



Agenda Date:10/13/11
Agenda Item: 2B

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE 2011/2012 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. ER11070397)

Parties of Record:

Mally Becker, Esq., Public Service Electric & 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 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 Health and Senior Services and funded through the 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 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 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 October 20, 2010, the Board approved the proposed rates set forth in the 2010/2011 USF compliance filing in Docket No. EO09060506. The proposed rates were established to recover an approximate \$214.9 million USF budget and a \$72.6 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.002052/kWh	\$0.0142/therm
Lifeline	\$0.000664/kWh	\$0.0052/therm
Combined USF/Lifeline	\$0.002716/kWh	\$0.0194/therm

PROCEDURAL HISTORY

On June 30, 2011, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2011/2012 program year with actual cost data from October 2010 to April 2011 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 2011 and estimated administrative costs through September 2011. In addition, the Utilities³ requested full recovery of these administrative costs in the month following Board approval of the new USF rate.

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").

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

In the June 30, 2011 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$243.03 million, representing an increase of approximately \$28 million over the existing \$214.9 million being recovered under the current USF rates. The Utilities asserted that the calculations of the program costs supported the recovery of \$70.79 million for the State's Lifeline program, representing a decrease from the existing \$72.6 million being recovered under the current rates. The requested rates, including SUT, are as follows:

	Electric	Gas
USF	\$0.002602/kWh	\$0.0129/therm
Lifeline	\$0.000677/kWh	\$0.0051/therm
Combined USF/Lifeline	\$0.003279/kWh	\$0.0180/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 30, 2011 proposed rates were also predicated upon an estimated \$28.3 million electric under-recovery balance and an estimated \$4.4 million gas over-recovery balance as of September 30, 2011.

On September 9, 2011, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through July 31, 2011. This new information reflected a lower USF budget of approximately \$242.4 million, a gas over-recovery balance of approximately \$2.4 million, an electric under-recovery balance of approximately \$27.1 million and a lower Department of Community Affairs ("DCA") administrative budget of \$6,727,136.

The revised requested 2011/2012 USF rates, including SUT and reflective of ten months of actual data and two months of estimated data, are as follows:

	Electric	Gas
USF	\$0.002567/kWh	\$0.0134/therm
Lifeline	\$0.000677/kWh	\$0.0051/therm
Combined USF/Lifeline	\$0.003244/kWh	\$0.0185/therm

These proposed USF rates would result in an overall revenue increase of approximately \$28 million to the USF program. Further the combined USF/Lifeline rates represent a decrease of \$0.08 per month for an average residential gas customer utilizing 100 therms per month and an increase of \$0.33 per month for an average residential electric customer utilizing 650 kWh per month. The combined USF/Lifeline annual bill would be \$47.50 per year for an average residential customer who uses both gas and electricity, an increase of 6.82% or \$3.03 from the current level of \$44.47 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 electric Utilities. Members of the public, including members of the USF Working Group, 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 15, 2011 - PSE&G – 4:30 pm and 5:30 pm – Mt. Holly
August 16, 2011 - PSE&G – 4:30 pm and 5:30 pm – Hackensack
August 17, 2011 - PSE&G – 4:30 pm and 5:30 pm – New Brunswick
September 12, 2011 – JCP&L – 4:30 pm and 5:30 pm – Morristown
September 14, 2011 – RECO – 4:30 pm and 5:30 pm – Mahwah
September 20, 2011 – JCP&L – 4:30 pm and 5:30 pm - Freehold
September 22, 2011 – ACE – 3:30 pm and 5:30 pm– Mays Landing

At the August 17, 2011 Public Hearing in New Brunswick (“New Brunswick Hearing”), a representative from the Central New Jersey Workers Benefit Council (“Commenter”), which represents 20,000 low paid workers in Mercer County called on the Board to:

1. Oppose any automatic, self-implementing rate increases
2. Cancel the overdue bills and service disconnections for those under 300 percent of the poverty line;
3. Institute a moratorium on shutoffs during time of extreme heat or cold;
4. Compel PSE&G to negotiate reasonable payment plans for those with incomes above 300% of the poverty line who face financial hardship; and
5. Order PSE&G to repay the \$520 million, to ratepayers, that the commenter says PSE&G overcharged its customers since electric deregulation was implemented.

