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PSEG Services Corporation

August 2, 2022

VIA ELECTRONIC DELIVERY

Carmen Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

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

Dear Secretary Diaz:

In accordance with *N.J.A.C.* 1:1-12.1, Public Service Electric and Gas Company ("PSE&G" or the "Company") hereby submit this letter motion requesting that the New Jersey Board of Public Utilities (the "Board" or "BPU") again amend its July 2, 2020 Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses ("COVID Regulatory Asset Order"). The deferral period established by the COVID Regulatory Asset Order, as amended by the Board in an order dated September 14, 2021, is set to expire on December 31, 2022. However, the current deferral period does not allow for proper consideration and inclusion of certain incremental COVID related expenses in the regulatory asset. PSE&G will continue to incur incremental gas bad debt and carrying costs associated with the elevated total Accounts Receivable, as well as the cost of incremental collection activities and related customer support costs beyond the current expiration date. It is also possible that other incremental costs will be incurred beyond the current cut-off date.

PSE&G therefore respectfully requests that the Board extend the deferral period through the end of 2023, and extend the filing date for recovery of those incremental costs to a date within 60 days of the close of the extended regulatory asset period.

I. Introduction -- Bad Debt And Associated Carrying Costs Are A Significant Element Of The Incremental Costs Attributable to COVID-19

The Board, in its COVID Regulatory Asset Order, acknowledged 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 order to minimize the financial impact of these significant extraordinary expenses, the Board authorized the creation of a regulatory asset to defer these incremental costs.

At the outset of the pandemic, no one knew the impact COVID-19 would have on customers or the utilities. The Board, its Staff, Rate Counsel, and the utilities did not know how long the moratorium on customer shut-offs would continue. It is unlikely the parties considered that, as discussed below, the moratorium on shut-offs of residential customers would be extended for approximately two years, and would remain in place virtually indefinitely for customers seeking payment assistance. Even so, during approval of the COVID Regulatory Asset Order Commissioner Gordon specifically identified bad debt as a significant component of the incremental COVID-related costs and central to the Commissioners' concerns.[1]

Indeed, an extended moratorium on field collection activity has caused long-term delays in addressing Accounts Receivable ("AR") balances. This has resulted in customers accumulating larger arrearages; the utilities need to finance these higher AR balances, and the overall quality of the aged AR has continued to decline in terms of collectability, driving higher future write-offs.

II. <u>Both Bad Debt Costs And The Cost Of Collection Activities Continue to Mount As Customers Continue to Put Off Utility Payments</u>

In a July 6, 2021 Motion seeking an extension of the COVID deferral period ("July 2021 Motion"), PSE&G, along with South Jersey Gas Company and Elizabethtown Gas Company (collectively, the "Movants") demonstrated the correlation between the extension of the moratorium and increased bad debt and carrying costs. By that time, unpaid accounts had grown substantially and customer arrearages had reached unparalleled levels. The Movants detailed how the moratorium had contributed to that significant growth:

> The moratorium not only negatively affects customer engagement regarding assistance programs, but it also severely hampers the Companies' ability to perform collection activity. On June 4, 2021, Governor Murphy signed legislation ending the COVID-19 state of emergency but extending the restrictions on utility shut-off until January 2022. Thereafter, on June 14, 2021, the Governor issued EO 246, ending the moratorium as of June 30, 2021, but imposing a "grace period" precluding utility collection activity or shut-offs through December 31, 2021—effectively extending the moratorium until after the winter termination period or March 2022. This means that most residential customers will not be subject to shutoff activity from November of 2019 to March of 2022, almost two and a half years. These extended restrictions will continue to discourage customers

[1] Board Agenda Teleconference Transcript, July 2, 2020. at pp. 5 - 6.

> from addressing their utility arrearages and as a result, the Companies will experience even longer delays in their AR recovery and increased carrying costs associated with those delays.

July 2021 Motion, page 3.

Utilities have continued to face headwinds since the Board's September 14, 2021 extension of the deferral period through December 31, 2022. On March 25, 2022, the Governor signed legislation (S-2356) to extend the prohibition on utility shutoffs for certain residential customers with overdue utility payments who are waiting for decisions on their applications for state assistance in paying off their arrearages. The bill extended the protections provided by EO246 and the existing winter moratorium period by requiring public utilities to continue providing service to residential customers who have submitted applications for utility assistance prior to June 15, 2022 but have not yet received a determination. In addition, the impact of the Customer's Bill of Rights outlined by the Board in 2022 is that, as a practical matter, S-2356 protects residential customers indefinitely while the relevant state entity evaluates the application, even if that application is submitted after June 15, 2022.

