



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE 2015/2016 ANNUAL)
COMPLIANCE FILINGS FOR THE UNIVERSAL)
SERVICE FUND ("USF") PROGRAM FACTOR)
WITHIN THE SOCIETAL BENEFITS CHARGE)
RATE) DOCKET NO. ER15060732

Parties of Record:

- Matthew M. Weissman, Esq.**, Public Service Electric and Gas Company
- Mary Patricia Keefe, Esq.**, Elizabethtown Gas Company
- Philip J. Passanante, Esq.**, Atlantic City Electric
- Michael J. Connolly, Esq.**, Windels Marx Lane & Mittendorf, LLP, for Jersey Central Power & Light Company
- Andrew Dembia, Esq.**, New Jersey Natural Gas Company
- Margaret Comes, Esq.**, Rockland Electric Company
- Ira Megdal, Esq.**, Cozen O'Connor, for South Jersey Gas
- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

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 ("Utilities") on a uniform basis. That Order established that Lifeline² funding was to be generated in the same fashion as USF.

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

² Lifeline is an energy assistance program created by the Legislature at N.J.S.A. 48:2-29.15, administered by the Department of Human Services and funded through the Societal Benefits Charge.

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 the rates became effective on August 1, 2003. Lifeline rates based upon a \$72 million budget also became effective August 1, 2003. The Board directed the 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 of 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.

On June 21, 2010, in Docket No. EO09090771, the Board approved seven separate Stipulations of Settlement resolving all issues pertaining to the past USF related administrative costs of the four Electric Distribution Companies ("EDCs") and the four Gas Distribution Companies ("GDCs") (collectively the "Utilities").³ In addition, each individual Stipulation of Settlement identified the future USF related costs each utility would be allowed to include in the annual USF Compliance Filing.

By Order dated September 30, 2014, the Board approved the proposed rates set forth in the 2014/2015 USF compliance filing in Docket No. ER14060613. The proposed rates were established to recover an approximate \$183.5 million USF budget and a \$75.5 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.001993/kWh	\$0.0110/therm
Lifeline	\$0.000738/kWh	\$0.0059/therm
Combined USF/Lifeline	\$0.002731/kWh	\$0.0169/therm

PROCEDURAL HISTORY

On June 19, 2015, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2015-2016 program year with actual cost data from October 2014 to April 2015 and five months of estimated data. The parties in this filing included the Utilities, Staff of the Board of Public Utilities ("Staff") and the New Jersey Division of the Rate Counsel ("Rate Counsel") (collectively, "the Parties"). No other parties intervened in this rate proceeding. Pursuant to the Board's June 21, 2010 Order, the Utilities included their actual USF-related administrative costs, as of April 2015 and estimated administrative costs through September 2015. In addition, the Utilities⁴

³ The four GDCs include Public Service Electric and Gas ("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").

⁴ PSE&G and ETG did not request recovery of administrative expenses.

requested full recovery of these administrative costs in the month following Board approval of the new USF rate.

In the June 19, 2015 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$176 million, representing a decrease of approximately \$7.5 million from the existing \$183.5 million being recovered under the current USF rates. Further, these rates represent an increase in the USF electric rate and a decrease in the USF gas rate. The Utilities asserted that the calculations of the program costs supported the recovery of \$74.2 million for the State's Lifeline program, representing a decrease from the existing \$75.5 million being recovered under the current rates. Further, the rates proposed in the June 19, 2015 filing include an estimated Department of Community Affairs ("DCA") administrative budget of \$7.4 million. The requested rates, including SUT, are as follows:

	Electric	Gas
USF	\$0.002245/kWh	\$0.0051/therm
Lifeline	\$0.000724/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002969/kWh	\$0.0108/therm

The Utilities note that these calculations are subject to uncertainties due to a number of factors, such as program changes, participation rates and jurisdictional volumes. The June 19, 2015, proposed rates were also predicated upon an estimated \$10.7 million electric under-recovery balance and an estimated \$11 million gas over-recovery balance as of September 30, 2015.

On July 24, 2015, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through June 30, 2015. Subsequently, on July 27, 2015, the DCA submitted its 2015-2016 administrative budget to the Board in the amount of \$7.265 million. This is an approximate \$336,000 increase from the prior program year's budget, but an approximate \$150,000 decrease from the projected DCA budget contained in the Utilities' June 19, 2015 filing. The updated DCA Budget was approved by the Board on August 19, 2015 in Docket No. EO15070821. When combined, this new information reflected a lower USF budget of approximately \$175.2 million, a gas over-recovery balance of approximately \$10.9 million, and an electric under-recovery balance of approximately \$9.9 million.

