

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF)
ATLANTIC CITY ELECTRIC COMPANY)
FOR APPROVAL OF A VOLUNTARY) BPU DKT. NO. EO18020190
PROGRAM FOR PLUG-IN VEHICLE)
CHARGING)

DIRECT TESTIMONY OF DAVID E. PETERSON
ON BEHALF OF THE
NEW JERSEY DIVISION OF RATE COUNSEL

STEFANIE A. BRAND, ESQ.
DIRECTOR, DIVISION OF RATE COUNSEL

DIVISION OF RATE COUNSEL
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, New Jersey 08625
Phone: 609-984-1460
Email: njratepayer@rpa.nj.gov

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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is David E. Peterson. I am the President of and a Senior Consultant with Chesapeake Regulatory Consultants, Inc. ("CRC"). My business address is 10351 Southern Maryland Blvd., Suite 202, Dunkirk, Maryland 20754.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE PUBLIC UTILITY FIELD?

A. I graduated with a Bachelor of Science degree in Economics from South Dakota State University in May of 1977. In 1983, I received a master's degree in Business Administration from the University of South Dakota. My graduate program included accounting and public utility courses at the University of Maryland.

In September 1977, I joined the Staff of the Fixed Utilities Division of the South Dakota Public Utilities Commission as a rate analyst. My responsibilities at the South Dakota Commission included analyzing and testifying on ratemaking matters arising in rate proceedings involving electric, gas and telephone utilities.

Since leaving the South Dakota Commission in 1980, I have continued performing cost of service and revenue requirement analyses as a consultant. In December 1980, I joined the public utility consulting firm of Hess & Lim, Inc. I remained with that firm until August 1991, when I joined CRC. Over the years, I have analyzed filings by electric, natural gas, propane, telephone, water, wastewater, and steam utilities in connection with utility rate and certificate

	<u>Utility</u>	<u>Docket No.</u>
1		
2		
3	South Jersey Gas Company	GR8704329
4		GR03050413
5		GR03080683
6		GR10010035
7		
8	New Jersey-American Water Company	WR88070639
9		WR91081399J
10		WR92090906J
11		WR94030059
12		WR95040165
13		WR98010015
14		WR03070511
15		WR06030257
16		WR17090985
17		WR19121516
18		
19	ACE/Delmarva Merger	EM97020103
20	Atlantic City Electric Company	ER03020110
21		ER11080469
22		ER17030308
23		ER18020196
24		
25	FirstEnergy/GPU Merger (JCP&L)	EM00110870
26	Jersey Central Power & Light	ER02080506
27		ER05121018
28		ER12111052
29		EM14060581
30		EM15060733
31		ER18070728
32		
33	Rockland Electric Company	ER02100724
34		ER06060483
35		ER09080668
36		ER19050552
37		
38	Public Service Electric and Gas	EM00040253
39		GR09050422
40		GO12030188
41		EO18101115
42	Exelon/PSE&G Merger	EM05020106

1 an Amended Petition filed on December 17, 2019. ACE's Amended Petition
2 seeks Board approval for the Company's expanded PIV Program. ACE's most
3 recent proposed PIV Program is a multi-year, \$42.107 million initiative consisting
4 of thirteen separate rate, rebate and incentive offerings for PIV charging and PIV
5 bus conversion. The thirteen offerings and their primary features are summarized
6 below.

