



STATE OF NEW JERSEY
Board of Public Utilities
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ENERGY

IN THE MATTER OF THE 2013/2014 ANNUAL)	ORDER APPROVING
COMPLIANCE FILINGS FOR THE UNIVERSAL)	INTERIM USF RATES AND
SERVICE FUND ("USF") PROGRAM FACTOR)	LIFELINE RATES
WITHIN THE SOCIETAL BENEFITS CHARGE)	
RATE)	DOCKET NO. ER13060534

Parties of Record:

Mally Becker, Esq., Public Service Electric and Gas Company,
Deborah M. Franco, Esq., Cullen and Dykman LLP, for Elizabethtown Gas Company
Philip J. Passanante, Esq., Atlantic City Electric
Michael J. Connolly, Esq., Morgan, Lewis & Bockius LLP, for Jersey Central Power & Light Company
Tracey Thayer, Esq., New Jersey Natural Gas Company
John L. Carley, Esq., Consolidated Edison Co.
Ira Megdal, Esq., Cozen O'Connor, Cherry Hill, New Jersey for 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 ("Utilities") on a uniform basis. That Order established that Lifeline¹ funding was to be generated in the same fashion as USF.

¹Lifeline 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").² 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 13, 2012, the Board approved the proposed rates set forth in the 2012/2013 USF compliance filing in Docket No. ER12060565. The proposed rates were established to recover an approximate \$230.4 million USF budget and a \$65.7 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.002428/kWh	\$0.0136/therm
Lifeline	\$0.000638/kWh	\$0.0048/therm
Combined USF/Lifeline	\$0.003066/kWh	\$0.0184/therm

PROCEDURAL HISTORY

On June 21, 2013, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2013/2014 program year with actual cost data from October 2012 to April 2013 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

² 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").

2013 and estimated administrative costs through September 2013. In addition, the Utilities³ requested full recovery of these administrative costs in the month following Board approval of the new USF rate.

In the June 21, 2013 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$177.7 million, representing a decrease of approximately \$53 million from the existing \$230.4 million being recovered under the current USF rates. The Utilities asserted that the calculations of the program costs supported the recovery of \$87.9 million for the State's Lifeline program, representing an increase from the existing \$65.7 million being recovered under the current rates. The increase in the Lifeline budget and rate is due to the inclusion of the cost of utility payments for recipients of the Work First New Jersey ("WFNJ") program, which was appropriated since Fiscal Year 2011, but not included in the Lifeline budget. Further, these proposed rates supported an estimated DCA administrative budget of \$8,504,680. The requested rates, including SUT, are as follows:

	Electric	Gas
USF	\$0.002194/kWh	\$0.0059/therm
Lifeline	\$0.000886/kWh	\$0.0061/therm
Combined USF/Lifeline	\$0.003080/kWh	\$0.0120/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 21, 2013, proposed rates were also predicated upon an estimated \$728,344.00 electric under-recovery balance and an estimated \$12 million gas over-recovery balance as of September 30, 2013.

On August 15, 2013, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through July 31, 2013. This new information reflected a higher USF budget of approximately \$186.4 million, a gas over-recovery balance of approximately \$9.2 million, and an electric under-recovery balance of approximately \$7.9 million.

Further, on August 21, 2013, the Board approved the DCA USF administrative cost budget for State Fiscal Year 2014 ("FY 2014") in the amount of \$7,220,743⁴. This is a \$727,556.00 decrease from the prior fiscal year's budget, as well as a \$1.3 million decrease from the projected budget contained in the Utilities June 21, 2013 filing. This decrease in DCA's administrative budget would change the proposed rates, including SUT.

The revised 2013/2014 USF rates, including SUT and reflective of ten months of actual data and two months of estimated data, are as follows:

³ PSE&G and Etown did not request recovery of administrative expenses.

⁴ Docket No. EO13070687 - In the Matter of the Department of Community Affairs' State Fiscal Year 2014 Universal Service Fund Administrative Cost Budget

	Electric	Gas
USF	\$0.002282/kWh	\$0.0065/therm
Lifeline	\$0.000886/kWh	\$0.0061/therm
Combined USF/Lifeline	\$0.003168/kWh	\$0.0126/therm

These USF rates, including SUT, would result in an overall budget decrease of approximately \$44 million to the USF program from the current budget. Further, the combined USF/Lifeline rates represent a \$0.58 decrease for an average residential gas customer utilizing 100 therms per month and an increase of \$0.07 per month for an average residential electric customer utilizing 650 kWh per month. The combined USF/Lifeline annual bill would be \$39.83 per year for an average residential customer who uses both gas and electricity, a decrease of approximately 13.4% or \$6.16 from the current level of \$45.99 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 seven 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 7, 2013 – SJG – 4:30 and 5:30 p.m. – Voorhees
- August 14, 2013 – RECO – 4:30 and 5:30 p.m. – Mahwah
- August 19, 2013 – JCP&L – 4:30 and 5:30 p.m. – Freehold
- August 19, 2013 - PSE&G – 4:30 and 5:30 p.m. – Hackensack
- August 20, 2013 - PSE&G – 4:30 and 5:30 p.m. – New Brunswick
- August 21, 2013 – JCP&L – 4:30 and 5:30 p.m. – Morristown
- August 22, 2013 - PSE&G – 4:30 and 5:30 p.m. – Mt. Holly
- August 26, 2013 – E'Town Gas – 4:30 and 5:30 p.m. - Flemington
- August 28, 2013 – E'Town Gas – 4:30 and 5:30 p.m. – Rahway
- August 28, 2013 – ACE – 4:30 and 5:30 p.m. – Hammonton
- September 10, 2013 – NJNG – 4:30 and 5:30 p.m. - Rockaway Township
- September 11, 2013 – NJNG – 4:30 and 5:30 p.m. – Freehold

