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June 22, 2023

PUBLIC VERSION

Via Electronic Mail

Ms. Sherri L. Golden, Board Secretary
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Re: In the Matter of the Letter Petition of Jersey Central Power & Light Company Seeking New Jersey Board of Public Utilities Approval Pursuant to N.J.A.C. 14:3-4.4(e) for Use of an Out of State Meter Testing Facility (“JCP&L TESCO Facility Filing”) BPU Docket No. EO23040241

Dear Secretary Golden:

Please accept for filing these comments filed on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) regarding the above-referenced matter. Consistent with the March 19, 2020 Order of the New Jersey Board of Public Utilities (“BPU” or the “Board”) in *I/M/O 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. 20030254, copies of this comment letter are being filed with each person on the service list by electronic mail. No paper copies will follow. **Please acknowledge receipt of this comment letter.** Thank you for your consideration and attention to this matter.

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SUMMARY

As explained in further detail below, Rate Counsel does not object to granting the request by Jersey Central Power & Light Company (“JCP&L or the “Company”) in the above-referenced letter petition, subject to the conditions set forth herein.

BACKGROUND

On April 21, 2023, JCP&L filed a letter petition (the “Petition”) which is the subject of this comment letter requesting approval from the Board, pursuant to N.J.A.C. 14:3-4.4(e), to use an out-of-state meter testing facility. That facility is located in Bristol, PA and operated by The Eastern Specialty Company (the “TESCO Facility”). In the Petition, JCP&L requests that the Board issue an Order or authorize issuance of a Secretary Letter, by June 30, 2023, providing that JCP&L is authorized, in accordance with N.J.A.C. 14:3-4.4(e), to begin using the TESCO Facility for the retirement testing of legacy meters being replaced under JCP&L’s AMI program.

Under the applicable Board rule,

A utility shall, by January 31st of each year, provide to the Director of the Board’s Division of Reliability and Security, the current locations of all meter testing shops that test the meters of the utility’s New Jersey customers. All meter testing shops that test meters of New Jersey customers are required to have certifications of testing equipment as described in this section. All out-of-State meter testing shops that begin testing meters of New Jersey customers after December 31, 2021, require prior Board approval. Out-of-State meter shops that test meters of New Jersey customers may be inspected by Board staff at the utility’s expense.

N.J.A.C. 14:3-4.4(e)

JCP&L requests permission to use the TESCO Facility because it requires additional capacity to test meters being removed and replaced by AMI meters under the terms of the

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Company's Board-approved AMI program.¹ JCP&L must replace 99% of its meters with AMI meters by December 31, 2025. *Petition*, ¶ 4; *2/23/22 Board Order* ¶ 25. JCP&L anticipates testing an estimated 1.15 million meters that it will replace with an AMI meter. *RCR-4*. During the three-year phase of deploying the AMI meters, JCP&L estimates that it will install 275,000 AMI meters in 2023, 537,000 in 2024, and 333,000 in 2025. *RCR-4*. JCP&L states that it anticipates testing approximately 40,000 meters per month. *RCR-5*. JCP&L proposes to test each retired meter at the TESCO Facility within 90 days of its receipt by TESCO, *RCR-5*; *S-RS-4*; *S-RS-5*, and within approximately 100 days of its removal, *S-RS-5*. The variation among the annual numbers of meters to be replaced and tested within 90 days of receipt by TESCO suggests that JCP&L may test fewer than 40,000 meters during some months.

In addition to the TESCO Facility, JCP&L uses two other meter testing facilities: one located at 10 Legion Place, Morristown, NJ (the "Morristown Meter Shop"), and the other at 5601 Four Points Road, Bethel, PA (the "Bethel Meter Shop"). *Petition*, ¶ 1; *RCR-7*. JCP&L usually uses the Morristown Meter Shop to conduct meter tests initiated by a customer complaint to the Company or the Board. *Petition*, ¶ 1. JCP&L has used the Bethel Meter Shop since 2001 to conduct regular periodic and retirement meter testing. *Petition*, ¶ 1.

Due to the large number of meters that must be tested upon retirement during the AMI meter replacement program, JCP&L decided to engage a third-party vendor to conduct some of the testing. *Petition*, ¶ 5. JCP&L used its competitive bidding process to issue a Request for Proposals ("RFP") to eight vendors in December 2021, and received four responses. *Id.* Of the

¹ I/M/O the Verified Petition of Jersey Central Power & Light For Approval of an Advanced Metering Infrastructure (AMI) Program, BPU Docket No. EO20080545 (Board Order dated Feb. 23, 2022).

