



State of New Jersey

DIVISION OF RATE COUNSEL

140 EAST FRONT STREET, 4TH FL.

P.O. Box 003

TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

BRIAN O. LIPMAN
Director

November 28, 2023

Via Electronic Mail

Jeremy Clark
Vice President
Pegasus Global Holdings, Inc.
1750 Emerick Road
Cle Elum, WA 98922
j.clark@pegasus-global.com

**Re: In the Matter of the Petition of Atlantic City Electric Company for Approval of an Infrastructure Investment Program, and Related Cost Recovery Mechanism, Pursuant to N.J.A.C. 14:3-2A.1 et seq.
Draft Semi-Annual Independent Monitor Report (Q1-Q2 2023)
BPU Docket No. EO18020196**

Dear Mr. Clark:

Rate Counsel provides its comments regarding the *Confidential Draft Infrastructure Investment Program Independent Monitor Report Covering Q1 2023- Q2 2023* ("2023 First Half Report") submitted by Pegasus Global Holdings, Inc. ("Pegasus" or "Independent Monitor"). The report documents Atlantic City Electric ("the Company") activities associated with the Infrastructure Investment Program ("IIP") conducted through June 30, 2023. Rate Counsel is interested in understanding if the Company intends to seek recovery of exceedances, and if so, what portions, pertaining to which ITN projects.

As of the end of June 30, 2023, the IIP program's current spending of \$121 million is approximately 126 percent of the \$96.4 stipulated amount. The Independent Monitor reports that spending for the first half of 2023 has been \$15.1 million or approximately 12 percent of the

actual spending of \$121 million. Rate Counsel notes that the actual spending of \$121 million is \$24.6 million over the stipulated amount of \$96.4 million.

According to 2023 First Half Report, as of June 30, 2023, four of the 18 ITNs that comprise the executed Program had work remaining that the IM notes the Company indicated it will complete outside of the Program. This remaining work includes one reconductoring project (Distribution Line Projects - ITN 71431), 21 capacitor controller upgrades (Capacitor Radio/Regulator Control Projects - ITN 72029), the completion of the two additional feeders on Motts Farm (ITN 72514, which represents added scope outside of the IIP), and the Newport substation project (ITN 72802). These four ITNs, as of June 30, 2023, had actual spending of \$24.44 million, 116 percent of the combined stipulated budget of \$21.12 million, for an overbudget of \$3.33 million with work remaining on all of the projects. Rate Counsel is interested in understanding if the work will be completed by December 31, 2023, and at what actual cost over the stipulated amount.

Distribution Automation Projects

The IM reports actual spending of \$8.35 million for the Distribution Line Projects (ITN 71431), approximately 114 percent of the stipulated budget of \$7.32 million with and a current forecast of \$8.99 million. The IM notes that there is now an overspending of \$1 million as the project experienced routing and permitting challenges and is now expected in-service by December 31, 2023. Rate Counsel is interested in understanding if the work will be completed by December 31, 2023 and at what actual cost over the stipulated amount.

The IM reports actual spending at \$2.45 million for the Capacitor Radio/Regulator Control Projects (ITNs 72029 and 72031), approximately 113 percent of the stipulated budget of

\$2.17 million. The IM notes that both ITN 72029 and 72031 are scheduled for completion by December 2023. The 2023 First Half Report notes the Company reported installation of 9 new capacitor controllers, 249 upgraded capacitor controller units and 30 new regulator controllers as of June 30, 2023. The Company has forecasted \$105,000 for installation of the final 21 units, out of a planned 270 units. If the forecast holds, actual spending for the Capacitor Radio/Regulator Control Projects will reach at least \$2.52 million for the two ITNs, approximately 116 percent of the stipulated budget. Rate Counsel is interested in understanding, given the additional harness/adaptor retrofits required for controllers first identified in 2022, whether additional installation and performance issues have been identified by the Company and whether all equipment installed under these two ITNs remains in service and is operating within expected parameters.

The 2023 First Half Report notes that the current forecast for the Distribution Substation Project (ITN 73935) had actual spending of \$11.75 million, approximately 195 percent of the adjusted stipulated budget of \$6.03 million. ITN 73935 had an initial stipulated budget of \$5.50 million which increased to \$6.03 million with inclusion of \$0.52 million from the cancelled ITN 70417 “Add Reclose Control Capability” project. The current forecast for the project is \$11.86 million. This is an increase of approximately \$2.0 million in the forecast from the 2021 Second Half Report. Rate Counsel has concerns about the discrepancy between the stipulated budget amount and total forecast.