The revised 2015/2016 USF rates, including the revised DCA administrative cost budget, SUT, and reflective of nine months of actual data and three months of estimated data, are as follows:

	Electric	Gas
USF	\$0.002232/kWh	\$0.0051/therm
Lifeline	\$0.000724/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002956/kWh	\$0.0108/therm

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 four electric Utilities. Members of the public were afforded the opportunity to participate in the public hearings with respect to both the program policies and the rates, as well as to submit written comments about these matters. A hearing

officer from Staff presided at each of the public hearings.

The public hearing schedule was as follows:

August 12, 2015 – RECO – 4:30 and 5:30 p.m. – Mahwah
August 17, 2015 – JCP&L – 4:00 and 5:00 p.m. – Morristown
August 18, 2015 - PSE&G – 4:30 and 5:30 p.m. – Hackensack
August 19, 2015 - PSE&G – 4:30 and 5:30 p.m. – New Brunswick
August 19, 2015 – JCP&L – 4:00 and 5:00 p.m. – Freehold
August 20, 2015 – PSE&G – 4:30 and 5:30 p.m. - Westampton
August 27, 2015 – ACE – 3:30 and 5:30 p.m. – Mays Landing

At the public hearings, four members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On August 17, 2015 Rate Counsel submitted comments concerning the 2015-2016 USF Compliance filing. In its comments, Rate Counsel stated that it did not identify any serious discrepancies in the Compliance Filing, and is not opposed to the proposed USF rates becoming effective on October 1, 2015. In addition, Rate Counsel is not opposed to the implementation of either the originally filed or updated electric USF rate. Rate Counsel stated that the proposed rates represent a decrease in the statewide gas USF rate, an increase in the statewide electric USF rate, and decreases in both the electric and gas Lifeline rates. Further, Rate Counsel took no position concerning the reasonableness of DCA's proposed administrative USF budget. Also, Rate Counsel stated that the USF rates should remain interim and subject to audit and refund.

Rate Counsel noted that the current rates that are in effect are as follows:

	Electric	Gas
USF	\$0.001993/kWh	\$0.0110/therm
Lifeline	\$0.000738/kWh	\$0.0059/therm
Combined USF/Lifeline	\$0.002731/kWh	\$0.0169/therm

Rate Counsel further noted that in the filing the utilities proposed the following rates, including SUT:

	Electric	Gas
USF	\$0.002245/kWh	\$0.0051/therm
Lifeline	\$0.000724/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002969/kWh	\$0.0108/therm

Rate Counsel further noted that the utilities updated their original filing by replacing estimated data for the months of May and June 2015 with actual cost and revenue data for those two months. These updates, if applied, would slightly decrease the utilities' originally proposed USF rates for the electric utilities (a \$0.000011/kWh decrease from the originally proposed rates for the electric utilities).

Rate Counsel stated that the level and type of utility-incurred administrative costs incurred by those utilities still recovering their administrative costs through the USF charge appear reasonable. In addition Rate Counsel does not object to the utilities' request for recovery of their actual administrative costs, so long as actual expenditures will replace the utilities' forecasts for the months of May through September 2015 in the reconciliation to be reflected in the utilities' 2016/2017 Annual Compliance filing. Rate Counsel also noted that actual USF and Lifeline costs and recoveries are likely to not precisely track the utilities' projections as reflected in the Compliance Filing. Accordingly, any over under-collections are subject to true-up in the next Annual Compliance Filings.

Rate Counsel noted that the amounts the utilities sought for recovery of administrative expenses incurred from October 1, 2014 through September 30, 2015 were:

<u>Electric Companies</u>	
JCP&L -	(\$10,809)
RECO -	\$794
ACE -	\$0
PSE&G -	\$0
Total Electric Co.'s	- (\$10,015)
<u>Gas Companies</u>	
ETG -	\$0
NJNG -	\$6,505
PSE&G -	\$0
SJG -	\$11,142
Total Gas Co.'s	- \$17,647
Total Electric/Gas Co.'s	- \$7,632

Electric and Gas Utilities

On August 20, 2015, the Utilities submitted joint comments in response to the comments that Rate Counsel filed on August 17, 2015. In their comments, the Utilities stated that they are requesting recovery of administrative expenses for the period July 1, 2014 through September 30, 2014 as well as administrative expenses for the period October 1, 2014 through June 30, 2015 as shown below:

