



Agenda Date: 9/17/18
Agenda Item: 2B

STATE OF NEW JERSEY

Board of Public Utilities

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ENERGY

IN THE MATTER OF THE 2018/2019 ANNUAL)	ORDER APPROVING
COMPLIANCE FILINGS FOR THE UNIVERSAL)	INTERIM USF RATES AND
SERVICE FUND ("USF") PROGRAM FACTOR WITHIN)	LIFELINE RATES
THE SOCIETAL BENEFITS CHARGE RATE)	
)	DOCKET NO. ER18060661

Parties of Record:

- Matthew M. Weissman, Esq.**, Public Service Electric and Gas Company
- Mary Patricia Keefe, Esq.**, Elizabethtown Gas Company
- Philip J. Passanante, Esq.**, Atlantic City Electric Company
- Michael J. Connolly, Esq.**, Windels Marx Lane & Mittendorf, LLP, for Jersey Central Power & Light Company
- Andrew Dembia, Esq.**, New Jersey Natural Gas Company
- Margaret Comes, Esq.**, Rockland Electric Company
- Stacy Mitchell, Esq.**, South Jersey Gas Company
- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

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

¹ Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

State (collectively, "Utilities") on a uniform basis.² That Order established that Lifeline³ funding was to be generated in the same fashion as USF.

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 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 four EDCs and the four GDCs. 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 22, 2017, the Board approved the proposed rates set forth in the 2017/2018 USF compliance filing in Docket No. ER16060536 ("September 22, 2017 Order"). The proposed rates were established to recover an approximate \$116.7 million USF budget and a \$74.6 million Lifeline budget. Accordingly, the current rates,⁴ including Sales and Use Tax ("SUT"), are:

	Electric	Gas
USF	\$0.001483/kWh	\$0.0038/therm
Lifeline	\$0.000775/kWh	\$0.0049/therm
Combined USF/Lifeline	\$0.002258/kWh	\$0.0087/therm

² The four gas distribution companies ("GDCs") include Public Service Electric and Gas Company ("PSE&G"), Elizabethtown Gas Company ("ETG"), New Jersey Natural Gas Company ("NJNG"), and South Jersey Gas Company ("SJG"). The four electric distribution companies ("EDCs") include PSE&G, Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Company ("JCP&L") and Rockland Electric Company ("RECO").

³ Lifeline 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 ("SBC").

⁴ The SUT was reduced, effective January 1, 2018, which caused some of these rates to decrease.

PROCEDURAL HISTORY

On June 22, 2018, PSE&G, on behalf of itself and the other Utilities, made a filing for the 2018-2019 USF and Lifeline program year ("June 2018 Filing"). The June 2018 Filing included actual cost data from October 2017 to April 2018 and estimated data for May 2018 through September 2018. The parties to the June 2018 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 2018 and estimated administrative costs through September 2018. In addition, the Utilities⁵ 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 22, 2017 Order.

In the June 2018 filing, the Utilities proposed that the statewide USF rates be set to recover approximately \$106.3 million, representing a decrease of approximately \$10.4 million from the existing \$116.7 million being recovered under the current USF rates. The Utilities asserted that 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 2018 Filing include an estimated Department of Community Affairs ("DCA") administrative budget of \$6.5 million. The requested rates, including SUT, were as follows:

	Electric	Gas
USF	\$0.001256/kWh	\$0.0049/therm
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002009/kWh	\$0.0103/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 2018 Filing were also predicated upon an estimated \$19.2 million electric over-recovery balance and an estimated \$400,000 gas over-recovery balance as of September 30, 2018.

Subsequently, on August 2, 2018, the Utilities provided Staff and Rate Counsel with actual cost data, and supporting documentation through June 30, 2018. This updated information reflected a higher USF budget of approximately \$112.3 million, a gas over-recovery balance of approximately less than \$1,000, and an electric over-recovery balance of approximately \$13.5 million.