- 7
- 8 • **Offering #1:** Residential Whole House Time-of-Use ["TOU"] Rates.
- 9 • **Offering #2:** Off-Peak, Off-Bill Incentive for Residential Customers with
10 Existing, Installed EVSE.
- 11 • **Offering #3:** Level 2 EVSE and Installation Rebates for Residential
12 Customers without Existing Chargers, Plus Off-Peak Incentive.
- 13 • **Offering #4:** Rebates for Level 2 EVSE and Installation, and Demand
14 Charge Offset Incentive for MDUs with dedicated on-site parking,
15 currently without existing EVSE.
- 16 • **Offering #5:** Rebates for Level 2 EVSE for Workplaces, Plus Demand
17 Charge Offset Incentive.
- 18 • **Offering #6:** Rebates for Level 2 EVSE for Electric Vehicle Fleets, Plus
19 Demand Charge Offset Incentive.
- 20 • **Offering #7:** Public Charging – Utility-Owned and Operated DCFCs.
- 21 • **Offering #8:** Public Charging – Utility-Owned Level 2 EVSEs.
- 22 • **Offering #9:** Demand Charge Incentive for "Make Ready" Work
23 Incentives for Non-Utility Owned Public DCFCs.
- 24 • **Offering #10:** The Innovation Fund.
- 25 • **Offering #11:** Electric School Bus Fund.
- 26 • **Offering #12:** New Jersey Transit Bus Electrification.
- 27 • **Offering #13:** The Green Adder.
- 28

1 A. ACE's witnesses have identified two broad categories of costs that will be
2 incurred under its PIV Program, capital costs and regulatory asset-related costs.
3 Capital costs, which include time-of-use meters and PIV charging equipment,
4 account for approximately \$15 million of the total expected cost of the PIV
5 Program. Regulatory Asset-related costs account for the remaining \$27 million of
6 total estimated PIV Program Costs. ACE witness Michael T. Normand identified
7 the following subcategories of costs to be included in his proposed Program
8 Regulatory Asset account:

- 9 • Rebates on electric vehicle servicing (charging) equipment (a/k/a
10 EVSE);
- 11 • Rebates on installation costs;
- 12 • Rate incentives;
- 13 • Community and Transit Funds/Grants;
- 14 • Recurring Network & Data costs;
- 15 • Program Implementation and Administrative costs; and
- 16 • Incremental Depreciation and Operation and Maintenance
17 ("O&M") expenses.¹

18
19 **Q. WHICH OF THE COMPANY'S OFFERINGS IMPACT ACE'S**
20 **RESIDENTIAL CUSTOMERS?**

21 A. The Offerings that impact ACE's residential customers are identified in ACE
22 witness Mr. Normand's Schedule (MTN)-3, page 4, attached to his Direct
23 Testimony in this proceeding. Therein, it is shown that capital and regulatory
24 assets costs incurred under Offerings #1, #2, and #3 are 100 percent allocated to
25 the residential class. In addition, capital and/or Program Regulatory Asset costs
26 incurred under Offerings #7, #8, #10, #11 and #12 are, in part (59 percent), to be
27 allocated to the residential class. That is, any costs incurred in connection with

¹ Normand Schedule (MTN)-3, page 1.

1 customers do not receive any benefit for the service to be provided under Offering
2 #1. Therefore, the Program Regulatory Asset costs should not be charged to non-
3 PIV residential customers.
4

5 **Q. ARE YOUR OBJECTIONS TO OFFERINGS #2 AND #3 ANY**
6 **DIFFERENT THAN YOUR OBJECTIONS TO OFFERING #1?**

7 A. No. Offerings #2 and #3 feature off-peak rates for PIV charging and incentives
8 and rebates for installing in-home residential charging stations, which are not all
9 included in Offering #1, but the regulatory principle is the same. Non-PIV
10 residential customers receive no identifiable direct benefit from the PIV services
11 provided under Offerings #1, #2 and #3. It is only the relatively few PIV
12 customers that will benefit from any of these three Offerings. Therefore, the large
13 body of residential non-PIV customers should not be required to pay for the
14 incentives that ACE is willing to extend to its small subclass of residential PIV
15 customers. The users that require ACE to incur the costs and who receive the
16 service benefits should pay for those costs.
17

18 **Q. EARLIER YOU STATED THAT THE RESIDENTIAL CLASS WOULD**
19 **BE ALLOCATED 59 PERCENT OF THE CAPITAL AND PROGRAM**
20 **REGULATORY ASSET COSTS ASSOCIATED WITH OFFERINGS #7,**
21 **#8, #10, #11, AND #12, UNDER MR. NORMAND'S PROPOSED COST**
22 **ALLOCATION SCHEME. DO NON-PIV RESIDENTIAL CUSTOMERS**
23 **RECEIVE ANY DIRECT BENEFITS FROM THE SERVICES TO BE**
24 **PROVIDED UNDER ANY OF THESE OFFERINGS?**

