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***VIA ELECTRONIC MAIL***

Carmen Diaz, Acting Secretary of the Board  
Board of Public Utilities  
44 S. Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

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

Please accept this Reply on behalf of Public Service Electric and Gas Company (“PSE&G” or the “Company”) to the September 2<sup>nd</sup> Response of New Jersey Rate Counsel (“Rate Counsel”) to PSE&G’s Motion for extension of the regulatory asset deferral period. The Company thanks the Board for the opportunity to present this Reply in this important proceeding and notes that pursuant to the Board’s March 19, 2020 Order regarding the COVID-19 pandemic (Docket No. EO20030254), this filing is being electronically filed with the Board Secretary and served by email upon the service list; no paper copies will follow.

In its Response to the Company’s Motion for Extension, Rate Counsel expresses general concern about the need for a second extension of the deferral period but the reasons for concern are unclear. While Rate Counsel admits that the extension “may be a reasonable solution to the issues raised by PSE&G,” it concurrently and incongruously argues that “based upon the facts presented in the motion...it is unclear that any extension is required.” Rate Counsel then goes on to suggest that because none of the other utilities have explicitly requested an extension, somehow by default PSE&G’s request is inappropriate. Still, nowhere in Rate Counsel’s Response does it outright oppose the Company’s Motion for an extension or note any particular reasons why the extension should not be granted.

As all the utilities have expressed since the outset of this proceeding, the challenges and issues presented in the wake of COVID-19 have been unparalleled and as such call for the development of thoughtful solutions that protect both the interests of customers and those of the utilities. When the pandemic commenced over two years ago, no one knew the impact it would have on customers or the utilities—in fact, we are still learning.

Although the moratorium was initially something that all agreed upon, including the utilities who at first voluntarily suspended shutoffs for all gas and electric customers, the utilities also cautioned against a prolonged moratorium since it became evident that as the prohibition against service discontinuances continued to be extended, delinquent accounts grew

exponentially—something that is neither good for the customers who are less likely to be able to pay down their arrearages as they mount, or for the utility whose probability of collecting these outstanding balances diminishes with the passage of time. And while the moratorium was lifted as of December 31, 2021, to date there are still restrictions against shut offs that significantly impact the bad debt component of the incremental COVID-related costs that are central to the Board’s concerns.<sup>1</sup> This impact is real and should be acknowledged by the Board as the effects of the extraordinary stay of shut-off and collection activity necessitates an extension of the current deferral period. As stated in the Company’s Motion for Extension, “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.”<sup>2</sup>

### **PSE&G’s Unique Characteristics Should be Considered in the Board’s Analysis of its Motion**

Although there are similarities among the New Jersey utilities and how they have been affected as a result of the pandemic—including the fact (as acknowledged by Rate Counsel) that “uncollectibles claimed by PSE&G, and by most utilities, continue to grow”—there are some notable differences that should also be considered here. First, PSE&G is the largest electric and gas service provider in the state and as such, the Company’s volume of delinquent customers is significantly higher than other utilities and will take longer to resolve. Additionally, PSE&G’s bills are larger due to the fact that 80% of its customers receive dual fuel services. Lastly, PSE&G’s demographics are notably different from the other utilities as its service territory includes most of the urban centers in the state—the areas that have the most low and moderate income populations which have been disproportionately affected by arrearage issues.<sup>3</sup>

Rate Counsel’s suggestion that the Company’s request is somehow at odds with the position of the other utilities—who have supported the Company’s Motion while advocating for the ability to request recovery of COVID-19 regulatory asset costs before the end of the extended regulatory asset period—are misplaced. The positions of PSE&G and the five utilities mentioned by Rate Counsel are not inconsistent. Each company’s request/comments should be viewed and examined collectively (to gauge the effect regionally on NJ utility providers) but also individually, since the differences between a utility’s service territory, its size, service offerings, customer demographics, and rate case timing among other things, all factor into the “how” and “why” each utility has accumulated certain incremental COVID-19 costs.

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<sup>1</sup> Board Agenda Teleconference Transcript, July 2, 2020. at p. 5, line 20 - p. 6, line 3.

<sup>2</sup> PSE&G Letter Motion, August 2, 2022, at p. 2.

<sup>3</sup> It is also important to note that rising arrearages is not just a low and moderate income problem. The Company is seeing arrearages rise across the board.