ADMINISTRATIVE COSTS

	Admin Expenses July 2014- September 2014	Admin Expenses October 2014-June 2015	Carrying Costs	Total Requested Admin Expenses
ACE	\$2,536	\$0	\$0	\$2,536
JCP&L	\$5,905	(\$10,809)	\$0	(\$4,904)
PSE&G- E	\$0	\$0	\$0	\$0
RECO	\$122	\$452	\$0	\$574
subtotal	\$8,563	(\$10,357)	\$0	(\$1,794)
ETG	\$0	\$0	\$0	\$0
NJNG	\$720	\$6,448	\$26	\$7,194
PSE&G-G	\$0	\$0	\$0	\$0
SJG	\$2,150	\$6,205	\$40	\$8,395
subtotal	\$2,870	\$12,653	\$79	\$15,589
TOTAL E&G	\$11,433	\$2,296	\$79	\$13,794

The Utilities also stated that Rate Counsel correctly noted that the updated calculations reflecting two additional months of actual data would result in a slight decrease in the USF rate for electric utilities. Further, the Utilities noted that the decision whether to implement the rates derived in the original filing with actual data through April or the updated rates with actual data through June 2015 rests with the Board. Finally, the Utilities urged the Board to approve the USF and Lifeline rates and the administrative expenses (based on the administrative expenses from July 2014 through June 2015). This would include Board approval of the full recovery of the administrative expenses for each of the Utilities, as applicable, in the month following Board approval of the 2015/2016 USF and Lifeline rates from funds disbursed to the Utilities by the USF Trust Fund and maintained by the New Jersey State Department of Treasury.

DISCUSSION AND FINDINGS

After review of the compliance filings and the various submissions with reference thereto, the Board **HEREBY APPROVES** the following rates, including SUT, with detailed calculations in Exhibit A, effective on an interim basis on October 1, 2015:

	Electric	Gas
USF	\$0.002232/kWh	\$0.0051/therm
Lifeline	\$0.000724/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002956/kWh	\$0.0108/therm

These USF rates reflect the updated data, which include actual information through June 30, 2015, combined with the revised DCA administrative budget submitted on July 27, 2015. Also, these rates reflect costs for the projected period of October 1, 2015 – September 30, 2016. These rates are based on nine months of actual information and three months of estimated data. Further, these rates represent a more accurate projection of the upcoming USF program year's budget requirements than the rate the Utilities filed on June 19, 2015, which had seven months of actual, and five months of estimated data. Additionally, these revised rates reflect a lower overall USF budget of approximately \$175.2 million, a gas over-recovery balance of approximately \$10.9 million, and an electric under-recovery balance of approximately \$9.9 million.

The combined USF/Lifeline rates represent a \$7.32 decrease for an average residential gas customer utilizing 1,000 therms per year and an increase of \$1.76 for an average residential electric customer utilizing 7,800 kWh per year. The combined USF/Lifeline annual bill would be \$36.02 per year for an average residential customer who uses both gas and electricity, a decrease of approximately 13.38% or \$5.56 from the current level of \$41.58 per year.

The Utilities' actual administrative expenses from July 1, 2014 through June 30, 2015 appear reasonable. Although Rate Counsel's comments did not mention the Utilities' actual administrative expenses from July through September 2014, the request for recovery of these costs is in compliance with the requirements of the June 21, 2010 Board Order in Docket No. EO09090771. Accordingly, the Board **HEREBY APPROVES**, for recovery, the Utilities' actual administrative cost amounts for the period of July 1, 2014 through June 30, 2015 listed below:

Actual Administrative Costs July 1, 2014 through June 30, 2015:

Electric Companies

JCP&L - (\$4,904)
RECO - \$574
ACE - \$2,536
PSE&G - \$0

Gas Companies

NJNG - \$7,194
SJG - \$8,395
ETG - \$0
PSE&G - \$0

Total Electric/Gas Co.'s - \$13,794

The Board, finding the Utilities' request to be reasonable, also **DIRECTS** Staff to request disbursement of funds to reimburse the Utilities for their USF related administrative costs, listed above, from the USF Trust Account in the first month after the new USF rate becomes effective. Finally, the Board **HEREBY ORDERS** the Utilities to file the appropriate tariff pages, in conformance with the requirements of this Order, within five (5) business days of the effective date of the Order.

CONCLUSION

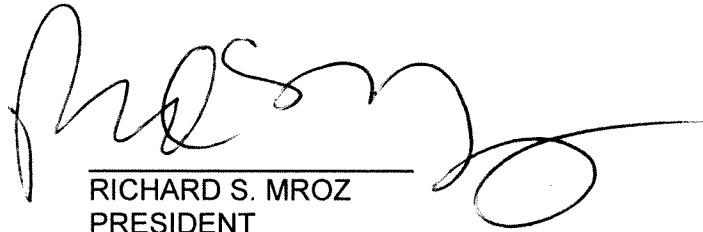
In summary, the Board **HEREBY APPROVES** the following:

- New USF/Lifeline rates will become effective, on an interim basis, on October 1, 2015;
- USF rates will remain interim rates subject to audit and refund;
- Utilities shall file the appropriate tariff pages within five (5) business days of the effective date of the Order; and
- Staff shall request that the New Jersey Department of the Treasury disburse the Utilities' administrative costs to them in the first month after the new USF rate becomes effective.

