



RECEIVED
AUG 18 2015
NEW JERSEY
TRENTON

Rec'd 8/19/15
CMB

State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL.
P. O. Box 003
TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

August 17, 2015

HAND DELIVERED

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: I/M/O the 2015/2016 Annual Compliance Filings for the
Universal Service Fund and Lifeline Components Within the
Societal Benefits Charge Rate Pursuant to N.J.S.A. 48:2-21 and
N.J.S.A. 48:21.1
BPU Docket No. ER15060732**

Dear Secretary Izzo:

Please accept for filing this original and ten copies of 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. Enclosed is one additional copy. Please date stamp the copy as "filed" and return to our courier. 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

CMB
Legal
Out-Of-State

compliance filing by July 1 of each year. In late June 2015, the State's seven electric and gas distribution utilities filed their 2015/2016 USF/Lifeline Annual Compliance Filings. Public Service Electric and Gas submitted the 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 \$176.0 million on a statewide basis, including \$7,413,495 for the anticipated Department of Community Affairs ("DCA") program administrator budget. Of the total \$176.0 million that is estimated to be collected under the revised USF rate, \$154.1 million is proposed to be recovered from the electric utilities and \$21.9 million is proposed to be recovered from the gas utilities. The rates, as proposed, represent an increase in the statewide electric USF rate and a decrease in the statewide gas USF rate.

In addition, the petitions seek approval for the utilities to implement Lifeline rates. The Lifeline rates include funding for the State's Lifeline program and for utility payments for WorkFirst New Jersey ("WFNJ") recipients. The proposed Lifeline rates are designed to collect \$74.2 million on a statewide basis. Of this total, \$49.7 million is proposed to be recovered from the State's electric utilities and \$24.5 million is proposed to be recovered from the State's gas utilities. The new Lifeline rates, as proposed, represent decreases in the currently effective Lifeline rates for both the electric and the gas utilities.

Both the USF and the Lifeline rates are components of each utility's Societal Benefits Charge ("SBC"). The utilities seek an October 1, 2015 effective date for the revised USF and Lifeline rates.

The currently effective USF and Lifeline rates were established by the Board's September 30, 2014 Order in the utilities' 2014/2015 USF/Lifeline Annual Compliance Filings, Docket No. ER14060613. Those rates, including the 7% Sales and Use Tax, are as follows:

	<u>Electric</u>	<u>Gas</u>
USF	\$0.001993/kWh	\$0.0110/therm
Lifeline	\$0.000738/kWh	\$0.0059/therm
Combined USF/Lifeline	\$0.002731/kWh	\$0.0169/therm

The above rates were designed to recover a statewide USF budget of approximately \$183.5 million and a statewide Lifeline and WFNJ budget of approximately \$75.5 million.

In their 2015 Annual Compliance filings, the utilities proposed the following USF and Lifeline rates (including sales and Use Tax):

	<u>Electric</u>	<u>Gas</u>
USF	\$0.002245/kWh	\$0.0051/therm
Lifeline	\$0.000724/kWh	\$0.0057/therm
Combined USF/Lifeline	\$0.002969/kWh	\$0.0108/therm

These proposed rates represent a decrease in the statewide gas USF rate, an increase in the statewide electric USF rate, and decreases in both the electric and gas Lifeline rates. The underlying rate calculations were contained in the utilities' June 2015 filings and were based on actual results for the period October 2014 through April 2015 and estimates for the period May 2015 through September 2015.

In response to a Staff Discovery request, the utilities updated their original filings by replacing estimated data for the months May and June 2015 with actual cost and revenue data for those two months. These updates, if applied, would very slightly decrease the utilities' originally proposed USF rates for the electric utilities (a \$0.000011/kWh decrease from the originally

proposed rates for the electric utilities).¹ The originally proposed gas USF rate and electric and gas Lifeline rates are unaffected by the two-month update.

In addition, the utilities' filings 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. The utilities are currently seeking recovery of actual and projected administrative costs incurred from October 1, 2014 through September 30, 2015. The following table shows the level of administrative cost for which the utilities seek recovery in this proceeding.

