



Agenda Date: 9/13/12
Agenda Item: 2M

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 2012/2013 ANNUAL)
COMPLIANCE FILINGS FOR THE UNIVERSAL)
SERVICE FUND ("USF") PROGRAM FACTOR)
WITHIN THE SOCIETAL BENEFITS CHARGE)
RATE) DOCKET NO. ER12060565

Parties of Record:

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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
Sarah Steindel, Esq., Assistant Deputy Rate Counsel, 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 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 October 13, 2011, the Board approved the proposed rates set forth in the 2011/2012 USF compliance filing in Docket No. ER11070397. The proposed rates were established to recover an approximate \$242.4 million USF budget and a \$70.79 million Lifeline budget. Accordingly, the current rates, including Sales and Use Tax ("SUT"), are:

	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

PROCEDURAL HISTORY

On June 21, 2012, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2012/2013 program year with actual cost data from October 2011 to April 2012 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 2012 and estimated administrative costs through September 2012. In addition, the

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").

Utilities³ requested full recovery of these administrative costs in the month following Board approval of the new USF rate.

In the June 21, 2012 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$226.4 million, representing a decrease of approximately \$16 million from the existing \$242.4 million being recovered under the current USF rates. The Utilities asserted that the calculations of the program costs supported the recovery of \$65.7 million for the State's Lifeline program, representing a decrease from the existing \$70.79 million being recovered under the current rates. Further, these proposed rates supported an estimated DCA administrative budget of \$7,399,850. The requested rates, including SUT, are as follows:

	Electric	Gas
USF	\$0.002373/kWh	\$0.0136/therm
Lifeline	\$0.000638/kWh	\$0.0048/therm
Combined USF/Lifeline	\$0.003011/kWh	\$0.0184/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, 2012 proposed rates were also predicated upon an estimated \$16.1 million electric under-recovery balance and an estimated \$5.8 million gas under-recovery balance as of September 30, 2012.

On July 31, 2012, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through June 30, 2012. This new information reflected a higher USF budget of approximately \$230.6 million, a gas under-recovery balance of approximately \$6.6 million, and an electric under-recovery balance of approximately \$19.6 million.

The revised 2012/2013 USF rates, including SUT and reflective of nine months of actual data and three months of estimated data, are as follows:

	Electric	Gas
USF	\$0.002422/kWh	\$0.0137/therm
Lifeline	\$0.000638/kWh	\$0.0048/therm
Combined USF/Lifeline	\$0.003060/kWh	\$0.0185/therm

On July 10, 2012, DCA submitted its USF administrative cost budget for State Fiscal Year 2013 ("FY 2013") in the amount of \$8,082,494. After subsequent review by Board Staff and revisions to the budget of the community based organizations ("CBO"), DCA resubmitted its FY 2013 budget on August 8, 2012 in the amount of \$7,948,299.00, which is approximately \$550,000 higher than the amount included in the utilities June 21, 2012 filing. This increase in DCA's administrative budget would change the proposed rates, including SUT, as follows:

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

	Electric	Gas
USF	\$0.002428/kWh	\$0.0138/therm
Lifeline	\$0.000638/kWh	\$0.0048/therm
Combined USF/Lifeline	\$0.003066/kWh	\$0.0186/therm

These USF rates, including SUT, would result in an overall budget decrease of approximately \$11 million to the USF program. Further, the combined USF/Lifeline rates represent a \$0.01 increase for an average residential gas customer utilizing 100 therms per month and a decrease of \$0.12 per month for an average residential electric customer utilizing 650 kWh per month. The combined USF/Lifeline annual bill would be \$46.23 per year for an average residential customer who uses both gas and electricity, a decrease of 2.68% or \$1.27 from the current level of \$47.50 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 gas 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 7, 2012 – NJNG – 4:30 and 5:30 pm - Freehold
- August 8, 2012 – NJNG – 4:30 and 5:30 pm – Rockaway Township
- August 15, 2012 – South Jersey Gas – 4:30 and 5:30 pm - Voorhees
- August 15, 2012 – E'Town Gas – 4:30 and 5:30 pm – Rahway
- August 20, 2012 - PSE&G – 4:30 pm and 5:30 pm – Mt. Holly
- August 22, 2012 – E'Town Gas – 4:30 pm and 5:30 pm - Flemington
- August 22, 2012 - PSE&G – 4:30 pm and 5:30 pm – New Brunswick
- August 23, 2012 - PSE&G – 4:30 pm and 5:30 pm – Hackensack

