



Agenda Date: 9/22/17
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE 2017/2018 ANNUAL)
COMPLIANCE FILINGS FOR THE UNIVERSAL)
SERVICE FUND ("USF") PROGRAM FACTOR)
WITHIN THE SOCIETAL BENEFITS CHARGE)
RATE)
ORDER APPROVING)
INTERIM USF RATES AND)
LIFELINE RATES)
DOCKET NO. ER17060676)

Parties of Record:

- Matthew M. Weissman, Esq.,** Public Service Electric and Gas Company
- Mary Patricia Keefe, Esq.,** Elizabethtown Gas
- 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
- Stacy Mitchell, Esq.,** South Jersey Gas
- Stefanie A. Brand, Esq.,** Director, Division of Rate Counsel

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 (collectively, "Utilities") on a uniform basis.¹ That Order established that Lifeline² funding was to be generated in the same fashion as USF.

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

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 ("SBC").

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 compliance filings for the USF and Lifeline components of the SBC 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 EDCs and the four GDCs. 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 23, 2016, the Board approved the proposed rates set forth in the 2016/2017 USF compliance filing in Docket No. ER16060536 ("September 23, 2016 Order"). The proposed rates were established to recover an approximate \$167.3 million USF budget and a \$74.6 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.001990/kWh	\$0.0076/therm
Lifeline	\$0.000777/kWh	\$0.0051/therm
Combined USF/Lifeline	\$0.002767/kWh	\$0.0127/therm

PROCEDURAL HISTORY

On June 23, 2017, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2017-2018 USF and Lifeline program year ("June 2017 Filing"). The June 2017 Filing included actual cost data from October 2016 to April 2017 and estimated data for May 2017 through September 2017. The parties to the June 2017 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 2017 and estimated administrative costs through September 2017. In addition, the Utilities³ requested full recovery of these administrative costs in the month following Board approval of the new USF rate. Finally, the Utilities requested that the Board finalize the current USF interim rates, which were approved in the September 23, 2016 Order.

³ PSE&G, JCP&L, ACE, NJNG, and ETG did not request recovery of administrative expenses.

In the June 2017 Filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$121.6 million, representing a decrease of approximately \$46 million from the existing \$167.3 million being recovered under the current USF rates. The Utilities asserted that the calculations of the program costs supported the recovery of \$74.6 million for the State's Lifeline program, representing no increase from the existing \$74.6 million being recovered under the current rates. Further, the rates proposed in the June 2017 Filing include an estimated Department of Community Affairs ("DCA") administrative budget of \$7.3 million. The requested rates, including SUT, were as follows:

	Electric	Gas
USF	\$0.001540/kWh	\$0.0042/therm
Lifeline	\$0.000777/kWh ⁴	\$0.0049/therm
Combined USF/Lifeline	\$0.002317/kWh	\$0.0091/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 proposed rates in the June 2017 Filing were also predicated upon an estimated \$12.9 million electric over-recovery balance and an estimated \$3.7 million gas over-recovery balance as of September 30, 2017.

On July 21, 2017, the DCA submitted its 2017-2018 administrative budget to the Board in the amount of \$6.5 million. This is an approximate \$400,000 decrease from the prior program year's budget, as well as an approximate \$800,000 decrease from the projected DCA budget contained in the Utilities' June 23, 2017 filing. Subsequently, on July 28, 2017, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through June 30, 2017. When combined, this updated information reflected a lower USF budget of approximately \$116.7 million, a gas over-recovery balance of approximately \$4.9 million, and an electric over-recovery balance of approximately \$15.7 million.

The updated 2017/2018 USF rates, including the revised DCA administrative cost budget, SUT, with nine months of actual data and three months of estimated data, are as follows:

	Electric	Gas
USF	\$0.001487/kWh	\$0.0038/therm
Lifeline	\$0.000777/kWh	\$0.0049/therm
Combined USF/Lifeline	\$0.002264/kWh	\$0.0087/therm

No public hearings were required pursuant to N.J.S.A. 48:2-32.4 to 32.6, since the Utilities did not propose a rate increase.

