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September 8, 2020

VIA ELECTRONIC MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3th Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: I/M/O the 2020/2021 Annual Compliance Filing For a Change in the Statewide Electric and Gas Permanent Universal Service Fund Program Factors within the Electric and Gas Societal Benefits Charge Rate Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:21.1 BPU Docket No. ER20060392

Dear Secretary Camacho-Welch:

Please accept for filing the comments of the Division of Rate Counsel (“Rate Counsel”) regarding the compliance filings submitted in this matter by the New Jersey electric and gas utilities. Consistent with the March 19, 2020 Order of the New Jersey Board of Public Utilities (“Board”) in I/M/O the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, copies of this comment letter are being filed with the Secretary of the Board and provided electronically to each person on the service list by electronic mail only. No paper copies will follow. **Please acknowledge receipt of this comment letter.** Thank you for your consideration and attention to this matter.

BACKGROUND

The Electric Discount and Energy Competition Act of 1999 (“EDECA”) provided for the establishment of a non-lapsing fund, known as the “Universal Service Fund” (“USF”), to make funds available to assist qualifying low-income utility customers in paying their energy bills. The Board’s June 22, 2005 Order in Docket No. EX00020091 directed each utility to submit a compliance filing by July 1 of each year. On or about June 25, 2020, the State’s seven electric and gas distribution utilities (collectively “Utilities”) filed their 2020/2021 USF/Lifeline Annual Compliance Filings. On June 25, 2020, Public Service Electric & Gas Company submitted its 2020/2021 USF/Lifeline Annual Compliance Filing with rate calculations on behalf of all of the Utilities. Within these filings, the State’s Utilities collectively seek Board approval for USF rates designed to recover \$125.6 million on a statewide basis (an increase from \$111.4 million last year), including \$6,620,000 for the anticipated Department of Community Affairs (“DCA”) program administrator budget (an increase from \$6,400,005 last year). Of the total \$125.6 million that is estimated to be collected under the revised USF rate, approximately \$100.2 million is projected to be recovered from the electric utilities and approximately \$25.4 million is projected to be recovered from the gas utilities. The USF rates, as proposed, represent a decrease in the rate for New Jersey gas utilities and an increase in the rate for the electric utilities when compared with the USF rates that are currently in effect.

In addition, the Annual Compliance Filings seek Board approval for the Utilities to collect \$74.6 million, again on a statewide basis, for the State’s Lifeline program (the same amount as was requested for each of the last four years). Of this total, approximately \$50 million is projected to be recovered from the State’s electric utilities and \$24.6 million is projected to be recovered from the State’s gas utilities. The new Lifeline rates, as proposed, represent very small increases to both the gas and the electric Lifeline rates that are currently in effect.

Both the USF and the Lifeline rates are components of the Utilities’ Societal Benefits Charge (“SBC”). The Utilities request an October 1, 2020 effective date for the revised USF and Lifeline rates.

The currently effective USF and Lifeline rates were established by the Board's September 27, 2019 Order in the Utilities' 2019/2020 USF/Lifeline Annual Compliance Filings, Docket No. ER19060736. Those rates, including a 6.625% Sales and Use Tax, are as follows:

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

In their 2020/2021 Annual Compliance filings, the Utilities proposed the following USF and Lifeline rates (including a 6.625% Sales and Use Tax):

	<u>Electric</u>	<u>Gas</u>
USF	\$0.001523/kWh	\$0.0059/therm
Lifeline	\$0.000759/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002282/kWh	\$0.0116/therm

The above proposed rates represent a decrease in the USF rate and an increase in the Lifeline rate for the gas companies. For the electric utilities, the proposed rates represent increases in both the USF rate and the Lifeline rate, when compared with those rates that are currently in effect. The USF rates shown above are designed to recover \$125.6 million on a statewide basis. The Lifeline rates are designed to recover \$74.6 million for the Lifeline program. These calculations were contained in the Utilities' June 2020 filings and were based on actual results for the period October 2019 through April 2020 and estimates for the period May 2020 through September 2020.

In response to a Board Staff Discovery request, the Utilities updated their original filings by replacing estimated data for the months May and June 2020 with actual cost and revenue data for those two months. These updates have no material impact on the proposed rates except for the electric USF rate, which is reduced somewhat by the update.

