



Agenda Date: 10/03/08

Agenda Item: 2G

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE 2008/2009 ANNUAL
COMPLIANCE FILINGS FOR THE UNIVERSAL
SERVICE FUND PROGRAM FACTOR WITHIN
THE SOCIETAL BENEFITS CHARGE RATE)
PURSUANT TO SECTION 12 OF THE 1999
ELECTRIC DISCOUNT AND ENERGY
COMPETITION ACT)

UNIVERSAL SERVICE FUND

ORDER APPROVING
INTERIM USF RATES AND
LIFELINE RATES

DOCKET NO. ER08060455

(SERVICE LIST AND EXHIBIT A ATTACHED)

BY THE BOARD:

BACKGROUND

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. provided that the New Jersey Board of Public Utilities ("Board") establish a non-lapsing Universal Service Fund ("USF") to assist low income consumers with the payment of electric and gas bills. This fund was to be established by the Board, pursuant to N.J.S.A. 48:3-60 (b), wherein the Board was to determine the level of funding, the appropriate administration, and the purposes of the programs to be funded with monies from the fund. In its July 16, 2003 Order in Docket No. EX00020091, the Board established a permanent statewide program through which funds for the USF program are collected from customers of electric and natural gas public utilities operating in the State on a uniform basis. In that same Order, it was established that Lifeline funding was to be generated in the same fashion as USF.

For the first year of the USF program, administrative expenses for USF were in addition to the \$30 million budget and were capped at 10% of the \$30 million for the year. If the program exceeded the \$30 million, any administrative expenses above \$3 million (10% of the initial year's budget) require advance approval by the Board. One-time start-up costs were not to be counted as administrative expenses and were not to be subject to the 10% cap. Those USF rates were approved by the Board by Order dated July 16, 2003 and rates became effective on August 1, 2003. In addition, Lifeline rates based upon a \$72 million budget also became effective August 1, 2003. In that same Order, the Board directed the electric and gas utilities to make annual societal benefits charge ("SBC") rate compliance filings for USF and Lifeline by April 1st each year, including notice and public hearings, with any new tariffs to be effective July 1st each year.

In its June 22, 2005 Order in Docket No. EX00020091, the Board ordered that the annual USF compliance filing date and effective date be changed from April 1st and July 1st, respectively, to July 1st and October 1st, respectively.

By Order dated October 4, 2007, the Board approved the proposed rates set forth in the subsequently revised 2007/2008 USF compliance filing in Docket No. ER07060503. The proposed rates were established to recover a \$174.4 million USF budget and a \$76.8 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.001300/kWh	\$0.0167/therm
Lifeline	\$0.000674/kWh	\$0.0058/therm
Combined USF/Lifeline	\$0.001974/kWh	\$0.0225/therm

With respect to the appropriate interest rate and methodology of interest rate calculation of USF recoveries, the Board in its October 4, 2007 Order approving the 2007-2008 USF rates in Docket No. ER07060503, concluded, at that time, that further consideration of certain aspects was needed with regard to consistency of interest rate calculations used by the utilities for USF recovery. The Board found that further review of the appropriate interest rate and methodology of interest rate calculation for consistency among the gas and electric utilities in greater detail was needed before any final decision was made on the merits in the next USF Compliance Filing. The Board Order stated that discussions should commence among the utilities, Rate Counsel, and Board Staff to consider the appropriate interest rate for short term debt for each utilities' USF recovery. Accordingly, the Board directed Staff to initiate discussions with the parties concerning this issue and the utilities to continue to utilize the interest rates, which they currently apply to over and under-recoveries, until such time as the Board renders a final decision on this issue in the next USF compliance filings.