It is important to note that utilities like PSE&G have little control over this process, in that determinations regarding customer access to public assistance are made by state and local entities specifically tasked with and capable of making those determinations. This is sensible, since the public utility has neither the in-house expertise to make these determinations, nor the resources (or desire) to handle the sensitive personal financial information provided by customers seeking assistance. The upshot is that, under EO 246, S2356, and the Customer Bill of Rights, a customer can still advise the utility at any time that the customer is seeking assistance, putting the account into a "hold" status until a determination is made on that application, which may take substantial time. Currently, approximately 43% of PSE&G's residential customers that would typically be eligible for field collection and 58% of the arrears are protected from shut-off activity due to a pending application for assistance, Fresh Start or deferred payment arrangement.[2]

In light of these factors, the trends identified in the 2021 Motion have continued and Accounts Receivable (AR) figures have increased in magnitude and declined in quality. For PSE&G, as of the end of June 2022, overdue AR (all AR greater than 30 days) is $328M higher ($543M vs $215M) than it was for June 2019, the same time of year pre COVID—a 153% increase. By way of comparison with one year ago (i.e., when the Companies filed the 2021 Motion), PSE&G's overdue AR at the end of June 2021 was $258M higher ($473M vs $215M) than it was pre-COVID for June 2019—only a 120% increase. As of the end of June 2022 PSE&G's customers with bills greater than 6 months old are still essentially double what they were versus pre-pandemic levels (162K versus 77K).

[2] The factual statements in this letter motion are supported by the affidavit of Jane Bergen submitted herewith.

In addition to the increasing overdue AR, the extended moratorium has resulted in incremental collection and other customer service costs. 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, PSE&G has hired additional employees in call center, field collection, and payment assistance functions to effectively handle the increased work once collection activity recommenced. As detailed by PSE&G in its October 1, 2021 submission regarding the Company's plan to address the growing AR, PSE&G also implemented a robust customer outreach plan to build customer awareness of the available assistance such as the enhanced Universal Service Fund and Fresh Start programs, including raised (less restrictive) income level eligibility. Recently, PSE&G has also executed communications campaigns as requested by the NJ Department of Consumer Affairs to promote assistance available through the American Recovery Plan.

Given the expansion of the Universal Service Fund ("USF"), Low Income Home Energy Assistance Program (LIHEAP"), Payment Assistance for Gas and Electric ("PAGE") and the addition of the American Rescue Plan ("ARP"), approximately 40K more PSE&G customers are benefiting from Energy Assistance programs. PSE&G has dedicated additional field resources to door-to-door visits throughout the winter to explain and provide documents about the payment assistance programs and program changes. As also detailed in PSE&G's October 1 Plan, those performing customer visits received specific training on the programs and the changes to the parameters, and also received scripting that breaks the potential benefits down in layperson's terms, while the visits were preceded by an e-mail or phone call to explain that PSE&G is visiting the home to inform customers of new programs that may help them pay their bills. PSE&G also, as promised, increased its outreach through various means of correspondence to insure customers are made aware of the new opportunities afforded them, including social media, letter, email, and call campaigns. We also planned for and incurred incremental costs for additional back-office support to appropriately manage the account activity required to handle the anticipated/actual increase in funds available under Fresh Start, which can be a complicated program leading to customer inquiries and often requiring billing intervention to insure benefits are applied timely and accurately.

These expenses began in 2022 and are incremental expenses that will extend well beyond December 31, 2022 as the Company works to bring the AR down to more manageable, historical levels. PSE&G estimates—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.

III. <u>Financial Assistance Received By Customers To Date Has Not Eliminated The Issue</u>

PSE&G recognizes and appreciates the efforts that have resulted in significant financial assistance to customers who have been struggling throughout this extended period. However, those funds have failed to keep up with the increasing arrearages as customers behaviors addressing these arrearages have not returned to pre-COVID levels, driven in large part by the unanticipated and unprecedented moratorium on residential utility shut-offs. While the dollars coming into PSE&G through traditional energy assistance programs such as LIHEAP, USF and PAGE increased by 74% for the period January 2022 to June 2022, as compared to January 2021 to June2021, that has only resolved a fraction of the overall AR increase. Similarly, year-to-date PSE&G has received $90M in funds from the American Rescue Plan, bringing the grand total of all utility assistance received by PSE&G customers to $191M YTD. Even with the additional assistance payments, PSE&G's overdue AR remains $328M higher than it was pre-COVID.

IV. <u>Conclusion</u>

PSE&G has continued to provide safe, reliable service, and to provide its customers and employees with reasonable accommodations during these challenging times. And while the Company acknowledges the need to be flexible and provide expanded assistance, the effects on PSE&G of the extraordinary stay of shut-off and collection activity necessitates an extension of the current cost deferral period to maintain the Company' financial stability. Bad debt and carrying costs in particular are projected to extend well beyond the current close of the regulatory asset period and to bar deferral of these significant expenses would be contrary to the stated purpose of the Regulatory Asset Order. In order to ensure the Company can continue to serve customers as necessary, extension of the regulatory asset period to allow recovery of all COVID-related incremental costs, including for gas bad debt and total AR carrying costs as well as the cost of incremental collection activities incurred through December 31, 2023, should be approved. Likewise, an extension of the filing date for the COVID-19 cost recovery petition should be granted as proposed, to a date within 60 days of the close of the extended regulatory asset period.