The Utilities' June 2020 filings also seek Board review and approval for recovery from the USF Trust Fund of certain incremental administrative costs incurred by the Utilities under the USF program, as provided for in the Board's June 21, 2010 Order in Docket No. EO09090771. Only two utilities (South Jersey Gas and Rockland Electric) are currently seeking recovery of actual and projected administrative costs through the SBC. South Jersey Gas projects that it will seek recovery through the USF of \$2,412 for administrative expenses incurred between July 2019 and September 2020. Rockland projects that it will seek recovery of \$322 for administrative expenses incurred during the same period of time. Both utilities claim that their administrative expenses were in the form of printing and mailing costs for letters sent to USF and Fresh Start Program¹ participants.²

Lastly, the Utilities request in this proceeding that the 2019/2020 current USF and Lifeline interim rates, approved in the September 2019 USF Order, also be made final.

RATE COUNSEL'S COMMENTS

Proposed USF and Lifeline Rates

The Division of Rate Counsel has carefully reviewed the Utilities' June 2020 USF and Lifeline Annual Compliance Filings. Board Staff and Rate Counsel have each requested additional information from the Utilities concerning the Utilities' filings. Rate Counsel has carefully reviewed the Utilities' responses thereto.

¹ Fresh Start is a special program under USF that allows eligible New Jersey households participating in USF for the first time to earn forgiveness for pre-existing utility payment arrearages by making full, on-time payments for 12 months. New Jersey Department of Community Affairs, "Universal Service Fund – Frequently Asked Questions," available at <https://www.nj.gov/dca/divisions/dhcr/faq/usf.html#q22> (viewed 8/27/20).

² See Utilities' response to S-USF-0003, Excel Attachment, "Admin Expenses."

Rate Counsel examined (1) the Utilities' calculation of their under/over recovery position at October 1, 2019; (2) support provided for the administrative costs (both utility specific and DCA); (3) support provided for the estimated benefits for the 2020/2021 program year; and (4) support provided for the projected sales volumes for the 2019/2020 program year.

As of October 1, 2019, the gas utilities had a combined under-recovered USF balance of approximately \$4.6 million. The gas utilities project that, by September 30, 2020, the USF balance will remain under-recovered by approximately \$1.7 million.

For the electric utilities, the USF balance on October 1, 2019 was over-recovered by \$1.2 million. By the end of September 2020, the USF balance is projected to be under-recovered by \$2.0 million.

The level and type of utility-incurred administrative costs, \$2,734 in total, appears reasonable. As stated previously, the majority of administrative costs incurred by the utilities are for postage associated with mailing USF-related letters to ratepayers. The Board, in the past, has approved these types of costs in previous USF/Lifeline Annual Compliance Filings. Rate Counsel has no objection to their recovery in this proceeding.

As for the DCA administrative costs included in the Annual Compliance Filings, the amount, i.e., \$6,620,000, is \$220,000 more than was budgeted by DCA last year. However, Rate Counsel takes no position on the reasonableness of that budget amount.

Rate Counsel is concerned with the rate change that will result if more recent actual cost and revenue information is not relied on to set the USF rate in this proceeding. Specifically, if the updated USF rate calculation is relied on, the proposed electric USF rate will decrease from the \$0.001523/kWh rate that the Utilities originally proposed in this proceeding to \$0.001494, as shown in the Utilities' response to S-USF-0001 (attached). Neither the gas USF rate nor the electric and gas Lifeline rates are affected by the Utilities' most recent updated calculations. Given that the decrease for the electric utilities is rather significant, i.e., approximately \$2 million over the next year, Rate Counsel recommends that the Board adopt the lower electric USF rate that is reflected in the Utilities' updated USF/Lifeline calculations provided in response to S-USF-0001.

Rate Counsel did not identify any other discrepancies in the Utilities' 2020/2021 Annual Compliance Filings. However, actual USF and Lifeline costs and recoveries are likely to not precisely track the utilities' projections as reflected in the 2020/2021 Annual Compliance Filings. Any over- or under-collections in USF that may result from the 2020/2021 program year will be reconciled and are subject to true-up in the next Annual Compliance Filings due in June 2021.

CONCLUSION

For the foregoing reasons, Rate Counsel (1) does not object to the utilities' request for recovery of their actual administrative costs incurred associated with the USF program (given that actual expenditures will replace the utilities' forecasts for the months of May through September 2020 in the reconciliation to be reflected in the utilities' 2021/2022 Annual Compliance Filing); (2) takes no position on the reasonableness of the DCA's proposed budget for the administration of the USF program; (3) recommends that the updated USF/Lifeline rates shown in Attachment S-USF-0001 be made effective October 1, 2020; and (4) does not object to the Board making the present interim USF and Lifeline rates permanent.

Respectfully submitted,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: /s/ Brian Weeks
Brian Weeks, Esq.
Deputy Rate Counsel

cc: Service List (via electronic mail)

**I/M/O the 2020/2021 Annual
Compliance Filing for the
Universal Service Fund within the
Societal Benefits Charges Rates**

BPU Docket No. ER20060392

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