The Board did receive a comment from a member of the public who was opposed to any increase in the USF/Lifeline rate. Further, at the public hearing in Hackensack, Mr. Charles Hardy said that the Board needs to look at the structure of how things are going and why it is that we have so many people who struggle to keep the lights on and deal with the demand of high prices. Additionally, Nancy Ailen, of the Mercer County Workers Benefit Council ("Council"), stated that utility rates are not reasonable in the face of the current economic condition. Ms. Allen also said that Council opposed any further rate increases and called on the Board to implement year-round protection against shutoffs.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On August 28, 2013 Rate Counsel submitted comments concerning the 2013-2014 USF Compliance filing. In its comments, Rate Counsel stated that DCA's budget should be updated in the compliance filing to reflect the lower DCA budget of \$7,220,743 that the Board approved on August 21, 2013. Further, Rate Counsel recommended that the updated USF cost and revenue data be used in the USF rate calculation. Rate Counsel also noted that the updated rates would not require additional public hearings because the updated rates, along with the updated DCA budget, will not result in an increase in the current USF rate.

Rate Counsel stated that it took no position regarding the reasonableness of the DCA budget. In addition, Rate Counsel requested that the Board direct the Utilities in future compliance filings to separately account for, report and substantiate all WFNJ costs the utilities seek to include in their proposed Lifeline rates.

Rate Counsel noted that the amounts the utilities sought for recovery of administrative expenses were:

Electric Companies

JCP&L - \$9,723
RECO - \$682
ACE - \$13,860
PSE&G - \$0

Gas Companies

NJNG - \$8,356
SJG - \$10,101
E'town - \$0
PSE&G - \$0

Finally, Rate Counsel (1) recommended that the Board direct the Utilities to re-file their Compliance filing to reflect (a) the DCA budget that the Board approved on August 21, 2013, and (b) replace the forecasted amounts in the June Compliance Filing with the actual amounts that were provided in discovery; (2) did not object to the Utilities' request for recovery of their actual administrative costs through July 2013; and (3) took no position on the reasonableness of the DCA administrative budget.

Electric and Gas Utilities

On August 30, 2013, the Utilities submitted joint comments in response to the comments that Rate Counsel filed on August 28, 2013. In their joint comments, the Utilities stated that the decision to implement the rates contained in the original filing or the rates that are updated through July rests with the Board. Additionally, the Utilities stated that it should not be their responsibility to report and substantiate WFNJ costs. Further, the Utilities noted that they continue to refer to the Lifeline rate as part of their SBC Tariff page and do not propose to alter

the name of the rate. Also, the Utilities noted that Rate Counsel misstated the Lifeline rate for electric customers as \$0.000866/kWh. The correct rate is \$0.000886/kWh.

Finally, the Utilities urged the Board to approve the USF and Lifeline rates and the administrative expenses proposed by the Utilities as determined by the Board to be necessary, including full recovery of administrative expenses for each Utility, as applicable, in the month following Board approval of the 2013/2014 USF and Lifeline rates.

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, 2013 unless Staff notifies the Utilities that the appropriate tariff pages are not in compliance with the requirements of this Order:

	Electric	Gas
USF	\$0.002282/kWh	\$0.0065/therm
Lifeline	\$0.000886/kWh	\$0.0061/therm
Combined USF/Lifeline	\$0.003168/kWh	\$0.0126/therm

These USF rates reflect the revised USF rates, which include actual information through July 31, 2013, as well as the updated DCA budget, which the Board approved on August 21, 2013. The electric rates are based on ten months of actual information and two months of estimated data. Further, these rates represent a more accurate projection of the upcoming USF program year's budget requirements than the rate that the Utilities filed on June 21, 2013, which had seven months of actual, and five months of estimated data. Additionally, these rates reflect a gas over-recovery of \$9.2 million and an electric under-recovery of \$7.9 million. Finally, these revised rates and budget amount of \$186.4 million reflect the fact that the DCA has submitted an administrative budget amount for 2012-2013 of \$7,220,743, which is lower than the \$8.5 million estimate included in the June 21, 2013 filing.