⁴ The utilities' filing forecasted a minimal increase in the Electric Lifeline Rate, and the Utilities proposed that the rate remain unchanged from the current rate of \$0.000777.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On August 23, 2017 Rate Counsel submitted comments concerning the June 2017 Filing. In its comments, Rate Counsel stated that it did not identify any serious discrepancies in the filing, and did not object to the proposed USF and Lifeline rates becoming effective on October 1, 2017. In addition, Rate Counsel noted that the actual USF and Lifeline costs and recoveries do not precisely track Utility projections, and any over, or under-recovery that may result from the 2017-2018 program year will be reconciled and are subject to true-up in the next Annual Compliance Filing. Further, Rate Counsel took no position concerning the reasonableness of DCA's proposed administrative USF budget. Finally, Rate Counsel did not object to the Board making the present interim USF and Lifeline rates permanent.

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

	Electric	Gas
USF	\$0.001990/kWh	\$0.0076/therm
Lifeline	\$0.000777/kWh	\$0.0051/therm
Combined USF/Lifeline	\$0.002767/kWh	\$0.0127/therm

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

	Electric	Gas
USF	\$0.001540/kWh	\$0.0042/therm
Lifeline	\$0.000777/kWh	\$0.0049/therm
Combined USF/Lifeline	\$0.002327/kWh	\$0.0091/therm

Rate Counsel further noted that the utilities updated their original filing by replacing estimated data for the months of May and June 2017 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 and gas utilities.

Rate Counsel stated that the 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 administrative costs.

Rate Counsel noted that the amounts the utilities sought for recovery of actual and estimated administrative expenses from October 1, 2016 through September 30, 2017 were:

Electric Companies

JCP&L - \$0
RECO - \$577
ACE - \$0
PSE&G - \$0

Total Electric Co.'s - \$577

Gas Companies

ETG - \$0
NJNG - \$0
PSE&G - \$0
SJG - \$2,791

Total Gas Co.'s - \$2,791

Total Electric/Gas Co.'s - \$3,368

Electric and Gas Utilities

On August 25, 2017 the Utilities submitted joint comments in response to the comments filed by Rate Counsel. In their comments the Utilities noted that the SUT rate cited by Rate Counsel on page 3 of their comments should be 6.875% not 7%. Further, the Utilities noted that the USF/Lifeline rate of \$0.002327 on page 3 of Rate Counsels comments, which is based on the data contained in the Utilities June 23, 2017 filing, should be \$0.002317.

The Utilities also noted that RECO and SJG are requesting recovery of actual administrative expenses from July 1, 2016 through June 30, 2017, which results in administrative expenses totaling \$2,743, comprised of \$439 for RECO and \$2,304 for SJG, not the \$3,368 noted on page 4 of Rate Counsels comments.

Accordingly, the Utilities requested that the Board approve the USF and Lifeline Rates, based upon the updated actual rates and administrative expenses through June 2017, for the 2017-2018 USF Program year. In addition, the Utilities requested that the Board approve the full recovery of the administrative expenses for each of the Utilities, as applicable, in the month following the Board approval of the 2017-2018 USF and Lifeline Rates from funds disbursed to the Utilities by the New Jersey Department of Treasury. Finally, the Utilities requested that the Board finalize the current USF interim rates, that were approved in the September 23, 2016 Order.

DISCUSSION AND FINDINGS

After review of the compliance filings and the various submissions with reference thereto, the Board **HEREBY DETERMINES** that it is appropriate to adopt the rates including the updated actual data and administrative cost budget.

These USF rates reflect the updated data, which include actual information through June 30, 2017, combined with the revised DCA administrative budget submitted on July 21, 2017. Also,

these rates reflect costs for the projected period of October 1, 2017 – September 30, 2018. 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 23, 2017, which had seven months of actual, and five months of estimated data.