This Order will be effective on September 21, 2015.

DATED: 9-11-15

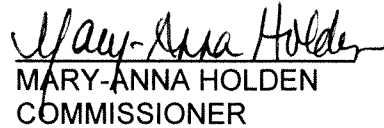
BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER

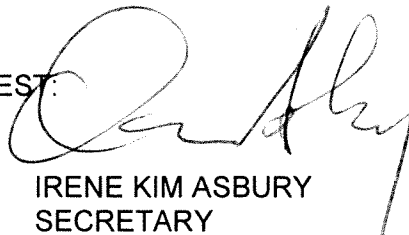


MARY-ANNA HOLDEN
COMMISSIONER



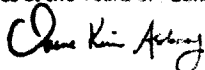
DIANNE SOLOMON
COMMISSIONER

ATTEST:



IRENE KIM ASBURY
SECRETARY

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



**2015/2016 Annual Compliance Filing For Changes in the Statewide
Electric and Gas Permanent USF Fund Program Within SBC Rates
Docket Nos. ER15060732**

USF RATE CALCULATION (based on ACTUALS through June 2015)

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
<u>PERMANENT PROGRAM PROJECTIONS FOR 2015/2016</u>			
Administrative Costs - DCA (allocated based on benefits percentage) (1)	\$7,265,447	\$1,303,445	\$5,962,002
Admin. Costs - Utility Postage and Handling	\$13,795	\$15,589	(\$1,794)
Estimate of Benefits for Program Year	\$162,266,170	\$29,111,091	\$133,155,079
Fresh Start Program Cost Estimates	<u>\$6,657,977</u>	<u>\$2,468,653</u>	<u>\$4,189,324</u>
TOTAL	\$176,203,389	\$32,898,778	\$143,304,611
Est. of Under/(Over) Recovery at 9/30/15 (Actuals through June 2015)	(\$987,559)	(\$10,931,395)	\$9,943,836
TOTAL PERMANENT PROGRAM PROJECTIONS	<u>\$175,215,830</u>	<u>\$21,967,383</u>	<u>\$153,248,447</u>
ESTIMATES OF BENEFITS PERCENTAGES	<u>100%</u>	<u>17.940%</u>	<u>82.060%</u>
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/15)		<u>4,587,544,260</u>	<u>73,449,784,893</u>
PROPOSED PRE-TAX RATE		\$0.0048	\$0.002086
CURRENT PRE-TAX RATE		<u>\$0.0103</u>	<u>\$0.001863</u>
PRE-TAX INCREASE/(DECREASE)		(\$0.0055)	\$0.000223
PROPOSED USF RATE INCLUDING TAX (@7%)		<u>\$0.0051</u>	<u>\$0.002232</u>
CURRENT USF RATE INCLUDING TAX (@7%)		<u>\$0.0110</u>	<u>\$0.001993</u>
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		<u>(\$0.0059)</u>	<u>\$0.000239</u>

LIFELINE RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
JURISDICTIONAL REVENUE PERCENTAGES	<u>100%</u>	<u>33%</u>	<u>67%</u>
LIFELINE BUDGET	\$74,237,000	\$24,498,210	\$49,738,790
PROJECTED VOLUMES		4,587,544,260	73,449,784,893
PROPOSED PRE-TAX RATE		\$0.0053	\$0.000677
CURRENT PRE-TAX RATE		<u>\$0.0055</u>	<u>\$0.000690</u>
PRE-TAX INCREASE/(DECREASE)		(\$0.0002)	(\$0.000013)
PROPOSED LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0057</u>	<u>\$0.000724</u>
CURRENT LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0059</u>	<u>\$0.000738</u>
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		<u>(\$0.0002)</u>	<u>(\$0.000014)</u>

COMBINED USF/LIFELINE RATES

	<u>GAS</u>	<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0101	\$0.002763
CURRENT PRE-TAX USF/LIFELINE RATE	<u>\$0.0158</u>	<u>\$0.002553</u>
PRE-TAX INCREASE/(DECREASE)	(\$0.0057)	\$0.000210
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0108</u>	<u>\$0.002956</u>
CURRENT USF/ LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0169</u>	<u>\$0.002731</u>
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)	<u>(\$0.0061)</u>	<u>\$0.000225</u>

In the Matter of the 2015/2016 Annual Compliance Filings for the Universal Service Fund (USF)
Program Factor within the Societal Benefits Charge (SBC) Rate – Interim USF Rates and
Lifeline Rates - Docket No. ER15060732

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