John Patton (Mr. Patton) also spoke at the New Brunswick hearing. Mr. Patton contended that PSE&G had incorrectly estimated his electric bill. PSE&G subsequently corrected Mr. Patton’s bill. Mr. Patton wished to speak with someone from PSE&G to clear up any confusion because he did not believe that PSE&G’s meter reading practice “is the way it is supposed to be”.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On September 9, 2011 Rate Counsel submitted comments concerning the Utilities’ compliance filing. In its comments, Rate Counsel stated that it is not opposed to the revised USF and Lifeline rates becoming effective on October 1, 2011 on an interim basis subject to refund with interest. In addition, Rate Counsel noted that it had requested additional information from ACE pertaining to approximately \$43,000 in Information Technology (“IT”) costs. Further, Rate Counsel stated that it had not received the information pertaining to ACE’s IT costs at the time it submitted its written comments. Accordingly, Rate Counsel recommended that the Board defer consideration of ACE’s IT administrative costs until Rate Counsel has completed its review of these costs.

On September 23, 2011, Rate Counsel submitted a letter to the Board, which stated that it had completed its review of ACE’s IT costs and Rate Counsel had no objection to ACE’s request for recovery of these costs from the USF Trust Fund.

Electric and Gas Utilities

On September 15, 2011 the Utilities submitted a letter to the Board, which stated that they declined to respond to Rate Counsels comments. Additionally, in this letter the Utilities noted that ACE had responded to Rate Counsel's informal data request and was working to provide Rate Counsel with the information it was seeking concerning ACE's IT costs.

DISCUSSION AND FINDINGS

After review of the compliance filings and the various submissions with reference thereto, the Board HEREBY APPROVES the following rates, with detailed calculations in Exhibit A, effective on an interim basis on November 1, 2011 unless Staff notifies the Utilities that the appropriate tariff pages are not in compliance with the requirements of this Order:

	Electric	Gas
USF	\$0.002567/kWh	\$0.0134/therm
Lifeline	\$0.000677/kWh	\$0.0051/therm
Combined USF/Lifeline	\$0.003244/kWh	\$0.0185/therm

These 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 rates that the Utilities filed on June 30, 2011, which had seven months of actual and five months of estimated data. Finally, these revised rates and budget amount of \$242.4 million reflect the fact that the Board approved a DCA administrative budget amount for 2011-2012 of \$6,727,136, which was lower than the estimate included in the June 30, 2011 filing.

The Board, finding the Utilities' request to be reasonable, also DIRECTS Staff to disburse funds to reimburse the Utilities for their USF related administrative costs, listed below, from the USF Trust Account in the first month after the new USF rate becomes effective. The Utilities have requested that their administrative costs approved for recovery be disbursed from the USF Trust Account in the first month after the new USF rates go into effect. Accordingly, the Board HEREBY APPROVES for recovery the Utilities administrative cost amounts for the period through July 31, 2011 listed below:

Actual Administrative Costs Through July 31, 2011

Public Service Electric and Gas	\$0
Elizabethtown Gas	\$0
Atlantic City Electric	\$38,126
South Jersey Gas	\$15,023
Jersey Central Power and Light	\$61,780
Rockland Electric	\$877
New Jersey Natural Gas	\$16,755
Total	\$132,561

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:

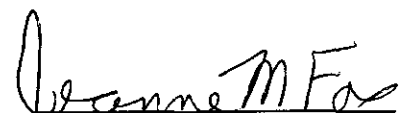
- New USF/Lifeline rates will become effective, on an interim basis, on November 1, 2011 unless Staff notifies the Utilities that the appropriate tariff pages are not in compliance with the requirements of this Order;
- USF rates will remain interim rates subject to audit and refund;
- Utilities shall 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 October 23, 2011.