<u>Electric Companies</u>	
Jersey Central Power & Light Company	(\$10,809) ²
Rockland Electric Company	\$ 794
Atlantic City Electric Company	\$ 0
Public Service Electric and Gas Company	<u>\$ 0</u>
Total Electric Companies	<u>(\$10,015)</u>
<u>Gas Companies</u>	
Elizabethtown Gas Company	\$ 0
New Jersey Natural Gas Company	\$ 6,505
Public Service Electric and Gas Company	\$ 0
South Jersey Gas Company	<u>\$11,142</u>
Total Gas Companies	<u>\$17,647</u>
Total Electric and Gas Companies	<u>\$ 7,632</u>

The majority of the administrative costs shown above are postage and printing costs related to the mailing of USF related letters.

¹ See Utilities' response to SR-1.

² This credit amount results from JCP&L's transition to recovering its USF administrative costs in base rates effective April 1, 2015. See the Utilities' response to SR-3.

RATE COUNSEL'S COMMENTS

Rate Counsel has carefully reviewed the utilities' June 2015 USF and Lifeline Annual Compliance Filings. Both Rate Counsel and the Board Staff requested additional information from the utilities concerning the utilities' filings. Rate Counsel has carefully reviewed the utilities' responses thereto.

Rate Counsel examined (1) the utilities' calculation of their under/over recovery position at October 1, 2014; (2) support provided for the administrative costs (both utility specific and DCA); (3) support provided for the estimated benefits for the 2015/2016 program year; and (4) support provided for the projected sales volumes for the 2015/2016 program year.

As of October 1, 2014, the gas utilities had a combined under-recovered USF balance of \$5.6 million. The utilities projected that by September 30, 2015, the gas USF balance will be over-recovered by approximately \$11.0 million. The electric utilities started the 2014/2015 program year with a \$9.0 million under-recovery, which the companies estimate will become a \$10.7 million over-recovery by the end of the program year, September 30, 2015.

The level and type of utility-incurred administrative costs incurred by those utilities still recovering their administrative costs though the USF charge appear reasonable. Most of these costs were for postage and printing associated with USF-related letters to ratepayers. The Board has previously approved these types of costs in previous Annual Compliance Filings. Rate Counsel has no objection to their recovery in this proceeding.

The DCA administrative costs of \$7,413,495 included in the Annual Compliance Filings are based on the amount provided to the utilities in correspondence from the Board's Secretary

dated June 2, 2015.³ Rate Counsel takes no position on the reasonableness of that budget amount.

Rate Counsel did not identify any serious discrepancies in the utilities' 2015/2016 Annual Compliance Filings. However, actual USF and Lifeline costs and recoveries are likely to not precisely track the utilities' projections as reflected in the Compliance Filing. Any over or under-collections that may result from the 2015/2016 program year will be reconciled and are subject to true-up in the next Annual Compliance Filings due on or about June 20, 2016. Based on the above, Rate Counsel is not opposed to the proposed USF and Lifeline rates becoming effective on October 1, 2015. In accordance with the Board's established practice, the USF rates should remain interim and subject to audit and refund.

As noted above, the utilities' updated calculations reflecting two additional months of actual data would result in a very slight decrease in the USF rates for the electric utilities. Rate Counsel would have no objection to the implementation of either the originally filed or updated electric USF rate.

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 2015 in the reconciliation to be reflected in the utilities' 2016/2017 Annual Compliance Filing); (2) takes no position on the reasonableness of the DCA's proposed budget for the administration of the USF program; (3) does not object to the Board making the proposed

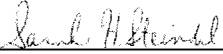
³A copy of the letter was provided by the Utilities in response to RCR-4.

Irene Kim Asbury, Secretary
August 17, 2015
Page 7

USF and Lifeline rates effective October 1, 2015; (4) would not object to the implementation of either the originally filed or electric USF rates.