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 Rate Counsel. No paper copies will follow.

Very truly yours,

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 to the Covid-19 Pandemic	:	**BPU Docket No. AO20060471**

AFFIDAVIT OF JANE BERGEN IN SUPPORT OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY'S MOTION TO EXTEND THE CLOSE OF THE COVID-19 REGULATORY ASSET PERIOD

STATE OF NEW JERSEY :
ss:
COUNTY OF ESSEX :

JANE BERGEN, being of full age and duly sworn deposes and says:

1. I am the Director of Billing, Revenue & Controls for Public Service Enterprise Group ("PSEG") and, as such, I have been involved in the COVID-19 stakeholder process and in the Company's 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 Motion to extend the close of the COVID-19 Regulatory Asset Period as I have personal knowledge of the effect that COVID-19 has had, and will continue to have, on the Company's 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 the Board's September 14, 2021 order extending the close of the deferral period from September 30, 2021 to December 31, 2022.

4. The effects of COVID-19 and the associated moratorium on PSE&G customer accounts continue to be substantial.

5. As the moratorium continued throughout 2021 and into 2022, bad debt expense continued to increase. In light of the Governor's EO 246, which ended the moratorium as of June 30, 2021 but imposed a "grace period" precluding utility collection activity or shut-offs through December 31, 2021; the passage of legislation (S-2356) requiring public utilities to continue providing service to residential customers who have submitted applications for utility assistance prior to June 15, 2022 but have not yet received a determination; and the Customer's Bill of Rights outlined by the Board in 2022, as a practical matter residential customers are protected from collection and shut-off activity indefinitely while the relevant state entity evaluates the application, even if that application is submitted after June 15, 2022. Currently, approximately 43% of PSE&G's residential customers that would typically be eligible for field collection and 58% of the arrears are protected from shut-off activity due to a pending application for assistance, Fresh Start or deferred payment arrangement.

6. As of the end of June 2022, overdue AR (all AR greater than 30 days) is $328M higher ($543M vs $215M) than it was for June 2019, the same time of year pre COVID—a 153% increase.

7. As of the end of June 2022 PSE&G's customers with bills greater than 6 months old are essentially double pre-pandemic levels (162K versus 77K).

8. The extended moratorium has resulted in incremental collection and other customer service costs. PSE&G has hired additional employees in call center, field collection, and payment assistance functions to effectively handle the increased work once collection activity recommenced. PSE&G also implemented a robust customer outreach plan to build customer awareness of the available assistance such as the enhanced Universal Service Fund and Fresh Start programs, including raised (less restrictive) income level eligibility. Recently, PSE&G has also executed communications campaigns as requested by the NJ Department of Consumer Affairs to promote assistance available through the American Recovery Plan.

9. Given the expansion of the Universal Service Fund ("USF"), Low Income Home Energy Assistance Program (LIHEAP"), Payment Assistance for Gas and Electric ("PAGE") and the addition of the American Rescue Plan ("ARP"), approximately 40K more PSE&G customers are benefiting from Energy Assistance programs. PSE&G has dedicated additional field resources to door-to-door visits throughout the winter to explain and provide documents about the payment assistance programs and program changes.

10. Those performing customer visits received specific training on the programs and the changes to the parameters, and also received scripting that breaks the potential benefits down in layperson's terms, while the visits were preceded by an e-mail or phone call to explain that PSE&G is visiting the home to inform customers of new programs that may help them pay their bills. PSE&G also, as promised, increased its outreach through various means of correspondence to insure customers are made aware of the new opportunities afforded them, including social media, letter, email, and call campaigns. We also planned for and incurred incremental costs for additional back-office support to appropriately manage the account activity required to handle the anticipated/actual increase in funds available under Fresh Start, which can be a complicated program leading to customer inquiries and often requiring billing intervention to insure benefits are applied timely and accurately.

11. These expenses began in 2022 and are incremental expenses that will extend well beyond December 31, 2022 as the Company works to bring the AR down to more manageable, historical levels. PSE&G estimates—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.

12. While the dollars coming into PSE&G through traditional energy assistance programs such as LIHEAP, USF and PAGE increased by 74% for the period January 2022 to June 2022, as compared to January 2021 to June2021, that has only resolved a fraction of the overall AR increase. Similarly, year-to-date PSE&G has received $90M in funds from the American Rescue Plan, bringing the

grand total of all utility assistance received by PSE&G customers to $191M YTD. Even with the additional assistance payments, PSE&G's overdue AR remains $328M higher than it was pre-COVID.

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

By: Jane A. Bergen

Jane Bergen

Sworn and subscribed before me
this 2nd day of August, 2022

Caitlyn M. White

CAITLYN M. WHITE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 9/19/2024