PROCEDURAL HISTORY

On June 30, 2008, Public Service Electric and Gas Company ("PSE&G"), on behalf of itself and the other gas and electric utilities, made a filing for the 2008/2009 program year with actual data from October 2007 to April 2008 and five months of estimated data. The parties in this filing included the four Electric Distribution Companies ("EDCs") and the four Gas Distribution Companies ("GDCs") (collectively, "the utilities")², Staff of the Board of Public Utilities ("Staff") and the Division of the Rate Counsel ("Rate Counsel") (collectively, "the Parties"). No parties intervened in this rate proceeding. In the June 30, 2008 filing, the utilities proposed that the statewide USF rates be set to recover approximately \$249.6 million, representing an increase of \$75.2 million over the existing amount being recovered under current USF rates. In addition, the utilities asserted that the calculations of the program supported the recovery of \$76.8 million for the State's Lifeline program, representing no increase over the existing amount being

² 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").

recovered under current rates.¹ The requested rates, including SUT, are as follows: USF-gas: \$0.0218 per therm, a 30.5% increase from the current rate of \$0.0167; USF-electric: \$0.002043 per kWh, a 57.2% increase from the current rate of \$0.001300; Lifeline-gas: \$0.0059 per therm, a 1.7% increase from the current rate of \$0.0058; and Lifeline-electric: \$0.00681 per kWh, a 1.0% increase from the current rate of \$0.00674.

The utilities note that these calculations are subject to uncertainties due to a number of factors, such as program changes, participation rates, jurisdictional volumes, and the estimated enrollment of additional USF recipients via the Lifeline program. The utilities' projected budget for the 2008-2009 USF includes \$30 million as an estimate for the anticipated enrollment of additional USF recipients through the Lifeline program in accordance with the Board's August 7, 2008 Order.² Thus, the utilities have requested that the Board allow them to self implement a rate change if the estimate for the Lifeline enrollment is insufficient. The utilities contend that the estimate for the enrollment into USF via the Lifeline program may be insufficient due to the current state of the economy and the lack of history with this new aspect of the USF program. The proposed rates are also predicated upon an estimated \$25.9 million electric under-recovery and an estimated \$7.3 million gas under-recovery as of September 30, 2008.

On August 12, 2008, the utilities provided the parties with actual information, and supporting documentation through June 30, 2008. This new information reflected a lower USF budget of approximately \$248.5 million, a gas under-recovery of approximately \$6.5 million, and an electric under-recovery of approximately \$24.8 million.

On September 18, 2008, the utilities provided additional actual information for the month of July 2008 in response to Staff's discovery requests. The new information reflected a lower total USF requirement of \$ 248 million, a gas under-recovery of approximately \$6.3 million, and an electric under-recovery of approximately \$24.5 million. The revised 2008/2009 USF rates, including SUT and reflective of ten months of actual data and two months of estimated data, are as follows:

	Electric	Gas
USF	\$0.002030/kWh	\$0.021700/therm
Lifeline	\$0.000681/kWh	\$0.005900/therm
Combined USF/Lifeline	\$0.002711/kWh	\$0.027600/therm

These rates would result in an increase of \$0.51 per month for an average residential gas customer utilizing 100 therms per month and an increase of \$0.48 per month for an average residential electric customer utilizing 650 kWh per month. The combined USF/Lifeline annual

¹While there is no increase in the proposed total Lifeline budget from last year's budget there is a negligible increase in the proposed Lifeline rates. The reasons are as follows: the projected jurisdictional gas volume as a denominator factor in the calculation of the proposed Lifeline-gas rate is lower than the previous year's projected volumes; and for Lifeline-electric rate, the budget allocated to the electric service, is higher than last year's budget allocation (as between electric and gas service).

²In the Matter of the Universal Service Fund (USF) – Screening Through Other Programs for USF Eligibility, Docket No. EO07110888; and In the Matter of the Establishment of a Universal Service Fund Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999, Docket No. EX00020091

bill would be \$54.27 per year for an average residential customer who uses both gas and electricity, a 28 % increase from the current level of \$42.40 per year.

In accordance with N.J.S.A. 48:2-32.4 to 32.6, two public hearings were held in each geographic region served by each of the utilities. Members of the public, including members of the USF Working Group, were afforded the opportunity to participate in the public hearings with respect to both the program policies and the rates, as well as submit written comments about these matters. An attorney on the Board's staff presided at each of the rate public hearings.

