

Administrative expenses for the first year of the USF program were in addition to the program budget and were capped at 10% of the \$30 million program for the year. If the program exceeded the \$30 million, any administrative expenses above \$3 million (10% of the initial year's budget) required 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 (7) separate stipulations of settlement resolving all issues pertaining to the past USF related administrative costs of the Utilities. 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 17, 2018, the Board approved the proposed rates set forth in the 2018/2019 USF compliance filing in Docket No. ER18060661 ("September 17, 2018 Order"). The proposed rates were established to recover an approximate \$111.8 million USF budget and a \$74.6 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.001338/kWh	\$0.0049/therm
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002091/kWh	\$0.0103/therm

PROCEDURAL HISTORY

On June 24, 2019, PSE&G, on behalf of itself and the other Utilities, made a filing with the Board for the 2019-2020 USF and Lifeline program year ("June 2019 Filing"). The June 2019 Filing included actual cost data from October 2018 to April 2019 and estimated data for May 2019 through September 2019. The parties to the June 2019 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 2019 and estimated administrative costs through September 2019. 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 17, 2018 Order.

In the June 2019 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$111.4 million, representing a decrease of approximately \$400,000 from the existing \$111.8 million being recovered under the current USF rates. The Utilities asserted that

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

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 2019 Filing include an estimated Department of Community Affairs ("DCA") administrative budget of \$6.4 million. The requested rates, including SUT, were as follows:

	Electric	Gas
USF	\$0.001236/kWh	\$0.0066/therm
Lifeline	\$0.000755/kWh	\$0.0055/therm
Combined USF/Lifeline	\$0.001991/kWh	\$0.0121/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 2019 Filing were also predicated upon an estimated \$17.4 million electric over-recovery balance and an estimated \$2.8 million under-recovery balance as of September 30, 2019.

Subsequently, on August 2, 2019, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through June 30, 2019. This updated information reflected a higher USF budget of approximately \$119 million, a gas under-recovery balance of approximately \$3.9 million, and an electric over-recovery balance of approximately \$11 million.

The updated 2019/2020 USF rates, including SUT, with nine (9) months of actual data and three (3) months of estimated data, were as follows:

	Electric	Gas
USF	\$0.001332/kWh	\$0.0069/therm
Lifeline	\$0.000755/kWh	\$0.0055/therm
Combined USF/Lifeline	\$0.002087/kWh	\$0.0124/therm

In accordance with N.J.S.A. 48:2-32.4 to -32.6, two (2) public hearings were held in each geographic region served by each of the gas and 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:

<u>Date</u>	<u>Utility</u>	<u>Time</u>	<u>Location</u>
Tuesday, August 13, 2019	JCP&L	4:30 and 5:30 PM	Morristown
Wednesday, August 14, 2019	JCP&L	4:30 and 5:30 PM	Freehold
Thursday, August 15, 2019	ETG	4:30 and 5:30 PM	Union
Monday, August 19, 2019	ETG	4:30 and 5:30 PM	Flemington
Monday, August 19, 2019	RECO	4:30 and 5:30 PM	Mahwah
Tuesday, August 20, 2019	SJG	4:30 and 5:30 PM	Voorhees
Wednesday, August 21, 2019	NJNG	4:30 and 5:30 PM	Freehold
Thursday, August 22, 2019	NJNG	4:30 and 5:30 PM	Rockaway

Thursday, August 22, 2019 PSE&G 4:30 and 5:30 PM Mount Holly
Tuesday, August 27, 2019 PSE&G 4:30 and 5:30 PM Hackensack
Thursday, August 29, 2019 PSE&G 4:30 and 5:30 PM New Brunswick

No comments were received from the public at the hearings listed above.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On August 27, 2019, Rate Counsel submitted comments concerning the June 2019 Filing. In its comments, Rate Counsel noted that the current rates, including SUT, that are in effect are as follows:

	Electric	Gas
USF	\$0.001338/kWh	\$0.0049/therm
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002091/kWh	\$0.0103/therm

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

	Electric	Gas
USF	\$0.001236/kWh	\$0.0066/therm
Lifeline	\$0.000755/kWh	\$0.0055/therm
Combined USF/Lifeline	\$0.001991/kWh	\$0.0121/therm

Rate Counsel commented that the Utilities updated their original filing by replacing estimated data for the months of May and June 2019 with actual cost and revenue data for those two (2) months. In addition, Rate Counsel stated that these updates, if applied, would have no impact on the proposed Lifeline rates and relatively minor impacts on the proposed gas and electric USF rates.