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eight vendors to whom JCP&L sent an RFP, three were located in New Jersey. *S-RS-1*. TESCO submitted the lowest bid; the next highest bid was either 77% higher than TESCO's, *Petition*, ¶ 5, or 177% higher, *S-RS-3*; *see RCR-15*. JCP&L considered additional criteria, including IT integration costs and experience with large-scale projects, before selecting a vendor. *S-RS-3*. After evaluating the bids for compliance with the RFP, JCP&L entered into an agreement with TESCO, on May 2, 2022, for retirement testing of meters at the TESCO Facility (the "Retirement Testing Agreement").² *Id.*; *RCR-6, Attachment 1*. On January 20, 2023, TESCO received approval from the New Jersey Division of Consumer Affairs' Office of Weights and Measures to conduct the meter testing, *id.*; *RCR-1, Attachment 1, S-RS-14; S-RS-14, Attachment 2*, as required by N.J.A.C. 14:3-4.4(b)2.ii. TESCO will determine the accuracy of the JCP&L meters using the tests required by N.J.A.C. 14:5-4.3(e). *S-RS-15*. JCP&L plans to physically inspect the operations at the TESCO Facility monthly. *S-RS-16*.

The TESCO Facility has not previously performed any meter testing work for JCP&L. *RCR-12*. However, JCP&L obtained information about the ability of the TESCO Facility to perform meter testing through a Request for Information process before issuing the RFP for meter testing services. *Id.* TESCO is currently testing 40,000 meters per month, and is expanding its capacity to test up to 50,000 meters per month during the peak of JCP&L's meter testing project. *S-RS-14*. TESCO has provided meter services and equipment to FirstEnergy for many years, including inventory management software that FirstEnergy has used since 2016. *Id.*

² [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL].

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TESCO has a history of delivering satisfactory results to FirstEnergy. *Id.* JCP&L states that JCP&L and its affiliated companies have no relationship with TESCO other than as an unaffiliated business partner. *RCR-7.*

After entering into the Retirement Testing Agreement, JCP&L and TESCO began preparatory work to begin the retirement testing. *Petition*, ¶ 6. On August 15, 2022, the Board adopted amendments to N.J.A.C. 14:3-4.4. *Petition*, ¶ 7. Those amendments included a new requirement that a New Jersey utility must seek Board approval of any out-of-state meter testing facility that will begin testing customers' meters after December 31, 2021. N.J.A.C. 14:3-4.4(e).

In its January 31, 2023 Annual Meter Testing Facility Compliance Report to the Board, JCP&L identified the three meter testing facilities it was using: the Morristown Meter Shop, Bethel Meter Shop, and the TESCO Facility. *Petition*, ¶ 8; *RCR-2, Attachment 1b*. Although the Bethel Meter Shop and the TESCO Facility are located out-of-state, JCP&L noted that each had commenced work prior to the effective date of N.J.A.C. 14:3-4.4(e). *Id.* That January 31, 2023 Compliance Report was JCP&L's first reporting to the Board of its use of the TESCO Facility. *Id.* In that Compliance Report, JCP&L requested Board approval to use the TESCO Facility, based upon its approval by the New Jersey Office of Weights and Measures. *Id.*

Board rules also require that, "Out-of-State meter shops that test meters of New Jersey customers may be inspected by Board staff at the utility's expense." N.J.A.C. 14:3-4.4(e). The TESCO Facility is located in Bristol, Pennsylvania, approximately 11 miles from the Board's Trenton offices. *Petition*, ¶ 9; *S-RS-14 Attachment 1*. JCP&L states that it and TESCO commit to making the TESCO Facility available to Board Staff for inspection, upon reasonable notice, as required by N.J.A.C. 14:3-4.4(e). *Petition*, ¶ 9.

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JCP&L and TESCO have established processes to enable the testing of legacy meters, upon customer request, that had been sent to the TESCO Facility for retirement testing. TESCO is building new TESCO Meter Testing Boards to test the retired JCP&L meters. *S-RS-8; see S-RS-14; S-RS-14, Attachment 1, Appendix E; and S-RS-14, Attachment 2.* TESCO agreed to make space available to store meters for a minimum of 90 days after receipt, so that JCP&L may request the return of a meter to JCP&L for testing upon customer request. *Petition, ¶ 10.* JCP&L may also request return of a tested meter up to 60 days after its test results have been reported to JCP&L. *S-RS-8.* Until August 2023, for an additional charge, TESCO has agreed to allow JCP&L to store at the TESCO Facility trailers full of retired JCP&L customer meters removed as part of the AMI conversion process. *Petition, ¶ 11.* JCP&L's AMI meter deployment vendor also has agreed to allow JCP&L to store trailers full of its legacy meters at its facility through December 2023. *Id.*

Absent Board approval, TESCO has not yet begun to test those meters. *Id.* In the meantime, the Bethel Meter Shop may test a small number of JCP&L's legacy meters as they are removed during the AMI deployment process. *RCR-8.* The Bethel Meter Shop will also test any meters found to be fast or slow by TESCO. *S-RS-12.* The Bethel Meter Shop has the capacity to test 4,000 meters per month, including meters from companies affiliated with JCP&L. *RCR-9.* The Bethel Meter Shop follows FirstEnergy Meter Standards and Practices for testing meters. *RCR-13.* Its test boards are calibrated every quarter and signed off by test shop supervision, using standards of the National Institute of Standards and Technology. *Id.* The Bethel Meter Shop is owned and operated by FirstEnergy Service Corporation, which is affiliated with JCP&L. *RCR-10.*