The public hearing schedule was as follows:

September 3, 2008 - RECO - 3:30 pm and 5:30 pm – Alpine - Hearing Officer Donna Luhn, Esq.

September 4, 2008 – PSE&G – 3:30 pm and 5:30 pm – Mt. Holly - Hearing Officer Sam Wolfe, Esq.

September 4, 2008 – ETG – 3:30 pm and 5:30 pm - Flemington - Hearing Officer Suzanne Patnaude, Esq.

September 8, 2008 – NJNG & JCP&L (combined) - 3:30 pm and 5:30 pm – Rockaway - Hearing Officer Suzanne Patnaude, Esq.

September 9, 2008 – NJNG & JCP&L (combined) – 3:30 pm and 5:30 pm - Freehold - Hearing Officer Bethany Rocque-Romaine, Esq.

September 9, 2008 – PSE&G - 3:30 pm and 5:30 pm – Hackensack - Hearing Officer Donna Luhn, Esq.

September 9, 2008 - ACE & SJG (combined) – 3:30 pm and 5:30 pm - Hammonton - Hearing Officer Peter A. Hilerio, Esq.

September 10, 2008 – PSE&G & ETG (combined) – 3:30 pm and 5:30 pm - Rahway - Hearing Officer Peter Hilerio, Esq.

Two people attended the September 10, 2008 hearing and stated that they believe that the Board needs to take a firmer line with the utilities by rejecting some of their requests for rate increases. No other comments were made at the public hearings. In addition, the Town of Phillipsburg sent a letter to the Board, which opposed any increase to the rates charged by Elizabethtown Gas at this time.

Prior to the USF 2008/2009 Annual Compliance Filings, the Board, on June 5, 2008, issued a notice requesting public comments to be submitted by June 20, 2008, regarding the appropriate and uniform interest rate and the methodology of interest rate calculation that the utilities should apply to USF recoveries. Specifically, the notice asked for an appropriate interest rate for short-term debt, the method of calculation that the utilities should apply to USF recoveries, and whether the utilities should apply an interest rate to over-recoveries different from that for under-recoveries.

On June 20, 2008, both Rate Counsel and the utilities filed their respective responses to the Board's notice of June 5, 2008. Rate Counsel proposes the adoption of a uniform rate, tied to

the interest rate on two-year or three-year U.S. Treasury securities, which should be re-set each year when annual reconciliations are reviewed or on a calendar year basis. The utilities filed a joint response and propose an interest rate tied to an external index such as the two year U.S. Treasury rate plus sixty basis points, which would be updated annually.

The parties agreed to a procedural schedule whereby a discovery/settlement conference was convened on August 19, 2008. On September 11, 2008, Board Staff sent a letter to the utilities and Rate Counsel and requested comments on Board Staff's proposal to apply a uniform interest rate to the utilities' USF recoveries. In that letter, Board Staff proposed a uniform interest rate based on the monthly market yield on U.S. Treasury securities at 2-year constant maturity published by the Federal Reserve Board, plus sixty basis points, which would be re-set each month. In accordance with the procedural schedule, Rate Counsel filed comments on September 15, 2008. Reply comments were filed by the EDCs and GDCs on September 22, 2008.

POSITIONS OF THE PARTIES

Division of Rate Counsel

Rate Counsel does not oppose the proposed USF and Lifeline rates initially filed on June 30, 2008 becoming effective on October 1, 2008 on an interim basis and subject to refund with interest. In order for Rate Counsel to complete its review and reconciliation of the utilities' USF and Lifeline costs and recoveries, Rate Counsel argues that it needs to be provided with certain information. Rate Counsel also identified certain issues, which it contends require further Board review.

