notes that there is \$0.23 million remaining in the forecast that is scheduled for completion in 2021. The IM notes that the growth on the system has resulted in increased maintenance requirements compared to historical rates. In addition, the IM also notes that ACE is utilizing these projects to collect data to establish a preventive and protective approach to maintaining network health. Rate Counsel is interested in understanding how and why maintenance requirements have increased for the Company.

On December 20, 2021, Rate Counsel submitted informal questions to ACE and the Independent Monitor. As of the date of this letter, Rate Counsel has not received responses to these questions. Therefore, Rate Counsel reserves its right to submit comments based on the Company's response to the informal questions.

If you have any questions, please contact me at rglover@rpa.nj.gov.

Sincerely,

BRIAN LIPMAN, DIRECTOR
DIVISION OF RATE COUNSEL

By: /s/ Robert Glover
Robert Glover, Esq.
Assistant Deputy Rate Counsel

RG/dl
cc: Service List (via electronic mail)

**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
SERVICE LIST**

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Robert Brabston, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Abraham Silverman, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Stacy Peterson
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Carol Artale, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Heather Weisband, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Paul Lupo
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

David Brown
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Jackie O'Grady
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Scott Sumliner
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625

Pamela Owen, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Brandon Simmons, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Steven Chaplar, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Brian O. Lipman, Director
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

T. David Wand, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

Robert Glover, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

Bethany Rocque-Romaine
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

Debora Layugan
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

Tylise Hyman
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625

Max Chang
Synapse Energy Economics, Inc.
485 Massachusetts Ave., Suite 2
Cambridge, MA 02139

Mr. David Peterson
Chesapeake Regulatory
Consultants, Inc.
1815 Fenwicke Ct.
Huntingtown, Maryland 20639

Philip Passanante, Esq.
Atlantic City Electric Company
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714

Heather Hall
Pepco Holdings, LLC
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714

Diana DeAngelis
Pepco Holdings, LLC
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714

Colleen Foley, Esq.
Saul Ewing Arnstein & Lehr LLP
One Riverfront Plaza
1037 Raymond Blvd., Suite 1520
Newark, NJ 09102

Jeremy Clark
Vice President
Pegasus Global Holdings, Inc.
1750 Emerick Road
Cle Elum, WA 98922