⁵ PSE&G, JCP&L, ACE, NJNG, and ETG did not request recovery of administrative expenses.

The updated 2018/2019 USF rates, including SUT, with nine months of actual data and three months of estimated data, were as follows:

	Electric	Gas
USF	\$0.001339/kWh	\$0.0049/therm ⁶
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002092/kWh	\$0.0103/therm

On August 29, 2018, the Board approved a \$6,400,005 DCA administrative budget for USF for Fiscal Year 2019 ("FY 19 USF administrative budget"), which was approximately \$113,000 less than the amount included in the June filing and August update.

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 utilities. No public hearings were held by the electric utilities as they did not propose a rate increase. 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 15, 2018 – ETG – 4:30 and 5:30 p.m. - Flemington
- August 16, 2018 – ETG – 4:30 and 5:30 p.m. – Union
- August 20, 2018 – SJG – 4:30 and 5:30 p.m. - Voorhees
- August 21, 2018 – PSE&G – 4:30 and 5:30 p.m. - New Brunswick
- August 22, 2018 – NJNG – 4:30 and 5:30 p.m. - Freehold
- August 23, 2018 – NJNG – 4:30 and 5:30 p.m. - Rockaway Township
- August 27, 2018 – PSE&G – 4:30 and 5:30 p.m. – Hackensack
- August 29, 2018 – PSE&G – 4:30 and 5:30 p.m. – Mount Holly

Two representatives from the Mercer County Workers Benefits Council spoke at the public hearing in New Brunswick. They stated that every rate increase that the Board grants, and every shut off that the Board allows, enables PSE&G to increase shareholders' profits and put more families at risk of shut offs. In addition, they said that the number of heat related deaths in the nation has increased by over fifty percent during the last twenty years. Further, they stated that the Board should: 1) reject PSE&G's proposed rate hikes entirely; 2) stop shut offs of families with chronic health problems, or families with low incomes at or below 300 percent of the federal poverty line; 3) account for and publicly report how the BPU will resolve their

⁶ The updated data provided by the Utilities on August 2, 2018 supported a USF gas rate of \$0.0050/therm, which is higher than the original increase of \$0.0049/therm that was included in the June filing. Since the \$0.0050/therm rate exceeds the rate increase that was posted in the gas utilities' Public Hearing Notices, the higher rate cannot be implemented.

outrageous high numbers of utility shut offs; and 4) use some of PSE&G's profits to increase the funding of the USF program so it would help more families.

Julieta Hernandez spoke at the New Brunswick hearing and said that there are many working people who have not seen their wages rise over the last several years. Ms. Hernandez said that many people cannot afford an increase in their utility rate, and the rates should not be increased. Three more people spoke at the New Brunswick hearing about a wide-range of topics. They spoke about the need to: 1) do more to help people with respiratory health issues; 2) increase funding for energy assistance programs; and 3) combat climate change.

POSITIONS OF THE PARTIES

Division of Rate Counsel

On September 5, 2018 Rate Counsel submitted comments concerning the June 2018 Filing. In its comments, Rate Counsel noted that the current rates, including a 6.625% SUT, that are in effect are as follows:

	Electric	Gas
USF	\$0.001483/kWh	\$0.0038/therm
Lifeline	\$0.000775/kWh	\$0.0049/therm
Combined USF/Lifeline	\$0.002258/kWh	\$0.0087/therm

Rate Counsel further noted that in the filing the utilities proposed the following rates, including a 6.625% SUT:

	Electric	Gas
USF	\$0.001256/kWh	\$0.0049/therm
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002009/kWh	\$0.0103/therm

Rate Counsel further noted that the utilities updated their original filing by replacing estimated data for the months of May and June 2018 with actual cost and revenue data for those two 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, \$1,564 in total, incurred by those utilities still recovering their administrative costs through the USF charge appear reasonable. Further, Rate Counsel noted that the DCA administrative cost of \$6,513,613 included in the June filing is significantly less than the amount budgeted by DCA last year.