No persons appeared at any of the public hearings nor were any written comments received.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On August 24, 2012 Rate Counsel submitted comments concerning the Utilities' compliance filing. In its comments, Rate Counsel stated that it is not opposed to the proposed USF and Lifeline rates becoming effective on October 1, 2012 on an interim basis subject to audit and refund. Additionally, Rate Counsel does not object to the utilities' recovery of their actual incremental costs from the USF Trust Fund. Finally, Rate Counsel stated that it takes no position concerning the reasonableness of the proposed DCA budget of approximately \$7.95 million because it did not participate in the discussions leading to the proposed budget, and the schedule did not permit a detailed review of the DCA budget.

On September 7, 2012, Rate Counsel filed reply comments in response to the comments filed by the utilities on August 31st. In its reply comments, Rate Counsel stated that the Board must hold another public hearing if it wishes to implement a gas rate higher than the originally filed rate increase. Additionally, Rate Counsel had no objection to the implementation of the updated electric rate because the updated rate is a decrease from the current USF electric rate.

Electric and Gas Utilities

On August 31, 2012, the Utilities submitted joint comments in response to the comments that Rate Counsel filed on August 24, 2012. In their joint comments the Utilities urged the Board to approve USF and Lifeline rates that it believes to be necessary. Further, the Utilities noted that the Board has the discretion to implement rates that have been updated with additional months of actual data. Finally, the Utilities stated that more accurate USF budget projections help limit future over-recoveries or under-recoveries.

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, 2012 unless Staff notifies the Utilities that the appropriate tariff pages are not in compliance with the requirements of this Order:

	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

These USF rates reflect the gas rate increase that was included in the utilities June 21st filing, as well as the most recent updated electric rate, which is still an overall decrease from the current electric rate. The electric rate is based on nine months of actual information and three months of estimated data, and the gas rate is based on seven months of actual data and five months of estimated data. Further, this electric rate represents a more accurate projection of the upcoming USF program year's budget requirements than the electric rate that the Utilities filed on June 21, 2012, which had seven months of actual, and five months of estimated data. Additionally, these rates reflect a gas under-recovery of \$5.8 million and an electric under-recovery of \$19.6 million. Finally, these revised rates and budget amount of \$230,359,284 reflect the fact that the DCA has submitted an administrative budget amount for 2012-2013 of \$7,948,299, which is higher than the \$7,399,850 estimate included in the June 21, 2012 filing.

These USF rates, including SUT, would result in an overall budget decrease of approximately \$12 million to the USF program. Further, the combined USF/Lifeline rates represent a \$0.01 decrease for an average residential gas customer utilizing 100 therms per month and a decrease of \$0.12 per month for an average residential electric customer utilizing 650 kWh per month. The combined USF/Lifeline annual bill would be \$45.99 per year for an average residential customer who uses both gas and electricity, a decrease of 3.18% or \$1.51 from the current level of \$47.50 per year.

Accordingly, the Board **HEREBY APPROVES** for recovery the Utilities actual administrative cost amounts for the period through June 30, 2012 listed below:

Actual Administrative Costs Through June 30, 2012

Public Service Electric and Gas	\$0
Elizabethtown Gas	\$0
Atlantic City Electric	\$6,189
South Jersey Gas	\$8,500
Jersey Central Power and Light	\$12,055
Rockland Electric	\$888
New Jersey Natural Gas	\$9,341
Total	\$36,971

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, 2012 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 20, 2012.