Each year the Utilities submit a projected USF budget that is based on estimated benefit levels, program enrollment, and any program over or under-recovery. Further, the program budget can be influenced by additional factors such as commodity prices, and weather. The decrease in this year's budget may be attributed to lower gas prices, reduced enrollment, an approximate \$21 million program over-recovery, and a mild winter.

As such, the Board **HEREBY APPROVES** the following rates, including SUT, with detailed calculations in Exhibit A, effective on an interim basis on October 1, 2017:

	Electric	Gas
USF	\$0.001487/kWh	\$0.0038/therm
Lifeline	\$0.000777/kWh ⁵	\$0.0049/therm
Combined USF/Lifeline	\$0.002264/kWh	\$0.0087/therm

These revised rates reflect an overall USF budget of approximately \$116.7 million, a gas over-recovery balance of approximately \$4.9 million, and an electric over-recovery balance of approximately \$15.7 million.

The combined USF/Lifeline rates represent a decrease of \$4.80 for an average residential gas customer utilizing 1,200 therms per year and a decrease of \$3.94 for an average residential electric customer utilizing 7,800 kWh per year. The combined USF/Lifeline annual bill would be \$28.10 per year for an average residential customer who uses both gas and electricity, a decrease of approximately 23.73% or \$8.74 from the current level of \$36.82 per year.

Since the 2016-2017 rates and the associated budget expenditures have been examined in the current proceeding and trued up, the Board **HEREBY FINALIZES** the USF interim rates that have been approved through September 30, 2016. The Utilities costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

The Board **HEREBY ORDERS** that as part of future Annual USF Compliance Filings, prior interim rates should be examined and finalized.

The Utilities' actual administrative expenses from July 1, 2016 through June 30, 2017 appear reasonable. Accordingly, the Board **HEREBY APPROVES**, for recovery, the Utilities' actual administrative cost amounts for the period of July 1, 2016 through June 30, 2017 listed below:

Actual Administrative Costs July 1, 2016 through June 30, 2017:

⁵ The utilities proposed that the new Lifeline rate (electric) would remain unchanged from the current rate of \$0.000777.

Electric Companies

JCP&L - \$0
RECO - \$439
ACE - \$0
PSE&G - \$0

Gas Companies

NJNG - \$0
SJG - \$2,304
ETG - \$0
PSE&G - \$0

Total Electric/Gas Co.'s - \$2,743

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. These utility administrative cost numbers differ from the figures contained in Rate Counsel's comments because these calculations include the actual administrative costs from July 1, 2016 – June 30, 2017. Finally, the Board **HEREBY ORDERS** the Utilities to file the appropriate tariff pages, in conformance with the requirements of this Order prior to October 1, 2017.

CONCLUSION

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

- New USF/Lifeline rates will become effective, on an interim basis, on October 1, 2017;
- Utilities shall file the appropriate tariff pages prior to October 1, 2017;
- The interim USF rates approved by the Board through September 30, 2016 are determined to be final;
- 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; and
- The Utilities costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order will be effective on September 29, 2017.

DATED: 9/22/17

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



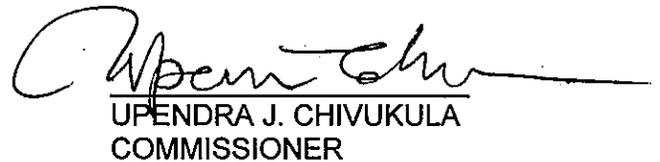
JOSEPH L. FIORDALISO
COMMISSIONER



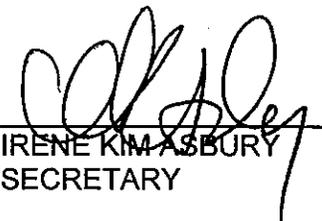
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

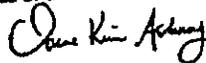


UPENDRA J. CHIVUKULA
COMMISSIONER

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



**2017/2018 Annual Compliance Filing For Changes in the Statewide
 Electric and Gas Permanent USF Fund Program Within SBC Rates
 Docket Nos. ER17060676**

