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October 16, 2024

**VIA ELECTRONIC MAIL**

Hon. Sherri L. Golden, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 1st floor  
P.O. Box 350  
Trenton, New Jersey 08625-0350  
[Board.Secretary@bpu.nj.gov](mailto:Board.Secretary@bpu.nj.gov)

**Re: In the Matter of the Petition of Public Service Electric and Gas Company,  
Pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, for Authority to Issue and  
Sell Short-Term Obligations Not Exceeding \$1.0 Billion Aggregate Principal  
Amount at Any One Time Outstanding Through January 4, 2027  
BPU Docket No. EF24060403**

Dear Secretary Golden:

Please accept these comments of the New Jersey Division of Rate Counsel ("Rate Counsel") regarding the above-referenced matter. Consistent with the Order issued by the New Jersey Board of Public Utilities (the "Board" or "BPU") in connection with In the Matter of 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. EO20030254.

These comments are being electronically filed with the Secretary of the Board, the Division of Law, and Public Service Electric and Gas Company (PSE&G", "Petitioner" or the "Company").

No paper copies will follow. Please acknowledge receipt of these comments.

Thank you for your consideration and attention to this matter.

## **A. Background**

On May, 31, 2024, PSE&G filed a petition with the Board requesting authority pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:5.9 for authorization to issue, renew, or extend, up to \$1.0 billion of short-term debt prior to January 4, 2027 (the “Petition”). Short-term debt refers to any instrument or loan arrangement with a term not to exceed one-year, but it is typically one day to three months. The Petition requests the Board’s approval of the request. PSE&G’s current authorization for short-term debt expires on January 3, 2025.

The Petition closely mirrors the short-term debt authorization that was granted by the Board in the Company’s previous petition for authorization of short-term debt.<sup>1</sup> As was the case in the Company’s last short-term debt petition docket, PSE&G is requesting authority for a ceiling short-term debt authority of \$1.0 billion. PSE&G now seeks to extend its current authority for two years through January 4, 2027.

According to the Petition, the Company requires short-term debt “to manage cash flows and meet continued cash needs” for “its utility obligations and corporate transactions, including working capital, purchase of energy, purchase of natural gas, the payment of state income and other taxes, temporary funding of long-term debt including maturities and obligations and to manage timing differences which may occur between its cash receipts.”<sup>2</sup> PSE&G cites to the

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<sup>1</sup> I/M/O the Petition of Public Service Electric and Gas Company, Pursuant to NJSA 48:3-9 and NJSC 14:5.9 for Authority to Issue and Sell Short-Term Obligations Not Exceeding \$1.0 Billion Aggregate Principal Amount at Any One Time Outstanding Through January 3, 2025, (“2022 Short Term Debit Petition Order”) BPU Docket No. EF22050349, November 9, 2022.

<sup>2</sup> Petition, ¶ 2.

Board's order in the previous docket decided in November 2022 as support for the authority to retain the \$1.0 billion short term ceiling authorization.<sup>3</sup>

## **B. Discussion**

PSE&G states that it expects its financing for 2025-2026 to come from a combination of internally generated funds and external debt financing consisting of the issuance of commercial paper to help manage short term peak/temporary cash needs associated with working capital and the use of internally generated cash flow and its commercial paper program to meet seasonal, intra-month, and temporary working capital needs.<sup>4</sup> The Company also notes that while it does not anticipate using the full \$1.0 billion that it is currently authorized for the remainder of 2024, they believe it is prudent to maintain the current authorization to ensure available liquidity at all times to manage unforeseen and potential temporary cash needs under a range of possible market conditions.<sup>5</sup>

To date, PSE&G states that the highest amount of short-term debt it has borrowed since January 2023 is approximately \$775 million.<sup>6</sup> It appears that the current and proposed debt ceiling (\$1.0 billion) provides PSE&G adequate flexibility to continue to manage its short-term debt borrowings consistent with PSE&G's cash requirements.

After reviewing PSE&G's financial information, Rate Counsel agrees that PSE&G has a continuing need to access short-term debt. For the six-month period ended June 30, 2024,

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<sup>3</sup> Petition, ¶ 3.

<sup>4</sup> Response to RCR-5.

<sup>5</sup> Response to RCR-3.

<sup>6</sup> Response to RCR-2.

PSE&G generated \$739 million in net cash from operating activities and the Company's investment in capital expenditures was \$1.485 billion.<sup>7</sup> Therefore, PSE&G had a net cash requirement of \$746 million for capital expenditures.<sup>8</sup> PSE&G states it expects to have a continuing need for external short-term financing.

PSE&G states that in 2023 and 2024, it did not obtain any financing from its parent company, Public Service Enterprise Group Incorporated ("PSEG"), or from any PSEG affiliates.<sup>9</sup>

PSE&G states that it maintains its own long-term financing program, and has used secured medium term notes to raise long-term debt and a standalone cash management program.<sup>10</sup> PSE&G also states it does not engage in any intercompany borrowing or lending.<sup>11</sup> The Company maintains its own separate commercial paper program, which is backstopped by its own credit facility.<sup>12</sup>

PSE&G states that, from time to time, it has received equity capital contributions from PSEG.<sup>13</sup> PSE&G has not received any equity capital infusions from PSEG from 2023 through year-to-date 2024, and the Company does not expect to receive any during the remainder of 2024.<sup>14</sup>

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<sup>7</sup> PSE&G SEC Form 10-Q, June 30, 2024 Quarterly Report, p. 11.

<sup>8</sup> Ibid.

<sup>9</sup> Response to RCR-9(a).

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Id. at (b).