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The Morristown Meter Shop does not have the equipment, floor space or staffing to conduct mass meter testing. *RCR-14*. The Morristown Meter Shop is used only to test meters at the request of the Board. *Id.* Due to the large number of meters to be removed during the AMI process that will need to be tested, JCP&L will need the meter testing services of both the TESCO Facility and the Bethel Meter Shop. *RCR-11*. While the Bethel Meter Shop will test some of the retired residential customer meters, it will primarily test the meters removed by JCP&L Meter Services from JCP&L's large commercial and industrial customers. *Id.*

To avoid additional storage charges, JCP&L states that it must be able to begin retirement testing at the TESCO Facility by July 3, 2023. *Petition*, ¶ 12. JCP&L estimates that it will incur approximately \$200,000 of incremental storage costs with TESCO through June 2023 and an additional \$250,000 of storage charges if it must store meters on the TESCO Facility through the end of 2023. *Id.*

ANALYSIS

JCP&L has submitted evidence of compliance with N.J.A.C. 14:3-4.4(e):

- a) JCP&L has provided to the Board the current locations of all meter testing shops that test or will test the meters of its New Jersey customers;
- b) JCP&L has provided certification of the testing equipment in the TESCO Facility, that will test the meters of JCP&L's New Jersey customers, from the New Jersey Division of Consumer Affairs' Office of Weights and Measures;
- c) JCP&L has agreed that Board Staff may inspect the TESCO Facility, upon reasonable notice, at JCP&L's expense; and
- d) in this Petition, JCP&L requests prior Board approval to use the TESCO Facility

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to test the meters of JCP&L's New Jersey customers that are retired during the AMI installation program.

In addition, JCP&L has used an arms-length competitive bidding process to obtain a vendor to perform this work at a significantly lower price than the other bidders. JCP&L reports that the selected vendor has performed satisfactory work for it on other matters and has begun to expand its capacity to test the large number of meters that JCP&L will retire. Accordingly, Rate Counsel does not object to granting the request by JCP&L to use the out-of-state TESCO Facility for meter testing, subject to the conditions set forth below.

RECOMMENDATION

Accordingly, in any Order approving this Petition, Rate Counsel respectfully asks the Board to require JCP&L to meet the conditions set forth below:

1. JCP&L shall ensure that TESCO complies with all Board rules, including but not limited to the applicable testing, sealing and certification requirements of N.J.A.C. 14:3-4.4;
2. JCP&L shall ensure that TESCO allows Board Staff to inspect the TESCO Facility, upon reasonable notice, and that such inspections shall be at JCP&L's expense;
3. Any Board approval granted to JCP&L in this matter to use the TESCO Facility to test the meters of JCP&L's New Jersey customers will last only until the number of JCP&L retired meters requiring testing no longer exceeds JCP&L's meter testing shop capacity in New Jersey;
4. JCP&L shall notify the Board and Rate Counsel if it experiences any material changes to the reliability of the meter testing performed by the TESCO Facility;

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5. JCP&L shall notify the Board and Rate Counsel if it experiences any material changes to the timeliness of the meter testing performed by the TESCO Facility;
6. JCP&L shall notify the Board and Rate Counsel if the TESCO Facility experiences any material changes to the certification, from the New Jersey Division of Consumer Affairs' Office of Weights and Measures, of the testing equipment that will test the meters of JCP&L's New Jersey customers;
7. JCP&L shall notify the Board and Rate Counsel if additional meter testing shop capacity in New Jersey becomes available to JCP&L;
8. JCP&L shall notify the Board and Rate Counsel if it experiences any material changes to the pricing of the meter testing performed by the TESCO Facility;
9. JCP&L shall provide to the Board the current locations of any additional meter testing shops that it plans to use to test the meters of its New Jersey customers;
10. Consistent with N.J.A.C. 14:3-4.4(c), all costs associated with testing JCP&L meters at the TESCO Facility shall be borne by JCP&L;
11. Rate Counsel retains all rights to review all costs and proceeds related to JCP&L's meter inspection, testing, sampling and replacement practices, including JCP&L's AMI implementation program, in the Company's next base rate case or in another appropriate proceeding;
12. Rate Counsel takes no position on the prudence of JCP&L's use of the TESCO Facility at this time but reserves all rights to review all costs and proceeds related to JCP&L's use of the TESCO Facility and any other aspect of JCP&L's AMI

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implementation program in JCP&L's next base rate case or in another appropriate proceeding; and

13. This Order shall not affect nor in any way limit the exercise of authority of the Board or of this State, in any future Petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting the Company.

Respectfully submitted,

BRIAN O. LIPMAN, DIRECTOR
DIVISION OF RATE COUNSEL

By: Brian Weeks
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Deputy Rate Counsel

BW/ac

c: Service List (via electronic mail)

**Jersey Central Power & Light
Company Request to Use an Out of
State Meter Testing Facility
("JCP&L TESCO Facility Filing")**

BPU Docket No. EO23040241

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