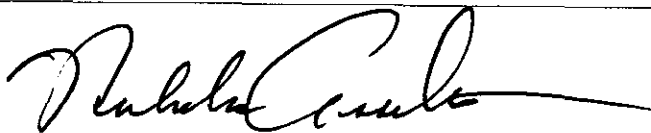
DATED: 10/13/11

BOARD OF PUBLIC UTILITIES
BY:

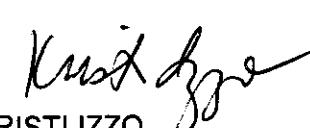

LEE A. SOLOMON
PRESIDENT

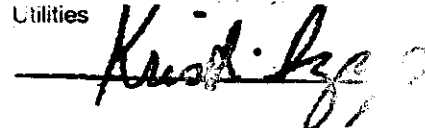

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

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

ATTEST:

KRISTI IZZO
SECRETARY



In the Matter of the 2011/2012 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. ER11070397

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**2011/2012 Annual Compliance Filing For Changes in the Statewide
Electric and Gas Permanent USF Fund Program Within SBC Rates
Docket Nos. ER11070397**

USF RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
<u>PERMANENT PROGRAM PROJECTIONS FOR 2011/2012</u>			
Administrative Costs - DCA (allocated based on benefits percentage)	\$6,727,136	\$1,814,964	\$4,912,172
Admin. Costs - Utility Postage and Handling	(\$4,476,937)	(\$1,394,865)	(\$3,082,072)
Estimate of Benefits for Program Year	\$199,180,643	\$53,738,433	\$145,442,210
Fresh Start Program Cost Estimates	<u>\$16,243,422</u>	<u>\$5,599,921</u>	<u>\$10,643,501</u>
TOTAL	\$217,674,264	\$59,758,453	\$157,915,811
Estimate of Under/(Over) Recovery at 9/30/11	\$24,740,457	(\$2,413,830)	\$27,154,287
TOTAL PERMANENT PROGRAM PROJECTIONS	<u>\$242,414,721</u>	<u>\$57,344,623</u>	<u>\$185,070,098</u>
ESTIMATES OF BENEFITS PERCENTAGES	<u>100%</u>	<u>26.98%</u>	<u>73.02%</u>
PROJECTED VOLUMES (normalized at 10/01/11)		<u>4,581,195,889</u>	<u>77,140,811,082</u>
PROPOSED PRE-TAX RATE		\$0.0125	\$0.002399
CURRENT PRE-TAX RATE		<u>\$0.0133</u>	<u>\$0.001918</u>
PRE-TAX INCREASE(DECREASE)		(\$0.0008)	\$0.000481
PROPOSED USF RATE INCLUDING TAX (@7%)		<u>\$0.0134</u>	<u>\$0.002567</u>
CURRENT USF RATE INCLUDING TAX (@7%)		<u>\$0.0142</u>	<u>\$0.002052</u>
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		(\$0.0009)	\$0.000515

LIFELINE RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
JURISDICTIONAL REVENUE PERCENTAGES	<u>100%</u>	<u>31%</u>	<u>69%</u>
LIFELINE BUDGET	\$70,790,000	\$21,944,900	\$48,845,100
PROJECTED VOLUMES		4,581,195,889	77,140,811,082
PROPOSED PRE-TAX RATE		\$0.0048	\$0.000633
CURRENT PRE-TAX RATE		<u>\$0.0049</u>	<u>\$0.000621</u>
PRE-TAX INCREASE(DECREASE)		(\$0.0001)	\$0.000012
PROPOSED LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0051</u>	<u>\$0.000677</u>
CURRENT LIFELINE RATE INCLUDING TAX (@7%)		<u>\$0.0052</u>	<u>\$0.000664</u>
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		(\$0.0001)	\$0.000013

COMBINED USF/LIFELINE RATES

	<u>GAS</u>	<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0173	\$0.003032
CURRENT PRE-TAX USF/LIFELINE RATE	<u>\$0.0182</u>	<u>\$0.002539</u>
PRE-TAX INCREASE(DECREASE)	(\$0.0009)	\$0.000493
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0185</u>	<u>\$0.003244</u>
CURRENT USF/ LIFELINE RATE INCLUDING TAX (@7%)	<u>\$0.0194</u>	<u>\$0.002716</u>
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)	(\$0.0010)	\$0.000528