25 A. No. The services to be provided under all these Offerings are not even remotely
26 related to residential service. Rather, they target utility-owned and non-utility
27 owned public charging stations, grants and subsidies to be provided to school
28 districts, and the New Jersey Transit system for the purchase and support of

1 charges, including the unit charge amounts for depreciation and O&M expenses,
2 on all sales volumes, *including the incremental PIV-related kWh sales*. It is the
3 unit charge amounts for depreciation and O&M expenses included in base rates as
4 applied to the incremental PIV-related kWh sales that provides some amount of
5 cost recovery for the incremental depreciation and O&M expenses on incremental
6 PIV-related capital facilities. Moreover, ACE will continue to collect the rate of
7 return and depreciation expense allowances that are embedded in the Company's
8 current base rates relating to the non-TOU meters that are retired for residential
9 customers choosing Offering #1. Therefore, if the entire balance of the
10 depreciation and O&M expenses on PIV assets are deferred and recovered
11 through the Program Regulatory Asset amortization as Mr. Normand proposes,
12 some level of double recovery of those costs surely will follow. The precise
13 amount of the double recovery will of course depend on the level of incremental
14 PIV-related kWh sales, which cannot be determined with certainty at this time.
15 Nevertheless, a double recovery is certain to occur.

16
17 **Q. GIVEN YOUR CONCERNS, WHAT IS YOUR CONCLUSION AND**
18 **RECOMMENDATION TO THE BOARD IN THIS PROCEEDING?**

19 A. My primary conclusion is that ACE's proposed PIV Program fails the
20 fundamental and long-standing cost allocation and ratemaking principle that
21 customers receiving service benefits from the utility should pay the associated
22 costs incurred to provide that service. In this proceeding, however, ACE has
23 intentionally designed a cost recovery scheme that results in the general body of
24 non-PIV customers subsidizing the cost of PIV service for a relatively few PIV
25 customers. This subsidization is unreasonable and discriminatory, especially for
26 those residential customers who do not own any vehicle, let alone an electric
27 vehicle, and must rely on public transportation.

28

APPENDIX A - CURRICULUM VITAE

DAVID E. PETERSON

As a rate analyst and consultant, Mr. Peterson has served a diverse group of public utility consumers and governmental agencies on utility ratemaking and service-related issues. Clients have included state regulatory commissions and their staffs, consumer advocate agencies of state governments, federal agencies, municipalities, privately owned, municipally owned and cooperatively owned utilities, civic organizations, and industrial consumers.

EDUCATION

December 1983 Master of Business Administration
University of South Dakota
Vermillion, South Dakota

May 1977 Bachelor of Science Degree in Economics
South Dakota State University
Brookings, South Dakota

EXPERT TESTIMONY

Among the issues that Mr. Peterson has addressed in testimony are the appropriate test year, construction work in progress, cash working capital lead/lag studies, rate base, excess capacity, revenues, expenses, depreciation, income taxes, capital structure, rate of return, cost allocation, rate design, customer service charges, flexible rates, life-cycle analyses, cost tracking procedures, affiliate transactions, mergers, acquisitions and the consequences of industry restructuring. Mr. Peterson has presented testimony to the following regulatory bodies.

Alabama Public Service Commission
Arkansas Public Service Commission
California Public Utilities Commission
Colorado Public Utilities Commission
Connecticut Public Utilities Control Authority

Delaware Public Service Commission
Indiana Public Service Commission
Kansas State Corporation Commission
Maine Public Utilities Commission
Maryland Public Service Commission

Montana Public Service Commission
Nevada Public Service Commission
New Jersey Board of Public Utilities
New Mexico Public Service Commission
New York Dept. of Environmental Protection