Recloser & Network Mesh Projects

The 2023 First Half Report notes actual spending was \$28.92 million for the Automatic Circuit Recloser Project (ITN 73294) when put into service in January 2023, approximately 114

percent of the stipulated budget amount of \$25.39 million. This project is \$3.53 million overbudget. In the prior report, the IM noted that the Company experienced cost pressures in construction and traffic management that have contributed to the overspending. Rate Counsel is still interested in knowing how these cost pressures are impacting other distribution projects for the Company and whether the construction and traffic management costs are now factored in for other projects. Rate Counsel has concerns about the discrepancy between the stipulated budget amount and the total forecast.

The IM reports that the ACR Recloser Communication Projects (ITNs 72030 and 70365) actual spending was \$13.46 million when put into service in April 2023, approximately 118 percent of the stipulated budget of \$11.45 million. This project is now \$2.00 million overbudget. Rate Counsel remains interested in understanding if the Company plans to continue treating communication assets as general plant ITNs and if the Company plans to recover the \$2.00 million in overspending in base rates. Rate Counsel has concerns about the discrepancy between the stipulated budget amount and the total spend.

The 2022 Second Half Report notes that actual spending for the UComm Network Mesh Projects (ITNs 71207, 71208, and 75441) of \$5.88 million, approximately 188 percent of the stipulated budget of \$3.12 million. This project was completed in June 2021. Rate Counsel remains interested in understanding if the Company plans to recover the \$2.7 million in overspending in base rates. Rate Counsel is also concerned about the discrepancy between the stipulated budget amount and the total spend.

Distribution Substation Projects

The IM reports that actual spending on the Newport Project (ITN 72802) reached \$7.74 million, approximately 82 percent of the stipulated budget of \$9.44 million with actual spending at \$7.75 million and the current forecast of \$9.40 million. This project missed the forecasted completion deadline for June 2023 and is now forecasted for completion in December 2023. Rate Counsel remains interested in understanding how the Company plans to manage the scope of the work.

The IM reports that the current forecast for the Motts Farm Projects (ITNs 72514 and 72516) have a combined budget of \$6.28 million with current actual spending at \$16.11 million. The combined Motts Farm projects are \$9.82 million overbudget, ITN 72514 (Distribution Line Modifications) is approximately 270 percent (\$3.71 million) of the stipulated budget of \$2.19 million and ITN 72516 is approximately 249 percent (\$6.12 million) of the stipulated budget of \$4.09 million. The Company continues to contend that the addition of two new feeders to improve sectionalizing the existing load has driven the increase in forecasted cost for the project. Rate Counsel remains interested in understanding if the Company plans to recover the \$9.82 million in overspending in base rates. Rate Counsel is also concerned about the discrepancy between the stipulated budget amount and the total forecast.

The IM reports that the combined actual spending for the Stratford Projects (ITNs 73723 and 73725) was \$8.82 million, approximately 112 percent of the combined stipulated budget of \$7.89 million. The IM notes the Company reported both ITNs were placed into service before June 30, 2023. Rate Counsel is concerned about the discrepancy between the stipulated budget amount and the actual spend.

Fiber Infrastructure Projects

The 2022 Second Half Report notes that actual spending for the Fiber Upgrade Projects (ITNs 70497) was \$3.11 million, approximately 132 percent of the stipulated budget of \$2.35 million. This project is currently \$0.76 million over budget. Rate Counsel has concerns about the discrepancy between the stipulated budget amount and the actual spend.

The IM reports that actual spending for the Smart Grid Infrastructure Project (ITN 73501) was \$4.44 million, approximately 102 percent of the stipulated budget of \$4.35 million. Rate Counsel has concerns about the discrepancy between the stipulated budget amount and the actual spend.

Infrastructure Maintenance Projects

The IM reports that actual spending for the Distribution Equipment Maintenance Project (ITN 73976) was \$2.11 million, approximately 146 percent of the stipulated budget amount of \$1.44 million. The IM notes in the prior report, the IM noted that the growth on the system has resulted in increased maintenance requirements compared to historical rates. Rate Counsel remains interested in understanding how and why maintenance requirements have increased for the Company. Rate Counsel also has concerns about the discrepancy between the stipulated budget amount and the actual spend.

