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September 16, 2022

**VIA ELECTRONIC MAIL**

Carmen Diaz  
Acting Secretary of the Board  
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**Re: I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic  
BPU Docket No. AO20060471**

Dear Acting Secretary Diaz:

With reference to the Board's July 20, 2022, Order Setting Comment Schedule in the above-referenced Docket soliciting input from the public and interested parties on the 13 questions regarding Regulatory Asset Cost Recovery, South Jersey Gas Company ("SJG") and Elizabethtown Gas Company ("ETG") (collectively "the Companies") respectfully offer these comments. The Companies also incorporate herein by reference the comments of the New Jersey Utility Association filed in this matter.

**1. Has the utility received any insurance payments or any Federal funding or State funding that can be used to offset the deferred expenses? Should the uncollectibles/arrearages be treated differently from costs such as Personal Protective Equipment, etc.?**

Federal and State funding has been received by the Companies and has been used to reduce the arrearage balances upon which the Companies calculate COVID-related uncollectible expenses.

The Companies believe that COVID-related uncollectible expenses and other incremental expenses should be treated similarly. Further and as requested in the 2022 SJG Base Rate Case

filing (“SJG BRC”)<sup>1</sup>, the Companies believe that it is appropriate to implement an Uncollectible Adjustment Clause (“UAC”) to account for fluctuations in uncollectible costs. The Companies have recently experienced increased volatility in their uncollectible expenses. Accordingly, SJG has sought to implement an UAC, as a component of its Rider “E” - Societal Benefits Clause (“SBC”), to protect itself and customers from such extreme variations on a going-forward basis. SJG has proposed to reconcile its actual uncollectible expense to the base level of uncollectible expense authorized by the Board in its SJG BRC proceeding, with any variance to be recovered from, or credited to, customers over a subsequent period. This symmetrical reconciliation will serve the interests of both SJG and customers by safeguarding against the variability and uncertainty of SJG’s uncollectible expense.

If the UAC is approved in the SJG BRC, the Company could incorporate deferred expenses related to COVID, with recovery over an agreed upon amortization period. ETG would need to make a separate filing with the Board to request that a similar mechanism be established.

## **2. Should customer arrearages be treated differently from other expenses?**

No. COVID-related uncollectible expenses and other incremental expenses incurred by the Companies as a result of the COVID-19 pandemic should be recoverable.

## **3. Should the deferred expenses be recovered in rates and amortized? If yes, how long should that amortization period be for? Should the amortization period vary and be dependent on the type of utility, size and its financial situation?**

The Board should maintain flexibility in the duration of the amortization period as each utility may have slightly different experiences with their regulatory asset accounts.

## **4. Should the unamortized balance be subject to carrying charges?**

Yes. The unamortized balances should be subject to carrying charges. The economic impact of incurring the arrearages from the inception of COVID-19 for approximately three years on the utility sector was significant. Basing the recovery of these dollars on a yet to be determined amortization period calls for an appropriate carrying charge to be factored into the recovery rate.

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<sup>1</sup> In the Matter of the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR22040253, OAL Docket No. PUC 04318-22S, April 14, 2022. (“SJG BRC”)

**5. Currently, the EDCs recover uncollectibles via the Societal Benefits Charge (“SBC”). Should gas and water utilities be permitted to recover uncollectibles through a SBC-type recovery mechanisms?**

The Companies maintain that gas utilities should be permitted to recover uncollectible costs through an SBC-type recovery mechanism. SJG has requested this treatment in its pending SJG BRC, similar to the electric companies who recover their uncollectibles via the SBC. Permitting gas utilities to recover uncollectible costs through an SBC type-mechanism for all uncollectible balances will serve the interests of customers by safeguarding against the variability and uncertainty of SJG’s uncollectible expense.

As a result of the COVID-19 pandemic, the Companies have recently experienced volatility in the uncollectible expense. In addition, the Companies’ annual uncollectible balances are heavily affected by changes in gas costs, which have fluctuated and are generally beyond the Company’s control. The UAC will serve the interests of both the Company and customers by safeguarding against variability, by addressing fluctuations in bad debt and addressing the uncertainty of the Company’s uncollectible expenses. The Company’s proposal will ensure that customers pay no more and no less than the Company’s actual uncollectible expense in any given year.

Moreover, recovery of uncollectible expenses through the SBC has been authorized by the Board for the State’s electric utilities. There is no reason why gas utilities should be treated differently with respect to the recovery of these expenses.

**6. Should the SBC-type recovery mechanism be limited to COVID-related arrearages, or should it include all arrearages?**

Uncollectible expenses, rather than arrearages, are recovered through the existing applicable SBC mechanisms for the energy companies. The EDCs’ current SBC-type recovery mechanism is applicable to all uncollectible expenses, including those related to the COVID-19 pandemic. Therefore, the Companies believe that the SBC-type recovery mechanism should include all uncollectible expenses regardless of whether those uncollectible costs are specifically attributable to the COVID-19 pandemic.

**7. Should the deferred COVID related expenses, including the arrearages, be shared between shareholders and ratepayers? If yes, what would the accounting treatment be?**

No. The Companies' shareholders have already contributed substantially to assist the citizens of New Jersey through this pandemic. The Companies have made significant shareholder-funded, corporate contributions to non-profit partners that help New Jersey customers and community members significantly impacted by the COVID-19 pandemic.

**8. Should the COVID-related deferral be recovered in base rates or in a special purpose rider? Should the recovery mechanism be case specific dependent on the type of utility, size and its financial situation?**

The Companies should be permitted to recover their COVID-related deferral, including uncollectible expenses, through an SBC-type recovery mechanism.

**9. Should a utility carry the COVID-related expenses and arrearages into a subsequent Rate Case or file a separate petition to recover through a clause?**

Each utility should be given the opportunity to determine what track of recovery is best for them and propose it to the Board for approval. However, the Companies should be permitted to recover their COVID-related deferral, including uncollectible expenses, through an SBC-type recovery mechanism similar to the electric companies.

**10. When filing for relief should the utility provide proof that it did not receive any COVID-related financial support, either in the form of Federal or State grants, insurance payouts, and/or customer repayment invoices?**

This is already occurring. On a monthly basis, the Companies currently provide monthly arrearage and deferred payment arrangement reports to the Board, which include details on funds received to offset arrearages.

**11. Does there need to be a true-up of the COVID-arrearages, due to pay downs, Federal funds received, State funds received, Insurance funds received, etc.?**

When Federal and State funds are received, the Companies post these funds to customer accounts, thereby reducing customer arrearages. Companies are already providing this information in their arrearage and energy assistance information submitted to the BPU. Savings are in the quarterly COVID report filed with the BPU. The true-up of arrearages already occurs through the calculation of monthly adjustments to deferred uncollectible expense. In addition, as arrearage balances

decrease, this should be reflected in the adjustments made to the deferred uncollectible expense balance.

**12. If a shareholder contribution were approved for the COVID-related uncollectibles, what should be the appropriate sharing be for ratepayers and shareholders?**

Please see the response to Question 7.

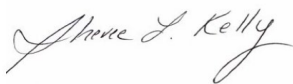
**13. Should there be a true-up of the COVID arrearages?**

Please see the response to Question 11 above.

**Conclusion**

The Companies appreciate the opportunity to submit the within comments on these important issues. Pursuant to the Board's March 19, 2020, Order regarding the COVID-19 pandemic issued in BPU Docket No. EO20030254, this filing is being electronically filed by email with the Board Secretary and served by email upon the service list; no paper copies will follow.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheree L. Kelly".

Sheree L. Kelly, Esq.  
Regulatory Affairs Counsel