PSE&G designed its financial plans to achieve strong investment grade credit ratings and to be consistent with its target capital structure.<sup>15</sup> PSE&G's target capital structure will be the capital structure that is approved in its most recent rate case. On October 9, 2024, the Board authorized a capital structure for PSE&G of 55% common equity, 44.78% long-term debt, and 0.22% customer deposits.<sup>16</sup> Additionally, the Board authorized embedded cost rates for PSE&G of 9.6% for common equity, 3.98% for long-term debt, and 5.06% for customer deposits.<sup>17</sup> The Company alleges that in order to achieve its capital structure target, it has used and would continue to use a combination of internally generated funds and external debt financing to refinance debt maturities and fund capital spending.<sup>18</sup> The Company also alleges that dividends from PSE&G to the parent, PSEG, and/or capital infusions into PSE&G from PSEG are sized based on achieving PSE&G's targeted capital structure.<sup>19</sup>

PSE&G's prior short-term debt financings do not appear to have had a negative impact on the Company's long-term debt credit ratings or on the cost of PSE&G's permanent capital. PSE&G has credit ratings from two of the three major rating agencies, Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"). Moody's ratings for PSE&G's First Mortgage Bonds and Senior Secured debt are both A1 (upper medium investment grade).<sup>20</sup>

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<sup>15</sup> Response to RCR-10(a).

<sup>16</sup> I/M/O Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 17 Electric and B.P.U.N.J. No. 17 Gas, and for Changes in Depreciation Rates, pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, and for other Appropriate Relief, Dkt Nos. ER23120924 and GR23120925, Order Adopting Initial Decision and Stipulation, dated Oct. 9, 2024, Attachment A to the Stipulation.

<sup>17</sup> Ibid.

<sup>18</sup> Response to RCR-10 (b).

<sup>19</sup> Ibid.

<sup>20</sup> Response to S-OE-7.

Moody's Issuer Rating for PSE&G is A3 (also upper medium investment grade).<sup>21</sup> S&P's ratings for PSE&G's Senior Secured debt are A and AA/Stable (upper medium investment grade).<sup>22</sup> PSE&G has an S&P Issuer Credit Rating of A- (upper medium investment grade).<sup>23</sup> Ratings for PSE&G's Commercial Paper are A-2 (S&P) and P-2 (Moody's).<sup>24</sup> Both agencies show PSE&G as having a "stable" outlook.<sup>25</sup>

PSE&G indicated that it does not forecast or predict interest rates for short-term debt.<sup>26</sup> The interest rates on commercial paper issued by the Company between January 2023 and May 2024 ranged from 4.65% to 5.58%, and recent interest rates on commercial paper have been approximately 5.47%.<sup>27</sup> These interest rates on PSE&G's commercial paper appear to be in line with prevailing market costs.

### **C. Recommendation**

Based on the review of PSE&G's petition, Rate Counsel recommends that the Board grant the extension of PSE&G's current short-term borrowing authority until January 4, 2027 conditioned on compliance with the same thirteen conditions placed on PSE&G, as listed below, that the Board imposed on the Company in approving PSE&G's most recent short-term debt authorization request:<sup>28</sup>

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<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Response to S-OE-9.

<sup>27</sup> Ibid.

<sup>28</sup> 2022 Short Term Debt Petition Board Order, Docket No. EF22050349, dated Nov. 9, 2022.

1. Within 30 days after the close of each fiscal quarter, Petitioner shall file with the Board Secretary, and a copy to the Chief Economist, a statement setting forth in reasonable detail the amounts of its unsecured indebtedness outstanding, the dates of issue and maturity, and the rates of interest thereon.
2. This Board's Order shall not be construed as a certification that the securities proposed to be issued will be represented by tangible or intangible assets of commensurate value or investment costs.
3. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any other matter affecting the Petitioner.
5. Petitioner shall submit to the Board Secretary, and a copy to the Chief Economist, copies of any and all resolutions that shall be adopted by the Board of Directors of Petitioner during the term of this Order, which shall have the effect of changing the amount of unsecured indebtedness within the limits established by this Order. Such submittals shall be for informational purposes only and shall be made within 10 days following the taking of such action by Petitioner's Board of Directors.
6. On each day where the Petitioner determines that it requires short-term debt funds in the form of commercial paper, Petitioner shall first use commercially reasonable efforts to obtain competitive bids from at least three (3) commercial paper dealers. Petitioner shall then select the bid that offers the best terms at the lowest rate to Petitioner and to its New Jersey ratepayers. Petitioner shall maintain documentation as to such efforts to maintain competitive bids from at least three (3) commercial paper dealers. Such documentation shall be supplied to Staff or Rate Counsel upon request.
7. Petitioner is obligated to conduct its short-term borrowing at the lowest reasonable cost.
8. All Short-Term Debt issued pursuant to the authority granted by this Order is to be used to fund utility operations and investments only, not to fund unregulated affiliates or their activities.
9. The Board's approval of the Petition does not constitute pre-approval of any cost recovery from customers or rate settling.

10. Petitioner retains obligation to use a prudent mix of capital to finance its utility operations and investments to provide service at lowest reasonable costs.
11. Rate Counsel and Staff reserve all rights to take appropriate positions in any future Board proceedings involving Petitioner.
12. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised prior to January 5, 2027.
13. Petitioner shall file its next Short-Term Debt petition by no later than 150 days prior to the expiration of the authorization granted in this Order.

With these provisions, Rate Counsel has no objection to the Board approving PSE&G's Petition.

Respectfully submitted,

BRIAN O. LIPMAN, DIRECTOR  
DIVISION OF RATE COUNSEL

By: /s/ Robert Glover  
Robert Glover  
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RG/ac

c: Service list (via electronic mail)



**I/M/O PSEG's Short Term Debt  
2024  
BPU Docket No.: EF24060403**

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