Respectfully submitted,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 

Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

- c: Richard Mroz, President (hand delivered)
Joseph L. Fiordaliso, Commissioner (hand delivered)
Mary-Anna Holden, Commissioner (hand delivered)
Dianne Solomon, Commissioner (hand delivered)
Uendra Chivukula, Commissioner (hand delivered)
Service List (via hand delivery or regular mail, and by e-mail)

*** Denotes parties receiving hard
copies**

* Matthew M. Weissman, Esq.
PSEG Services Corporation
80 Park Plaza, T05
Newark, NJ 07102

* Sarah H. Steindel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Newark, NJ 08625

*David Peterson
Chesapeake Regulatory Consulting
Inc.
10351 Southern Maryland Blvd.
Suite 202
Dunkirk, MD 20754-9500

* Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue- 9th Fl.
P.O. Box 350
Trenton, NJ 08625-0350

* Caroline Vachier, DAG
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

*Patricia A. Krogman, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

*Deborah M. Franco, Esq.
Cullen and Dykman LLP
Garden City Center
100 Quentin Roosevelt Blvd.
Garden City, NY 11530-4850

*Mary Patricia Keefe, Esq.
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

*Philip J. Passanante,
Associate General Counsel
Atlantic City Electric Company
P.O. Box 6066
Newark, DE 19714-6066

*Andrew K. Dembia, Esq.
New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719

*Michael J. Connolly, Esq.
Windels Marx Lane &
Mittendorf LLP
One Giralda Farms
Madison, NJ 07940

*Margaret Comes, Esq.
Consolidated Edison Co. of NY
Law Dept., Room 1815-S
4 Irving Place
New York, NY 10003

* Ira G. Megdal, Esq.
Cozen O'Connor
457 Haddonfield Road , Suite 300
LibertyView
Cherry Hill, NJ 08002

* Stefanie A. Brand, Director
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Brian Lipman, Esq.
Division Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Ami Morita, Esq.
Division Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625

Lisa Guskas, Paralegal
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Temton, NJ 08625

William Agee, Esq.
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Alice Bator, Bureau Chief
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Andrea Reid
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Maureen Clerc
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Stacy Peterson
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Julie Ford-Williams, Supervisor
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Eric Hartsfield, Director
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Peter Hilerio
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Albert Weierman
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Jerome May, Director
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Eleana Lihan
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

John Zarzycki
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350

Geoffrey Gersten, DAG
NJ Dept. Of Law and Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102

Kenneth T. Maloney, Esq.
Cullen and Dykman
1101 Fourteenth Street, NW
Washington, DC 20005

Thomas Kaufmann,
Manager, Rates & Tariffs
Elizabethtown Gas
300 Connell Drive, Suites 3000
Berkeley Heights, NJ 07922

Susan Potanovich
Elizabethtown Gas
300 Connell Drive, Suites 3000
Berkeley Heights, NJ 07922

Stacy Hertzfeld
Pepeco Holdings, Inc.
New Castle Regional Office
401 Eagle Run Road
Newark, DE 19714

Roger E. Podersen, Manager, NJ
Regulatory Affairs
Atlantic City Electric Company
63ML38
5100 Harding Highway
Mays Landing, NJ 08330

Joseph Janocha, PF
Atlantic City Electric Company
63ML38
5100 Harding Highway
Mays Landing, NJ 08330

Timothy J. White
P.O. Box 6066
500 North Wakefield Drive
Newark, Delaware 19714-6066

Dorothy A. Robinson
P.O. Box 6066
500 North Wakefield Drive
Newark, Delaware 19714-6066

Mark Mader
Jersey Central Power & Light Co.
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962

Sally J. Cheong, Manager-Tariff
Activity, Rates NJ
Jersey Central Power & Light Co.
300 Madison Avenue
P.O. Box 1911
Morristown, NJ 07962

Tina Trebino
NJ Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719

Marianne Harrell
NJ Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719

John L. Carley, Esq.
Consolidated Edison Co. of NY
Law Dept., Room 1815-S
4 Irving Place
New York, NY 10003

William A. Atzl, Jr.
Rockland Electric Company
4 Irving Place
Room 515-S
New York, NY 10003

Cheryl Ruggiero
Rockland Electric Co.
4 Irving Place, 2nd Floor East
New York, NY 10003

Robert Beerely
Rockland Electric Company
4 Irving Place
2nd Floor East
New York, NY 10003

Barbara DeVito
Orange and Rockland Utilities, Inc.
390 West Route 59
Spring Valley, NY 10977

S. Renee Farmer, Manager
Rates & Revenue Requirements
South Jersey Gas Company
One South Jersey Plaza, Route 54
Folsom, NJ 08037

James Fredericks
So. Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Carolyn A. Jacobs
Rates & Revenue Requirements
South Jersey Gas
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Connie Lembo
Public Service Electric & Gas Co.
80 Park Plaza, T-8
Newark, NJ 07101