Rate Counsel states that an adjustment mechanism is justified based on the uncertainty involved in estimating the cost of the USF program, but Rate Counsel does not agree with the proposed provisions of the utilities' self-implementing rate mechanism. Instead, Rate Counsel proposed the following modifications to the utilities' self-implementing rate mechanism:

- 1) Only a single adjustment at the midpoint of the USF program year should be allowed;
- 2) A threshold to trigger the self-implementing mechanism should be based on an increase in excess of 5% of the projected USF budget;
- 3) The adjustment should also provide for a decrease if there is a forecasted over-recovery exceeding 5% of the initially forecasted budget for either electric or gas;
- 4) A 45-day notice requirement should be required prior to the self-implementing rate change; and
- 5) The utilities should be required to file supporting workpapers and documentation for any rate change.

With respect to the utility administrative costs, Rate Counsel states it is appropriate that the utilities provide details and documentation on such expenses for each reconciliation period. Rate Counsel indicated that the utilities had been asked, in discovery, to provide a schedule that shows the composition of the administrative cost balances including, but not limited to the expenditures by type or by year for each utility; however, the utilities have not provided such a

schedule. Rate Counsel urges the Board to require the utilities to provide the requested detail for past and prospective reconciliation periods.

With respect to the timing and reconciliation of actual and estimated USF data contained in the compliance filing, Rate Counsel urges the Board to consider changing the reconciliation period for USF to encompass the twelve months ending in June of each year, would allow reconciliation of the prior twelve months based on actual data. Currently, the compliance filing contains both actual and estimated data.

Rate Counsel also notes there is a need for clarification or modification of the reporting procedures between the data reported by Board Staff (Clearinghouse reports) and the utilities' reported balances because numerous exceptions were noted between the Clearinghouse data and the utilities' January 2008 through June 2008 balances. Rate Counsel also reserves the right to review and provide comments on any information that the utilities may provide in response to Staff's August 29, 2008 discovery request, which sought an explanation for the discrepancies between the utilities' 2008-2009 compliance filing and the Clearinghouse data. If the information is not provided in sufficient time to allow for review in the current proceeding, Rate Counsel requests that the Board allow for such a review as part of the review of next year's USF compliance filings. Further, Rate Counsel requests that the Clearinghouse data be circulated to all parties. Additionally, Rate Counsel believes that the amount of interest associated with the Trust Fund balances should be quantified and accounted for in an appropriate manner, because currently the amount of any interest earned on such funds is unknown. In addition, Rate Counsel submits that simple interest should be calculated on each month's balance and the accrual should be rolled into the annual over or under-recovery at the end of each reconciliation period.

With respect to the Department of Community Affairs (DCA) administrative budget, Rate Counsel states that it noticed a discrepancy between the Board approved fiscal year 2009 budget for the DCA in the amount of \$5.284 million and the DCA budget justification documentation, which appears to show a total DCA and subgrantees' projected cost of \$5.027 million.

Rate Counsel also notes that the utilities' projected normalized gas jurisdiction volumes for 2008-2009 showed a decline in sales of almost 5%, but no explanation was provided for the decline and Rate Counsel was unable to determine whether the forecasted volumes accurately included all jurisdictional sales. Rate Counsel requests that the Board require clarification of the budget discrepancies and whether customer volumes were normalized.

Rate Counsel also believes that the Board should have its Audit Staff review the accounting for the USF program annually in order to ensure appropriate regulatory oversight.

Finally, in its June 20, 2008 comments regarding the appropriate methodology of interest rate calculation applied to USF recoveries. Rate Counsel supported the concept of a uniform interest rate tied to the interest rate on short-term U.S. Treasury securities. Further, Rate Counsel states that this rate should be re-set each year when annual reconciliations are reviewed, or on a calendar basis. Additionally, Rate Counsel contends that a shorter-term rate based on a two or three year U.S. Treasury security would be more appropriate. Rate Counsel also believes that the concept of different interest rates for under and over recoveries is not necessary for USF. Further, Rate Counsel contends that USF over-and-under-recovery balances should accrue simple interest, with an annual roll-in at the end of each reconciliation period. Finally, monthly compounding should not be permitted.