After reviewing Rate Counsel's recommendations, the Board has determined that consistent with past practices, the updated rates submitted by the Utilities, reflecting the actual/estimate data and the Board approved DCA budget, can be incorporated without requiring the Utilities to re-file the compliance filing. The revised rates contained in the Utilities' August 15, 2013 update, in conjunction with the lowered DCA budget, produce USF rates that are lower than the USF rates currently in effect. Further, the Board has enough data from the August 15, 2013 update to determine the appropriate rate to recover the revised USF budget total of approximately \$186.4 million. As to WFNJ, the costs incorporated in the Compliance Filing are provided to the Utilities by the Board based on information provided by the Office of Management and Budget within the Department of Treasury ("OMB"). Inclusion of this program within the Lifeline component has been designated by the Legislature since fiscal year 2011 in the applicable appropriations acts. As such, the appropriate data for the Utilities to include in the Compliance Filing is the data provided by OMB.

Accordingly, the Board **HEREBY APPROVES** for recovery the Utilities' actual administrative cost amounts for the period through July 31, 2013 listed below:

Actual Administrative Costs Through July 31, 2013:

Electric Companies

JCP&L - \$9,723
RECO - \$682
ACE - \$13,860
PSE&G - \$0

Gas Companies

NJNG - \$8,356
SJG - \$10,101
E'town - \$0
PSE&G - \$0

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 one (1) day of the effective date of the Order.

CONCLUSION

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

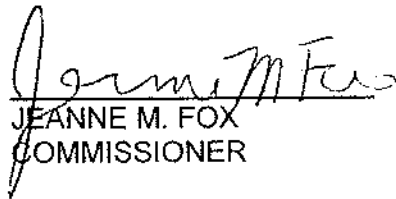
- New USF/Lifeline rates will become effective, on an interim basis, on October 1, 2013 unless Staff notifies the Utilities that the appropriate tariff pages are not in compliance with the requirements of this Order;
- USF rates will remain interim rates subject to audit and refund;
- Utilities shall file the appropriate tariff pages within one (1) day 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 25, 2013.

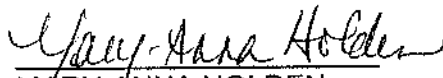
DATED: 9/18/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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



**2013/2014 Annual Compliance Filing For Changes in the Statewide
Electric and Gas Permanent USF Fund Program Within SBC Rates
Docket Nos. EX00020091, EO09060506 and EO09090771 and ER13060534**

USF RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
PERMANENT PROGRAM PROJECTIONS FOR 2013/2014			
Administrative Costs - DCA (allocated based on benefits percentage) (1)	\$7,220,743	\$1,373,566	\$5,847,177
Admin. Costs - Utility Postage and Handling	(\$34,170)		
Estimate of Benefits for Program Year	\$172,264,688	\$32,769,044	\$139,495,644
Fresh Start Program Cost Estimates	<u>\$8,300,930</u>	<u>\$3,099,399</u>	<u>\$5,202,531</u>
TOTAL	\$187,752,191	\$37,249,143	\$150,503,048
Est. of Under/(Over) Recovery at 9/30/13	(\$1,319,925)		
TOTAL PERMANENT PROGRAM PROJECTIONS	<u>\$186,432,266</u>	<u>\$28,009,690</u>	<u>\$158,422,576</u>
ESTIMATES OF BENEFITS PERCENTAGES	<u>100%</u>	<u>19.022%</u>	<u>80.978%</u>
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/13)			<u>74,271,614,115</u>
PROPOSED PRE-TAX RATE		<u>\$0.0127</u>	<u>\$0.002269</u>
CURRENT PRE-TAX RATE		<u>\$0.0127</u>	<u>\$0.002269</u>
PRE-TAX INCREASE/(DECREASE)		(\$0.0066)	(\$0.000136)
PROPOSED USF RATE INCLUDING TAX (@7%)		<u>\$0.0091</u>	<u>\$0.001688</u>
CURRENT USF RATE INCLUDING TAX (@7%)		<u>\$0.0135</u>	<u>\$0.002428</u>
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		(\$0.0044)	(\$0.000740)

LIFELINE RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
JURISDICTIONAL REVENUE PERCENTAGES	<u>100%</u>	<u>30%</u>	<u>70%</u>
LIFELINE BUDGET	\$87,905,000	\$26,371,500	\$61,533,500
PROJECTED VOLUMES			74,271,614,115
PROPOSED PRE-TAX RATE		\$0.0057	\$0.000828
CURRENT PRE-TAX RATE		<u>\$0.0045</u>	<u>\$0.000596</u>
PRE-TAX INCREASE/(DECREASE)		\$0.0012	\$0.000232
PROPOSED LIFELINE RATE INCLUDING TAX (@7%)		\$0.0061	\$0.000886
CURRENT LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0048</u>	<u>\$0.000638</u>
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		\$0.0013	\$0.000248

COMBINED USF/LIFELINE RATES

	<u>GAS</u>	<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0118	\$0.002961
CURRENT PRE-TAX USF/LIFELINE RATE	<u>\$0.0172</u>	<u>\$0.002865</u>
PRE-TAX INCREASE/(DECREASE)	(\$0.0054)	\$0.000096
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@7%)	\$0.0126	\$0.003168
CURRENT USF/LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0184</u>	<u>\$0.003066</u>
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)	(\$0.0058)	\$0.000102

In the Matter of the 2013/2014 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. ER13060534

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