## **Despite the Proactive Outreach, PSE&G's Collection Efforts Continue to be Hampered by Matters Outside of its Control**

Once the Company was allowed to perform field shut-offs, its field collection staff focused on commercial customers and employed contractors to go door-to-door to educate and promote payment assistance programs to delinquent residential customers (75,000 field visits in total), and continued to provide assistance applications to customers receiving shutoff visits. The Company also dedicated approximately 50 call center staff to make phone calls to delinquent customers for two months, educating and promoting payment assistance programs and offering payment terms. PSE&G customer service staff also invited local agencies into its customer service centers to assist customers with payments assistance applications. The Company voluntarily sent staff to a local intake agency to assist with the opening and sorting of the overwhelming number applications. Moreover, PSE&G launched a multimedia campaign to raise public awareness of the availability of assistance programs, and as noted in a recent JD Power report this campaign was a success in that 70% of PSE&G customers are aware of the payment assistance offerings. As recently as last week, the Company dedicated staff to reach out to customers who spoke at a recent public hearing expressing difficulty in paying their utility bills, to provide them with information regarding assistance programs and payment arrangements.

Nevertheless, as noted in its August Motion for Extension, PSE&G has no real control over the actual payment assistance application and approval process. These determinations are being made by state and local entities that are still facing application processing backlogs. At peak, almost 80,000 residential customers were being protected from disconnections due to pending assistance applications with state and local entities, and this does not account for the number of customers that claim they've applied for assistance during field collection visits. The current effect of the Customer Bill of Rights is that a customer can still advise the utility at any time that he/she is seeking assistance, putting the account into a "hold" status until a determination is made on that application, which may take substantial time. So while the customer assistance application process is out of the Company's purview, PSE&G is nonetheless affected by this lag, and the deferral period should be extended to account for proper consideration and inclusion of the incremental COVID related expenses/offsets in its regulatory asset.

## **Deferred Payment Agreements are Not a Source of Income as Rate Counsel Claims**

Although the moratorium was lifted in January 2022, significant restrictions are still in place. In accordance with Utility Customer Bill of Rights, customers who have not participated in the Winter Termination Program are required to be offered a "No Money Down" deferred payment arrangement ("DPA") over a minimum of 12 months—no money down, no deposit, reconnection costs, interest or penalties on any unpaid balances accrued prior to December 31, 2021. Additionally, any electric and/or gas customer whose service has been disconnected but can show that he/she has applied for certain payment assistance programs must have their service reconnected upon request without down payment, deposit, reconnection costs, interest or penalties to do so. If a customer who has applied for assistance is denied, the Company must also afford that customer a "No Money Down" DPA. Contrary to Rate Counsel's assertions, even after the requirement to protect customers applying for assistance before June 15, 2022 expired, the requirement to reconnect customers for zero dollars down following an application for assistance is still in place and year-to-date this requirement has resulted

in 37% of all reconnections yielding \$0 payments. These restrictions and protections have resulted in a less efficient and effective collection process when compared to previous years. Additionally 45% of customers who received funds through the ARP, which was intended to eliminate or significantly reduce their arrearages, are still currently 60 days delinquent.

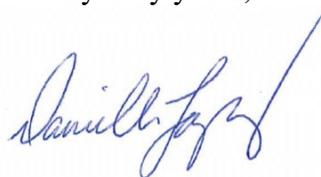
**The Company Already Reports the Relevant Information Identified by Rate Counsel in its Recommendations**

The Company has filed a collection plan with the Board and has outlined much of the plan it has followed in its Motion as noted by Rate Counsel in its Response. PSE&G also files quarterly and monthly reports with the Board that contain the new hires, arrearages collected, numbers of disconnections and re-connections by zip code, DPAs entered into, paid off and broken; funds received by each utility from programs such as USF, Fresh Start, LIHEAP, PAGE and Lifeline, amounts of offsets, including arrearages recovered through federal funds (e.g. ARP and Consolidated Appropriations Act of 2021), and amounts saved due to COVID-related changes in their business activities.<sup>4</sup> PSE&G agrees to continue to report this information during any extended deferral period as it has thus far.

**Conclusion**

The Company has been supportive of its customers during these difficult times and continues to support the utility assistance efforts in its territory. It is also imperative that the Board acknowledge and account for the challenges the Company faces as a result of the extraordinary stay of discontinuances and collection activity and the continuing restrictions. An extension of the current cost deferral period is necessary to properly account for COVID-related costs and to help maintain the Company's financial stability so that it can continue to provide safe and reliable service to all of its customers.

Very truly yours,



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<sup>4</sup> The Company does not believe that the revenues from each class of customer during the regulatory asset period is relevant, particularly to the issue of whether an extension is reasonable or not. Rate Counsel also requests detailed accounting of each regulatory asset cost for which the utility intends to seek recovery, which is more appropriate to be provided (as necessary) in each utility's cost recovery proceeding.