EDCs/GDCs

The EDCs and GDCs in their reply comments, filed on September 22, 2008, note that Rate Counsel is not opposed to the proposed USF and Lifeline rates becoming effective on October 3, 2008. However, the utilities do not accept the modifications proposed by Rate Counsel, in their written comments of September 12, 2008 with respect to the self-implementing rate mechanism. The utilities contend that the purpose for having a self-implementing mechanism is to create a quick mechanism to allow the utilities to adjust the USF rate once the statewide budget exceeds the approved budget by \$5 million. Instead, the utilities contend that Rate Counsel's proposal would create a much lengthier process because it would require a forty-five day notice period and a requirement that the utilities provide work papers to justify the proposed adjustment. Further, the utilities contend that the time for a review of the filing is during the annual compliance filing. Accordingly, the utilities state that they would prefer to withdraw the request for the self-implementing mechanism, if the Board would require a protracted review of the any proposed adjustment made through a self-implementing methodology.

With regard to Rate Counsel's request that the utilities provide detailed documentation to support the basis for their deferred expenses in the annual compliance filing, the utilities contend that such documents should only be required when the utilities are allowed to request rate recovery of these deferred expenses. The Board has continually directed the utilities to defer these expenses and the utilities believe that requiring them to provide such documentation in the next Compliance Filing would likely cause delay in the Board's review of the next compliance filing.

With regard to Rate Counsel's concerns regarding the accounting for the Trust Fund account with the utilities' annual template, the utilities contend that the differences between the two sets of data is due to difference in timing with how Board Staff and the utilities report the same information.

Further, the utilities believe that Rate Counsel's recommendation to alter the reconciliation period for the compliance filing to encompass the twelve months ended in June of each year to allow reconciliation of the prior twelve months is not required. The utilities maintain that this proposal would not provide the Board with adequate time to develop a rate that would be reflective of the anticipated expenses for the prospective program year. In addition, the utilities note that because the rate impact of USF is relatively small, it is beneficial for the gas utilities to align these USF rate changes with the BGSS price changes, which are requested in October every year.

The utilities have no objection to Rate Counsel's request that the Board authorize Audit Staff to review the accounting for USF activities annually.

With regard to Board Staff's straw proposal for uniform interest on USF recoveries, the utilities contend that each utility currently follows the treatment set out for it in a particular Board Order, which reflects the unique considerations of each of those particular Board Orders. Further, the utilities contend that if the Board determines a uniform interest rate should be applied, it would be necessary for the Board to consider such a modification in a relevant proceeding for each utility. In addition, the utilities (with the exception of Atlantic City Electric) state that if the Board decides to implement a uniform rate on the utilities' USF recoveries, the rate should be tied to an external index, such as the rate on two year U.S. Treasury constant maturities, as published in the Federal Reserve Statistical Release on a specific date, plus sixty basis points, which

would be updated annually. The utilities state that this methodology is appropriate because it takes one year to be under/over recovered and a second year to make up for that over/under recovery after the USF rate is reset.

The utilities do not believe it is necessary to reset the interest rate each month, as suggested by Board Staff. A monthly resetting of the interest rate would result in twenty-four different interest rates being used over the two-year period, which would increase the potential for error. Instead, the utilities believe that an external index updated annually would ensure a sufficient level of reasonableness.

DISCUSSION AND FINDINGS

After review of the compliance filings and the various submissions with reference thereto, the Board HEREBY APPROVES the following rates, with detailed calculations in Exhibit A, on an interim basis within three business days from Staff's confirmation that the filed tariff pages comply with the requirements of this Order:

	USF	Lifeline	Total
Gas/therm - including SUT	\$0.021700	\$0.005900	\$0.027600
Electric/kWh - including SUT	\$0.002030	\$0.000681	\$0.002711

