



Agenda Date: 6/18/10
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF RECOVERY OF ADMINISTRATIVE
COSTS EXPENDED BY UTILITIES UNDER UNIVERSAL)
SERVICE FUNDS PROGRAM)

ORDER ADOPTING
STIPULATIONS OF
SETTLEMENT

DOCKET NO. EO09090771

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND

On June 30, 2009, Public Service Electric and Gas Company ("PSE&G"), on behalf of itself and the other gas and electric Utilities that operate in the State, filed for the 2009/2010 Universal Service Fund ("USF") program year. This filing included actual recovery data from October 2008 to April 2009 and five months of estimated data and sought that the statewide USF rates be set to recover approximately \$182.3 million. The parties in this filing included the four Electric Distribution Companies ("EDCs") and the four Gas Distribution Companies ("GDCs") (collectively, the "Utilities")¹, Staff of the Board of Public Utilities ("Staff") and the Department of the Public Advocate, Division of the Rate Counsel ("Rate Counsel") (collectively, "the Parties").

Pursuant to the Board's October 21, 2008 Order, the Utilities included their deferred USF-related administrative costs, which collectively totaled approximately \$4.8 million, in this compliance filing on the final page of Attachment A². These administrative costs represent the total administrative costs deferred by the utilities for their work on the USF program over the past eight years. The Utilities seeking recovery of deferred administrative costs requested that these costs be fully recovered and included in the Utilities' recovery balances effective upon Board approval.

¹ The four GDCs include PSE&G, Elizabethtown Gas Company ("ETG"), New Jersey Natural Gas Company ("NJNG"), and South Jersey Gas Company ("SJG"). The four EDCs include PSE&G, Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Company ("JCP&L") and Rockland Electric Company ("RECO").

² SJG did not defer any administrative USF costs and thus did not include any deferred administrative costs for recovery in the 2009/2010 annual compliance filing.

By Order dated October 8, 2009 ("October 8 Order"), the Board approved the implementation by the Utilities of the revised USF and Lifeline rates as of October 12, 2009. Additionally, the Board established a separate proceeding, BPU Docket No. EO09090771 ("Administrative Cost Recovery Proceeding"), to consider the deferred USF-related administrative costs, and directed that the recovery of deferred USF-related administrative costs deemed appropriate at the conclusion of that proceeding shall be included in the next USF-related compliance filing proceeding.

The parties to this Administrative Cost Recovery Proceeding exchanged discovery regarding the deferred USF-related administrative costs. Notice of settlement discussions was provided to all parties and representatives of the Utilities, Board Staff and Rate Counsel met to discuss the issues in this Administrative Cost Recovery Proceeding. As a result of these meetings, the Utilities, Board Staff and Rate Counsel ("Stipulating Parties") have reached seven separate Stipulations of Settlement ("Stipulations") resolving all issues in this Administrative Cost Recovery Proceeding with respect to each Utility, subject to the terms and conditions stated herein. (A copy of the seven Stipulations are attached hereto)

Pursuant to the Stipulations³, the recovery of Administrative Costs shall be permitted as follows:

1 Past Administrative Costs:

- a. As to all accumulated past USF administrative cost balance through July 31, 2009, the EDCs and GDCs shall be permitted to recover the following amounts from USF funds, in a method to be determined and established by the Board in the context of the 2010/2011 USF Compliance filing:

| <u>Utility</u> | <u>Amount</u> |
|----------------|----------------------|
| i. PSE&G | \$ 2,333,680 |
| ii. ACE | \$ 756,251 |
| iii. JCP&L | \$ 492,043 |
| iv. RECO | \$ 373,439 |
| v. ETG | \$ 65,810 |
| vi. NJNG | \$ 20,644 |
| vii. SJG | \$ 0.00 ⁴ |

- b. For the period beginning August 1, 2009 and ending July 31, 2010, the Stipulating EDC's, PSE&G (gas) and SJG will be allowed to defer and seek recovery in the annual USF Compliance Filing (to be filed no later than July 1, 2010) of their reasonable and prudent internal USF-related labor costs to the extent not recovered in their respective base rates. ETG and NJNG will be allowed to defer and seek recovery of their respective costs for the period beginning October 1, 2009 and ending July 31, 2010.

³ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

⁴ See Footnote 2.