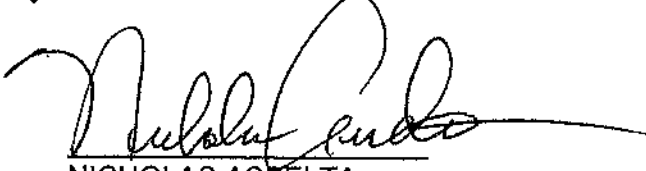
DATED: 9/13/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

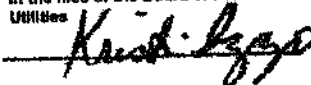

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
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



**2012/2013 Annual Compliance Filing For Changes in the Statewide
Electric and Gas Permanent USF Fund Program Within SBC Rates
Docket Nos. ER12060565**

USF RATE CALCULATION

	TOTAL	GAS	ELECTRIC	
<u>PERMANENT PROGRAM PROJECTIONS FOR 2012/2013</u>				
Administrative Costs - DCA (allocated based on benefits percentage) (1)	\$7,948,299	\$1,973,475	\$5,974,824	0.751711
Admin. Costs - Utility Postage and Handling	\$41,382	\$21,968	\$19,414	0.248289
Estimate of Benefits for Program Year	\$184,008,531	\$45,687,237	\$138,321,294	
Fresh Start Program Cost Estimates	\$12,824,608	\$4,118,548	\$8,706,060	
TOTAL	\$204,922,820	\$51,801,228	\$153,121,592	
Estimate of Under/(Over) Recovery at 9/30/12	\$25,436,464	\$5,808,008	\$19,628,456	0.751711
TOTAL PERMANENT PROGRAM PROJECTIONS	\$230,359,284	\$57,609,236	\$172,750,048	0.248289
ESTIMATES OF BENEFITS PERCENTAGES	100%	24.29%	75.71%	
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/12)		4,538,326,374	78,128,572,690	
PROPOSED PRE-TAX RATE		\$0.0127	\$0.002269	
CURRENT PRE-TAX RATE		\$0.0125	\$0.002369	
PRE-TAX INCREASE/(DECREASE)		\$0.0002	(\$0.000130)	
PROPOSED USF RATE INCLUDING TAX (@7%)		\$0.0134	\$0.002478	
CURRENT USF RATE INCLUDING TAX (@7%)		\$0.0134	\$0.002567	
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		\$0.0002	(\$0.000139)	

LIFELINE RATE CALCULATION

	TOTAL	GAS	ELECTRIC
JURISDICTIONAL REVENUE PERCENTAGES	100%	21%	69%
LIFELINE BUDGET	\$65,705,000	\$20,368,550	\$45,336,450
PROJECTED VOLUMES		4,538,326,374	78,128,572,690
PROPOSED PRE-TAX RATE		\$0.0045	\$0.000596
CURRENT PRE-TAX RATE		\$0.0049	\$0.000633
PRE-TAX INCREASE/(DECREASE)		(\$0.0003)	(\$0.000037)
PROPOSED LIFELINE RATE INCLUDING TAX (@7%)		\$0.0048	\$0.000637
CURRENT LIFELINE RATE INCLUDING TAX (@7%)		\$0.0051	\$0.000677
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)		(\$0.0003)	(\$0.000039)

COMBINED USF/LIFELINE RATES

	GAS	ELECTRIC
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0172	\$0.002865
CURRENT PRE-TAX USF/LIFELINE RATE	\$0.0173	\$0.003032
PRE-TAX INCREASE/(DECREASE)	(\$0.0001)	(\$0.000167)
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@7%)	\$0.0184	\$0.003069
CURRENT USF/LIFELINE RATE INCLUDING TAX (@7%)	\$0.0185	\$0.003244
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@7%)	(\$0.0001)	(\$0.000178)

In the Matter of the 2012/2013 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. ER12060565

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