With regard to Rate Counsel's concerns that clarification or modification of the reporting procedures between the Clearinghouse reports and the utilities' reported balances is needed because there were noted exceptions and the Board's Audit Staff should review the USF program's accounting annually, the Board notes the utilities, in their responses to Staff's discovery requests (SR-9 and SR-10), responded by stating these differences were due to a matter of timing. In general, the remittances from the USF Trust Fund held by the New Jersey Department of the Treasury ("Treasury Department") are generally reconciled to the previous month's utility amounts. However, one utility included incorrect remittance amounts in the compliance filing and subsequently had to correct that error. Further, the utilities provided additional details concerning the variances in transfers to the Trust Fund for each utility, which generally reflect a difference in timing between when payments were noted as received by the State and when payments were actually received by the utilities. The utilities noted additional reasons for these discrepancies were due to the fact that some of the figures in their filings also included interest from the prior year. After considering the concerns raised by Rate Counsel and the explanations by the utilities, the Board believes that the current procedures can be improved through better communication between the utilities and Board Staff concerning the Clearinghouse reports and the utilities filings. Accordingly, the Board HEREBY DIRECTS Staff to initiate discussions with representatives of the utilities and Rate Counsel to determine a process that would mitigate future discrepancies between the Clearinghouse reports and the utilities' filings. Further, the Board DIRECTS Staff to ensure that the Clearinghouse reports are distributed to all parties to the compliance filing proceeding.

With regard to Rate Counsel's concern that the amount of interest associated with the Trust Fund balances be quantified and accounted for in an appropriate manner, the Board notes that the USF Trust Fund account is under the control of the Treasury Department. The Treasury Department provides the Board's Audit Staff with the calculation of interest earned on the USF deposits. Audit Staff has reviewed the calculation and is satisfied that the methodology contained therein is reasonable. Audit Staff shall provide Rate Counsel with the most recent interest calculation for review and discussion with Audit Staff.

With regard to the appropriate interest rate and methodology of interest rate calculation of USF recoveries, the Board concurs with Rate Counsel and the utilities that a uniform interest rate to be applied to USF over/under-recoveries should be tied to an external index such as the two year U.S. Treasury constant maturities interest rate, as published in the Federal Reserve Statistical Release on a specific date. The Board further concurs with the utilities that an additional sixty basis points to the published interest rate is reasonable. The Board has reviewed its prior Orders on these issues³ and notes that the Orders on the authorized interest rate calculation for SBC deferrals and the USF Order dated July 16, 2003⁴ concluded that the interest rate for short term debt set in SBC filings is the appropriate interest rate. The Board has also reviewed the quarterly USF reports showing the calculation of the monthly carrying costs on USF recovery balances. The Board has found that JCP&L and ACE, in compliance with the Board Order of July 16, 2003, have been applying the actual short term debt interest rate calculated on a monthly basis. The Board HEREBY FINDS that the interest rate on USF under and over recoveries shall be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the overall rate of return for each utility as authorized by the Board. The interest rate should be reset each month. Additionally, the calculation shall be based on the net of tax beginning and end average monthly balance, consistent with the methodology of the post transition period restructuring orders of the four electric utilities, as well as PSE&G gas. The utilities shall continue accruing simple interest with an annual roll-in at the end of each reconciliation period.

With regard to Rate Counsel's contention that the amount of the Board approved fiscal year 2009 budget for DCA was higher than the amount contained in DCA's budget justification documents, in the approximately amount of \$257,000. The Board has reviewed the budget justification documentation and it appears that the difference described by Rate Counsel was from the May 28, 2008 draft budget justification documents. This amount was corrected on the budget justification documents submitted on June 6, 2008. The June 6, 2008 budget justification documents are consistent with the 2009 budget. It appears that the June 6, 2008 budget document was not sent to Rate Counsel. Therefore, the Board DIRECTS Staff to forward a copy of the final fiscal year 2009 budget justification document to Rate Counsel and to work with Rate Counsel to ensure that no additional dispute exists as to the final budget justification documents or notify the Board otherwise.