Rate Counsel stated that the administrative costs incurred by those Utilities still recovering their administrative costs through the USF charge appear reasonable and are mainly based on the postage for mailing of USF-related letters to ratepayers. Further, Rate Counsel took no position on the reasonableness of the DCA's budget amount of \$6,400,005.

Rate Counsel additionally commented that it did not dispute the Utilities' calculations of its electric over-recoveries as these calculations are based on recovery of the program's utility-related and DCA's administrative costs as well as estimated benefits for the upcoming program year.

Rate Counsel did not identify any discrepancies in the Utilities' 2019/2020 filings. Further, Rate Counsel stated that since actual USF and Lifeline costs and recoveries may not precisely track the projections contained in the Compliance Filing, any over or under collections in USF from the 2019/2020 program year will be reconciled and are subject to true-up in the next Annual Compliance Filing due in June, 2020.

Finally, Rate Counsel stated that it: 1) does not object to the Utilities' request for recovery of their actual administrative costs incurred in association with the USF program; 2) takes no position regarding the reasonableness of the DCA's proposed USF administrative budget; 3) does not object to the Board making the proposed USF and Lifeline rates effective October 1, 2019; and 4) does not object to the Board making the present interim USF and Lifeline rates permanent.

The Utilities did not file a response to Rate Counsel's comments.

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 USF gas rate based upon the data contained in the June 24, 2019 filing; the USF electric rate based upon the data contained in the Utility update from August 2, 2019; and the FY 19 DCA administrative budget, which the Board approved at its August 29, 2018 agenda meeting.⁴

These USF rates reflect costs for the projected period of October 1, 2019 – September 30, 2020. These electric rates are based on nine (9) months of actual information and three (3) months of estimated data, while the gas rates are based on seven (7) months of actual information and five (5) 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 increase in this year's budget may be attributed to actual volumetric sales being lower than previously forecasted resulting in a gas under-recovery balance as well as an anticipated increase in gas disbursement benefits to USF.

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, 2019:

	Electric	Gas
USF	\$0.001332/kWh	\$0.0066/therm
Lifeline	\$0.000755/kWh	\$0.0055/therm
Combined USF/Lifeline	\$0.002087/kWh	\$0.0121/therm

The above electric rates reflect an electric over-recovered balance of \$11 million as reflected in the August 2, 2019 Update and the above gas rates reflect the under-recovered balance of \$2.8 million as reflected in the June 2019 Filing.⁵ The overall USF budget is approximately \$118.9 million.

⁴ The FY 2019 USF administrative budget amount was used in the rate calculations because the 2020 USF administrative budget became available too late to include in the current proceeding.

⁵ The updated data provided by the Utilities on August 2, 2019 supported a USF electric rate of \$0.001332, which is higher than the rate provided in the June 2019 Filing, however it is still less than the current rate, therefore it can be implemented. The updated data provided by the Utilities on August 2, 2019 supported a USF gas rate of \$0.0069/therm, which is higher than the original rate of \$0.0066/therm that was included in the June 2019 Filing. Since the \$0.0069/therm rate exceeds the rate increase that was posted in the gas utilities' Public Hearing Notices, the higher rate cannot be implemented.

The combined USF/Lifeline rates represent an increase of \$2.11 for an average residential gas customer utilizing 1,200 therms per year and a decrease of \$0.03 for an average residential electric customer utilizing 7,800 kWh per year. The combined USF/Lifeline annual bill would be \$30.80 per year for an average residential customer who uses both gas and electricity, which is an increase of approximately 7.27% or \$2.09 from the current level of \$28.71 per year.

Since the 2018-2019 rates and the associated budget expenditures have been examined in the current proceeding and tried up, the Board **HEREBY FINALIZES** the USF interim rates that have been approved through September 30, 2018. 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, 2018 through June 30, 2019 appear reasonable. Accordingly, the Board **HEREBY APPROVES**, for recovery, the Utilities' actual administrative cost amounts for the period of July 1, 2018 through June 30, 2019 listed below:

Actual Administrative Costs July 1, 2018 through June 30, 2019:

<u>EDCs</u>	<u>Costs</u>
ACE	\$0
JCP&L	\$0
PSE&G	\$0
RECO	\$407

<u>GDCs</u>	<u>Costs</u>
ETG	\$0
NJNG	\$0
PSE&G	\$0
SJG	\$2,630

EDC/GDC Total \$3,037

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 prior to October 1, 2019.