2. Future Administrative Costs:

- a. The Utilities shall be allowed to defer and seek annual recovery of the following USF-related administrative costs in each annual USF Compliance Filing beginning with the 2010/2011 USF Compliance Filing:

USF-related postage, mailing and the costs associated with the publication of notices of USF-related public hearings, with the exception of postage and mailing costs associated with USF bill inserts;

- ii. Reasonable and prudent external USF-related Information Technology ("IT") costs incurred as a direct result of a Board Order or Board Secretary's Letter;

Reasonable and prudent outside legal costs in the event the annual USF Compliance Filing(s) necessitate litigation, unless otherwise recovered in base distribution rates; and

- iv. Additional reasonable and prudent extraordinary expenses incurred as a result of significant Board ordered modifications (including IT modifications) to the USF Program.

- b. PSE&G agrees that, beginning on the earlier of August 1, 2010, or the date that new base rates become effective in its current rate case (i.e., BPU Docket No. GR09050422), it shall not seek recovery of internal labor costs, including the costs of routine IT-related labor. PSE&G may seek to recover such internal labor costs through its base rates.
- c. ACE further agrees that beginning on June 1, 2010 (the date that new base rates became effective in its current rate case, BPU Docket No. ER09080664), it shall not seek recovery of internal labor costs, including the costs of routine IT-related labor. ACE may seek to recover such internal labor costs through its base rates.
- d. RECO further agrees that beginning on May 17, 2010 (the date that new base rates became effective in its current rate case, BPU Docket No ER09080668), it shall not seek recovery of internal labor costs, including the costs of routine IT-related labor. RECO may seek to recover such internal labor costs through its base rates.
- e. ETG and NJNG agree that beginning on August 1, 2010, any future reasonable and prudent internal USF-related labor costs, including the costs of routine IT-related labor, shall only be recoverable through base rates.
- f. SJG further agrees that beginning on the date that new base rates become effective in its current rate case (BPU Docket No. GR10010035) SJG shall only be allowed to recover any future reasonable and prudent internal USF-related labor costs, including the costs of routine IT-related labor, through base rates.

- g. JCP&L shall continue to be allowed to defer, and to seek recovery in the annual USF Compliance Filings of, its reasonable and prudent internal USF-related labor costs, including the costs of routine IT-related labor, to the extent not recovered in the Company's base rates until the earlier of:

The expiration of five years from August 1, 2010 (i.e., August 1, 2015, which includes costs for the period of August 1, 2010 through July 31, 2015)), after which the Company shall only be eligible to seek recovery of such costs through its base rates; or

- ii. The date upon which JCP&L implements new base rates resulting from a future base rate case proceeding, in which proceeding the Company shall seek to recover its reasonable and prudent internal USF-related labor costs. After such proceeding, the Company shall only be eligible to seek recovery of such costs through its base rates.
- h. All administrative costs requested for recovery by the Utilities in the annual USF Compliance Filing shall be reviewed each year by Board Staff and Rate Counsel for reasonableness and prudence.

The method and procedure the Board will apply to the recovery of future costs from the USF fund will be determined and established by the Board in the 2010 USF compliance filing.

After review, the Board FINDS that the terms of each Stipulation are reasonable, are in the public interest and are in compliance with the law. Therefore, the Board HEREBY ADOPTS the Stipulations in their entirety, incorporating by reference the terms and conditions as if fully set forth herein, subject to the following:

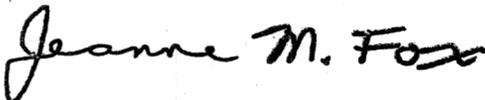
- 1 This Order shall not affect or in any way limit the exercise of the authority of this Board or of the State in any future petition or in any proceeding with respect to rates, franchises, services, accounting, financing, capitalization, depreciation or any other matter affecting the Utilities;
2. Any determination as to the appropriateness or reasonableness of recovery by the Utilities of any future USF-related costs and expenses as permitted by this Order, shall be made in an appropriate subsequent proceeding; and
3. The Utilities may not seek to recover USF related administrative costs except as set forth in this Order.

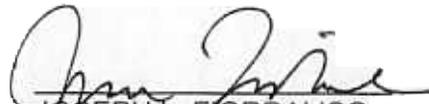
Further, the Board HEREBY ORDERS the EDC's and GDC's to seek annual recovery of the USF-related administrative costs specified in section 2(a) above in the appropriate annual USF Compliance filing.

DATED: 6/21/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

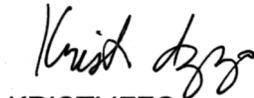

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