With regard to Rate Counsel's concern that the utilities did not provide an explanation for the decline in sales for 2008-2009 projected gas jurisdictional volumes, the utilities, in response to SR-11 submitted on September 18, 2008, provided an update with 10-month actual and a two-month estimated jurisdictional sales volume for program year 2007-2008. The gas sales volume for the current program year is 4,686,664,000 therms and the 2008-2009 projected sales volume is 4,775,337,000 therms. Therefore, the projected volumes do not show a decline in sales. The Board notes that Rate Counsel's written comments were submitted on September 12, 2008, prior to this updated information being submitted to the parties.

³Board Orders dated July 8, 2004, Docket No. ER02080510; dated July 25, 2003, Docket Nos. ER02080506, ER02080507 et al; dated July 9, 2003, Docket Nos. ER02050303, ER02080604, et al; dated April 20, 2004, Docket No. ER02080614, et al; dated March 30, 2001, Docket Nos. GX99030121, GO99030122, GO99030123; dated January 10, 2000, Docket Nos. GX99030121, GO99030125, et al.

⁴Board Order dated July 16, 2003, Docket No. EX00020091.

With regard to the request of the EDCs/GDCs to allow them to propose a self-implementing adjustment mechanism in the 2008/2009 USF annual compliance filing, the Board HEREBY REJECTS the utilities' request. As mentioned in the USF Orders of October 25, 2006 and October 4, 2007, the Board is not convinced that there is any reason why an adjustment needs to be self-implementing. If the utilities believe it necessary to adjust USF rates prior to the annual compliance filing period, they may file the appropriate request with the Board, with a copy to Rate Counsel, and the Board will consider such request.

With regard to Rate Counsel's request that the Board require the utilities to provide details and documentation for USF related administrative costs, the Board agrees that a review of this issue is warranted. Accordingly, the Board HEREBY ORDERS the utilities to include details and documentation concerning their USF related administrative cost in the 2009-2010 compliance filing in order to provide the parties with timely information that will help them understand the administrative costs that have been deferred by the utilities.

With regard to Rate Counsel's request that the Board change the reconciliation period for USF to encompass the twelve months ending in June of each year, the Board believes that the current procedural schedule for the USF compliance filing is sufficient. Although the current compliance filing contains both actual and estimated data, the majority of the data is based upon actual information. Further, the current procedural schedule enables the Board to review and approve a USF budget that is based upon the most current actual information available while minimizing under-recoveries. Moreover, the parties will have the opportunity in the next compliance filing to review and reconcile the estimated months. All parties' rights are reserved with respect to those estimated months in the next compliance filing. Accordingly, the Board HEREBY DENIES Rate Counsel's request.

Finally, the Board HEREBY ORDERS the utilities to file the appropriate tariff pages in conformance with the requirements of this Order, within ten (10) days.

CONCLUSION

In summary, the Board HEREBY APPROVES the following

New USF rates will become effective, on an interim basis, within three business days from Staff's confirmation that the filed tariff pages comply with the requirements of this Order.

USF rates will remain interim rates subject to audit and refund.

Utilities shall file the appropriate tariff pages within ten days;

New Lifeline rates will also become effective, on an interim basis, within three business days from Staff's confirmation that the filed tariff pages comply with the requirements of this Order;

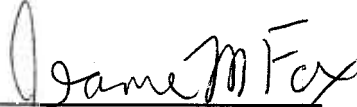
Utility administrative expenses will continue to be deferred for the 2008-2009 program year;


The utilities shall provide details and documentation on their USF related administrative costs in the USF compliance filing for the 2009-2010 program year; and

The interest rate on USF recoveries shall be the interest rate based on two year U.S. Treasury constant maturities, as published in the Federal Reserve Statistical Release on the first day of each month, (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the overall rate of return for each utility as authorized by the Board. The interest rate should be reset each month.