Similar to ITN 73976, the IM reports that the current forecast for the Communication Equipment Maintenance Projects (ITNs 73429 and 73430) has a budget of \$0.04 million with actual spending at \$0.94 million. This project was completed in December 2021. The IM noted that the Company is utilizing these projects to collect data to establish a preventive and

protective approach to maintaining network health. The IM reports the Company has assessed the incorporation of a condition/age-based depreciation maintenance cost in the project budgets and a risk-based approach in areas that have historically been prone to causing network reliability issues. Rate Counsel remains interested in understanding how and why maintenance requirements have increased for the Company, and if this trend will continue. Rate Counsel is also concerned about the discrepancy between the stipulated budget amount and the actual spend.

On November 22, 2023, Rate Counsel submitted informal questions to ACE and the Independent Monitor. As of the date of this letter, Rate Counsel has not received responses to these questions. Therefore, Rate Counsel reserves its rights to submit comments based on the Company's responses to the informal questions.

If you have any questions, please contact me at rglover@rpa.nj.gov.

Sincerely,

BRIAN LIPMAN, DIRECTOR
DIVISION OF RATE COUNSEL

By: /s/ Robert Glover
Robert Glover, Esq.
Assistant Deputy Rate Counsel

RG/dl
c: Service List (*via electronic mail*)

**I/M/O the Petition of Atlantic City
Electric Company for Approval of
Electric Base Adjustments Pursuant
to the Infrastructure Investment
Program
BPU Docket No. ER18020196
SERVICE LIST**

Sherri Golden, Secretary
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
board.secretary@bpu.nj.gov

Robert Brabston, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350
Robert.Brabston@bpu.nj.gov

Michael Beck, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Michael.Beck@bpu.nj.gov

Stacy Peterson
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Stacy.Peterson@bpu.nj.gov

Mike Kammer, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Mike.Kammer@bpu.nj.gov

Heather Weisband, Esq.
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Heather.Weisband@bpu.nj.gov

Malike Cummings
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Malike.Cummings@bpu.nj.gov

David Brown
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
David.Brown@bpu.nj.gov

Jackie O'Grady
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Jackie.OGrady@bpu.nj.gov

Scott Sumliner
Board of Public Utilities
44 South Clinton Ave., 9th Floor
P.O. Box 350
Trenton, NJ 08625
Scott.Sumliner@bpu.nj.gov

Pamela Owen, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625
Pamela.Owen@law.njoag.gov

Brandon Simmons, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625
Brandon.Simmons@law.njoag.gov

Steven Chaplar, DAG
Dept of Law and Public Safety
Division of Law
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 112
Trenton, NJ 08625
steven.chaplar@law.njoag.gov

Brian O. Lipman, Director
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
blipman@rpa.nj.gov

T. David Wand, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
dwand@rpa.nj.gov

Robert Glover, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
rglover@rpa.nj.gov

Bethany Rocque-Romaine
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
bromaine@rpa.nj.gov

Debora Layugan
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, fNJ 08625
dlayugan@rpa.nj.gov

Patricio Silva
Synapse Energy Economics, Inc.
485 Massachusetts Ave., Suite 2
Cambridge, MA 02139
psilva@synapse-energy.com

David Peterson
Chesapeake Regulatory Consultants,
Inc.
1815 Fenwicke Ct.
Huntingtown, Maryland 20639
davep@chesapeake.net

Jeremy Clark
Vice President
Pegasus Global Holdings, Inc.
1750 Emerick Road
Cle Elum, WA 98922
j.clark@pegasus-global.com

Philip Passanante, Esq.
Atlantic City Electric Company
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714
philip.passanante@pepcoholdings.com

Heather Hall, Manager
Pepco Holdings, LLC
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714
heather.hall@pepcoholdings.com

Diana C. DeAngelis .
Atlantic City Electric Company
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714
diana.deangelis@pepcoholdings.com

Colleen Foley, Esq.
Saul Ewing Arnstein & Lehr LLP
One Riverfront Plaza
1037 Raymond Blvd., Suite 1520
Newark, NJ 09102
colleen.foley@saul.com