USF RATE CALCULATION (based on ACTUALS through June 2017)

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
<u>PERMANENT PROGRAM PROJECTIONS FOR 2017/2018</u>			
Administrative Costs - DCA (allocated based on benefits percentage)	\$6,513,613	\$990,019	\$5,523,594
Admin. Costs - Utility Postage and Handling	\$3,069	\$2,536	\$533
Estimate of Benefits for Program Year	\$125,602,488	\$19,090,617	\$106,511,871
Fresh Start Program Cost Estimates	<u>\$5,314,463</u>	<u>\$1,575,439</u>	<u>\$3,739,024</u>
TOTAL	\$137,433,633	\$21,658,611	\$115,775,022
Est. of Under/(Over) Recovery at 9/30/17 (Actuals through June 2017)	(\$20,703,639)	(\$4,923,002)	(\$15,780,637)
TOTAL PERMANENT PROGRAM PROJECTIONS	<u>\$116,729,994</u>	<u>\$16,735,609</u>	<u>\$99,994,385</u>
ESTIMATES OF BENEFITS PERCENTAGES	<u>100%</u>	<u>15.199%</u>	<u>84.801%</u>
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/17)		<u>4,690,480,043</u>	<u>71,878,177,747</u>
PROPOSED PRE-TAX RATE		\$0.0036	\$0.001391
CURRENT PRE-TAX RATE		<u>\$0.0071</u>	<u>\$0.001862</u>
PRE-TAX INCREASE/(DECREASE)		(\$0.0035)	(\$0.000471)
PROPOSED USF RATE INCLUDING TAX (@6.875%)		\$0.0038	\$0.001487
CURRENT USF RATE INCLUDING TAX (@6.875%)		<u>\$0.0076</u>	<u>\$0.001990</u>
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@6.875%)		(\$0.0038)	(\$0.000503)

LIFELINE RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
JURISDICTIONAL REVENUE PERCENTAGES	<u>100%</u>	<u>29%</u>	<u>71%</u>
LIFELINE BUDGET	\$74,600,000	\$21,634,000	\$52,966,000
PROJECTED VOLUMES		<u>4,690,480,043</u>	<u>71,878,177,747</u>
PROPOSED PRE-TAX RATE		\$0.0046	\$0.000737
CURRENT PRE-TAX RATE		<u>\$0.0048</u>	<u>\$0.000727</u>
PRE-TAX INCREASE/(DECREASE)		(\$0.0002)	\$0.000010
PROPOSED LIFELINE RATE INCLUDING TAX * (@6.875%)		\$0.0049	\$0.000788
CURRENT LIFELINE RATE INCLUDING TAX (@6.875%)		<u>\$0.0051</u>	<u>\$0.000777</u>
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX ** (@6.875%)		(\$0.0002)	\$0.000011

COMBINED USF/LIFELINE RATES

	<u>GAS</u>	<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0082	\$0.002128
CURRENT PRE-TAX USF/LIFELINE RATE	<u>\$0.0119</u>	<u>\$0.002589</u>
PRE-TAX INCREASE/(DECREASE)	(\$0.0037)	(\$0.000461)
PROPOSED USF/LIFELINE RATE INCLUDING TAX *** (@6.875%)	\$0.0087	\$0.002275
CURRENT USF/ LIFELINE RATE INCLUDING TAX (@6.875%)	<u>\$0.0127</u>	<u>\$0.002787</u>
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX **** (@6.875%)	(\$0.0040)	(\$0.000492)

* The Utilities' filing forecasted a minimal increase in the Electric Lifeline Rate, and the Utilities proposed that the rate remain unchanged from the current rate of \$0.000777.
 **The new Lifeline Electric rate will remain unchanged to reflect the information in footnote * above.

***The total new USF/Lifeline Electric rate would be \$0.002264 to reflect the information in footnote * above.

**** The new USF/Lifeline Electric rate (decrease) will be (\$0.000503) to reflect the information in footnote * above.

In the Matter of the 2017/2018 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. ER17060676

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