DATED: 10/21/08

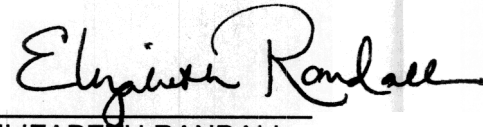
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

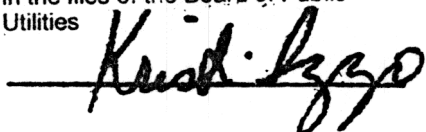

NICHOLAS ASSELTA
COMMISSIONER


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



**2008/2009 Annual Compliance Filing For Changes in the Statewide
Electric and Gas Permanent USF Fund Program Within SBC Rates
Docket Nos. EX00020091 and ER08060455**

USF CALCULATION OF RATES

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
<u>PERMANENT PROGRAM PROJECTIONS FOR 2008/2009</u>			
Administrative Costs - DCA (allocated based on benefits percentage)	\$5,284,228	\$2,175,561	\$3,108,667
Admin. Costs - Utility Postage and Handling	\$51,983	\$55,590	(\$3,607)
Estimate of Benefits for Program Year	\$169,780,350	\$69,900,000	\$99,880,350
Fresh Start Program Cost Estimates	\$12,117,076	\$5,916,000	\$6,201,076
Lifeline Auto Enrollment (allocated based on benefits percentage)	<u>\$30,000,000</u>	<u>\$12,351,253</u>	<u>\$17,648,747</u>
TOTAL	\$217,233,637	\$90,398,404	\$126,835,233
Estimate of Under/(Over) Recovery at 9/30/08	\$30,799,351	\$6,305,179	\$24,494,172
TOTAL PERMANENT PROGRAM PROJECTIONS	<u>\$248,032,988</u>	<u>\$96,703,583</u>	<u>\$151,329,405</u>
ESTIMATES OF BENEFITS PERCENTAGES	<u>100%</u>	<u>41.17%</u>	<u>58.83%</u>
PROJECTED VOLUMES (normalized at 10/01/08)		<u>4,775,337,049</u>	<u>79,760,249,255</u>
PROPOSED PRE-TAX RATE		\$0.0203	\$0.001897
CURRENT PRE-TAX RATE		<u>\$0.0156</u>	<u>\$0.001215</u>
PRE-TAX INCREASE(DECREASE)		\$0.0047	\$0.000682
PROPOSED USF RATE INCLUDING TAX (@7%)		\$0.0217	\$0.002030
CURRENT USF RATE INCLUDING TAX (@7%)		<u>\$0.0167</u>	<u>\$0.001300</u>
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		\$0.0050	\$0.000730

LIFELINE CALCULATION OF RATES

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
2007 JURISDICTIONAL REVENUE PERCENTAGES	<u>100%</u>	<u>34%</u>	<u>66%</u>
LIFELINE BUDGET	\$76,800,000	\$26,112,000	\$50,688,000
PROJECTED VOLUMES		4,775,337,049	79,760,249,255
PROPOSED PRE-TAX RATE		\$0.0055	\$0.000636
CURRENT PRE-TAX RATE		<u>\$0.0054</u>	<u>\$0.000630</u>
PRE-TAX INCREASE(DECREASE)		\$0.0001	\$0.000006
PROPOSED LIFELINE RATE INCLUDING TAX (@7%)		\$0.0059	\$0.000681
CURRENT LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0058</u>	<u>\$0.000674</u>
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		\$0.0001	\$0.000007

COMBINED USF/LIFELINE RATES

		<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0258	\$0.002533
CURRENT PRE-TAX USF/LIFELINE RATE	<u>\$0.0210</u>	<u>\$0.001845</u>
PRE-TAX INCREASE(DECREASE) TO USF/LIFELINE RATE	\$0.0048	\$0.000688
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0276</u>	<u>\$0.002711</u>
CURRENT USF/ LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0225</u>	<u>\$0.001974</u>
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)	\$0.0051	\$0.000737

I/M/O THE 2008/2009 ANNUAL COMPLIANCE FILINGS FOR THE
UNIVERSAL SERVICE FUND PROGRAM FACTOR WITHIN THE
SOCIETAL BENEFITS CHARGE RATE PURSUANT TO SECTION 12
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