Rate Counsel noted that it did not identify any serious discrepancies in the Utilities' 2018/2019 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 2018/2019 program year will be reconciled and are subject to true-up in the next Annual Compliance Filing due in June, 2019.

Rate Counsel also noted that the current filing indicates that there is an unusually high over-recovery for the 2017-2018 USF Program Year. Further, Rate Counsel stated that the utilities estimation methodology should be evaluated if a large over-recovery or under-recovery occurs for the upcoming program year.

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, 2018; 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 22, 2018 filing; the USF electric rate based upon the data contained in the Utility update from August 2, 2018; and the FY 19 DCA administrative budget, which the Board approved at its August 29, 2018 agenda meeting.

These USF rates reflect costs for the projected period of October 1, 2018 – September 30, 2019. These electric rates are based on nine months of actual information and three months of estimated data, while the gas rates are based on seven months of actual information and five 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 decrease in this year's budget may be attributed to lower gas and electric prices, reduced enrollment, and an approximate \$13.5 million program over-recovery.

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, 2018:

	Electric	Gas
USF	\$0.001338/kWh	\$0.0049/therm ⁷
Lifeline	\$0.000753/kWh	\$0.0054/therm
Combined USF/Lifeline	\$0.002091/kWh	\$0.0103/therm

These revised rates reflect an overall USF budget of approximately \$111.8 million, a gas over-recovery balance of approximately \$400,000, and an electric over-recovery balance of approximately \$13.5 million.

The combined USF/Lifeline rates represent an increase of \$1.92 for an average residential gas customer utilizing 1,200 therms per year and a decrease of \$1.29 for an average residential electric customer utilizing 7,800 kWh per year. The combined USF/Lifeline annual bill would be \$28.67 per year for an average residential customer who uses both gas and electricity, which is an increase of approximately 2.25% or \$0.62 from the current level of \$28.05 per year.

Since the 2017-2018 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, 2017. 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, 2017 through June 30, 2018 appear reasonable. Accordingly, the Board **HEREBY APPROVES**, for recovery, the Utilities' actual administrative cost amounts for the period of July 1, 2017 through June 30, 2018 listed below:

Actual Administrative Costs July 1, 2017 through June 30, 2018:

Electric Companies

JCP&L - \$0
RECO - \$298
ACE - \$0
PSE&G - \$0

⁷ The updated data provided by the Utilities on August 2, 2018 supported a USF gas rate of \$0.0050/therm, which is higher than the original increase of \$0.0049/therm that was included in the June filing. Since the \$0.0050/therm rate exceeds the rate increase that was posted in the Utilities' Public Hearing Notices, the higher rate cannot be implemented.

Gas Companies

NJNG - \$0
SJG - \$1,902
ETG - \$0
PSE&G - \$0

Total Electric/Gas Co.'s \$2,200

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, 2018.

CONCLUSION

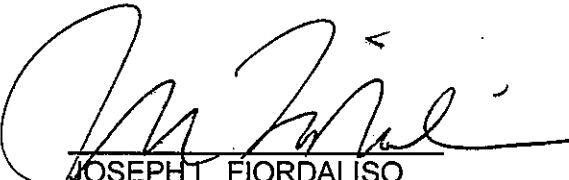
In summary, the Board **HEREBY APPROVES** the following:

- New USF/Lifeline rates will become effective, on an interim basis, on October 1, 2018;
- Utilities shall file the appropriate tariff pages prior to October 1, 2018;
- The interim USF rates approved by the Board through September 30, 2017 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 17, 2018.