CONCLUSION

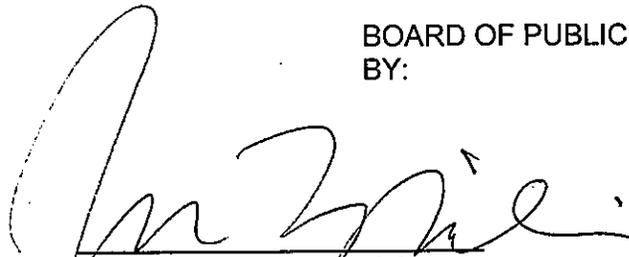
In summary, the Board **HEREBY APPROVES** the following:

- New USF/Lifeline rates will become effective, on an interim basis, on October 1, 2019;
- Utilities shall file the appropriate tariff pages prior to October 1, 2019;
- The interim USF rates approved by the Board through September 30, 2018 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 27, 2019.

DATED: 9/27/19

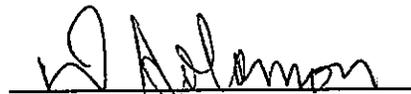
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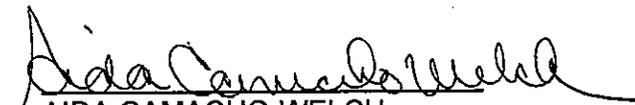
ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

Exhibit A

**2019/2020 Annual Compliance Filing For Changes in the Statewide
 Electric and Gas Permanent USF Fund Program Within SBC Rates
 Docket Nos. ER19060736**

USF RATE CALCULATION (based on ACTUALS through June 2019)			
	TOTAL	GAS	ELECTRIC
PERMANENT PROGRAM PROJECTIONS FOR 2019/2020			
Administrative Costs - DCA (allocated based on benefits percentage)	\$6,400,005	\$1,278,874	\$5,121,131
Admin. Costs - Utility Postage and Handling	\$2,465	\$2,141	\$324
Estimate of Benefits for Program Year	\$115,244,169	\$23,028,534	\$92,215,635
Fresh Start Program Cost Estimates	\$4,325,161	\$1,240,294	\$3,084,867
TOTAL	\$125,971,800	\$25,549,843	\$100,421,957
Est. of Under/(Over) Recovery at 9/30/19 (Actuals through June 2019)	(\$7,121,113)	\$3,880,209	(\$11,001,322)
TOTAL PERMANENT PROGRAM PROJECTIONS	\$118,850,687	\$29,430,052	\$89,420,635
ESTIMATES OF BENEFITS PERCENTAGES	100%	19.982%	80.018%
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/19)		4,553,238,517	71,601,655,064
PROPOSED PRE-TAX RATE ***		\$0.0062	\$0.001249
CURRENT PRE-TAX RATE		\$0.0046	\$0.001255
PRE-TAX INCREASE/(DECREASE)		\$0.0016	(\$0.000006)
PROPOSED USF RATE INCLUDING TAX (@6.625%) ***		\$0.0066	\$0.001332
CURRENT USF RATE INCLUDING TAX (@6.625%)		\$0.0049	\$0.001338
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)		\$0.0017	(\$0.000006)
LIFELINE RATE CALCULATION			
	TOTAL	GAS	ELECTRIC
JURISDICTIONAL REVENUE PERCENTAGES	100%	32%	68%
LIFELINE BUDGET	\$74,600,000	\$23,872,000	\$50,728,000
PROJECTED VOLUMES		4,553,238,517	71,601,655,064
PROPOSED PRE-TAX RATE		\$0.0052	\$0.000708
CURRENT PRE-TAX RATE		\$0.0051	\$0.000706
PRE-TAX INCREASE/(DECREASE)		\$0.0001	\$0.000002
PROPOSED LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0055	\$0.000755
CURRENT LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0054	\$0.000753
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)		\$0.0001	\$0.000002
COMBINED USF/LIFELINE RATES			
		GAS	ELECTRIC
PROPOSED PRE-TAX USF/LIFELINE RATE		\$0.0114	\$0.001957
CURRENT PRE-TAX USF/LIFELINE RATE		\$0.0097	\$0.001961
PRE-TAX INCREASE/(DECREASE)		\$0.0017	(\$0.000004)
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0121	\$0.002087
CURRENT USF/LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0103	\$0.002091
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)		\$0.0018	(\$0.000004)

IN THE MATTER OF THE 2019/2020 ANNUAL COMPLIANCE FILINGS FOR THE
UNIVERSAL SERVICE FUND ("USF") PROGRAM FACTOR WITHIN THE SOCIETAL
BENEFITS CHARGE RATE – ORDER APPROVING INTERIM USF AND LIFELINE RATES
Docket No. ER19060736

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