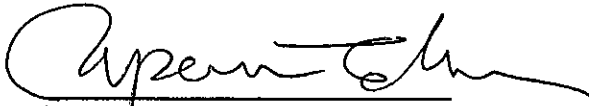
DATED: 9/17/18

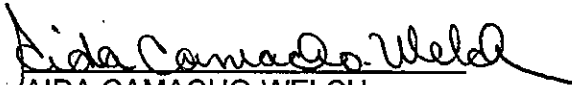
BOARD OF PUBLIC UTILITIES
BY:


JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

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

Exhibit A

**2018/2019 Annual Compliance Filing For Changes in the Statewide
 Electric and Gas Permanent USF Fund Program Within SBC Rates
 Docket Nos. ER18060661**

USF RATE CALCULATION (based on ACTUALS through June 2018)

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
PERMANENT PROGRAM PROJECTIONS FOR 2018/2019			
Administrative Costs - DCA (allocated based on benefits percentage)	\$6,400,005	\$1,095,681	\$5,304,324
Admin. Costs - Utility Postage and Handling	\$1,613	\$1,787	(\$174)
Estimate of Benefits for Program Year	\$114,680,939	\$19,633,923	\$95,047,016
Fresh Start Program Cost Estimates	\$4,646,501	\$1,333,037	\$3,313,464
TOTAL	\$125,729,058	\$22,064,428	\$103,664,630
Est. of Under/(Over) Recovery at 9/30/18 (Actuals through April/June 2018)	(\$13,932,070)	(\$396,543)	(\$13,535,527)
TOTAL PERMANENT PROGRAM PROJECTIONS	\$111,796,987	\$21,667,885	\$90,129,103
ESTIMATES OF BENEFITS PERCENTAGES	100%	17.120%	82.880%
PROJECTED VOLUMES (normalized for 12 mos beg. 10/01/18)	4,674,718,158	71,821,717,382	
PROPOSED PRE-TAX RATE		\$0.0046	\$0.001255
CURRENT PRE-TAX RATE		\$0.0036	\$0.001391
PRE-TAX INCREASE/(DECREASE)		\$0.0010	(\$0.000136)
PROPOSED USF RATE INCLUDING TAX (@6.625%)		\$0.0049	\$0.001338
CURRENT USF RATE INCLUDING TAX (@6.625%)		\$0.0038	\$0.001483
USF RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)		\$0.0011	(\$0.000145)

LIFELINE RATE CALCULATION

	<u>TOTAL</u>	<u>GAS</u>	<u>ELECTRIC</u>
JURISDICTIONAL REVENUE PERCENTAGES	100%	32%	68%
LIFELINE BUDGET	\$74,600,000	\$23,872,000	\$50,728,000
PROJECTED VOLUMES	4,674,718,158	71,821,717,382	
PROPOSED PRE-TAX RATE		\$0.0051	\$0.000706
CURRENT PRE-TAX RATE		\$0.0046	\$0.000727
PRE-TAX INCREASE/(DECREASE)		\$0.0005	(\$0.000021)
PROPOSED LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0054	\$0.000753
CURRENT LIFELINE RATE INCLUDING TAX (@6.625%)		\$0.0049	\$0.000776
LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)		\$0.0005	(\$0.000022)

COMBINED USF/LIFELINE RATES

	<u>GAS</u>	<u>ELECTRIC</u>
PROPOSED PRE-TAX USF/LIFELINE RATE	\$0.0097	\$0.001961
CURRENT PRE-TAX USF/LIFELINE RATE	\$0.0082	\$0.002118
PRE-TAX INCREASE/(DECREASE)	\$0.0015	(\$0.000157)
PROPOSED USF/LIFELINE RATE INCLUDING TAX (@6.625%)	\$0.0103	\$0.002091
CURRENT USF/ LIFELINE RATE INCLUDING TAX (@6.625%)	\$0.0087	\$0.002258
USF/LIFELINE RATE INCREASE/(DECREASE) INCLUDING TAX (@6.625%)	\$0.0016	(\$0.000167)

In the Matter of the 2018/2019 Annual Compliance Filings for the Universal Service Fund (USF)
Program Factor within the Societal Benefits Charge Rate - Docket No. ER18060661

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