



Jan
Sept. 6, 2018

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PHIL MURPHY
Governor

SHEILA OLIVER
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**RECEIVED
CASE MANAGEMENT**

STEFANIE A. BRAND
Director

SEP 06 2018

BOARD OF PUBLIC UTILITIES September 5, 2018
TRENTON, NJ

HAND DELIVERED

Ms. Aida Camacho-Welsh, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**RECEIVED
MAIL ROOM**

SEP 05 2018

**BOARD OF PUBLIC UTILITIES
TRENTON, NJ**

**Re: I/M/O the 2018/2019 Annual Compliance Filing For a Change
in the Statewide Electric and Gas Permanent Universal Service
Fund Program Factors within the Electric and Gas Societal
Benefits Charge Rate Pursuant to N.J.S.A. 48:2-21 and
N.J.S.A. 48:21.1
BPU Docket No. ER18060661**

Dear Secretary Camacho-Welsh:

Please accept for filing an 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

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compliance filing by July 1 of each year. On or about June 22, 2018, the State's seven electric and gas distribution utilities (collectively "Utilities") filed their 2018/2019 USF/Lifeline Annual Compliance Filings (Public Service Electric and Gas submitted the rate calculation on behalf of all of the utilities). Within these filings, the State's Utilities collectively seek Board approval for USF rates designed to recover \$106.3 million on a statewide basis (down from \$121.6 million last year), including \$6,513,613 for the anticipated Department of Community Affairs ("DCA") program administrator budget (down from \$7,365,296 last year). Of the total \$106.3 million that is estimated to be collected under the revised USF rate, approximately \$84.6 million is projected to be recovered from the electric utilities and approximately \$21.7 million is projected to be recovered from the gas utilities. The USF rates, as proposed, represent an increase in the rate for New Jersey gas utilities and a decrease in the rate for the electric utilities when compared with USF rates that are currently in effect.

In addition, the petitions seek Board approval for the Utilities to collect \$74.6 million, again on a statewide basis, for the State's Lifeline program (the same amount as was requested the last two years). Of this total, approximately \$50.7 million is projected to be recovered from the State's electric utilities and \$23.9 million is projected to be recovered from the State's gas utilities. The new Lifeline rates, as proposed, represent an increase in the currently effective gas Lifeline rate and a very slight reduction in the currently effective electric Lifeline rate.

Both the USF and the Lifeline rates are components of the Utilities' Societal Benefits Charge ("SBC"). The Utilities request an October 1, 2018 effective date for the revised USF and Lifeline rates.

The currently effective USF and Lifeline rates were established by the Board's September 22, 2017 Order in the Utilities' 2017/2018 USF/Lifeline Annual Compliance Filings, Docket No. ER17060676. Those rates, including a 6.625% Sales and Use Tax, are as follows:

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

In their 2018/2019 Annual Compliance filings, the Utilities proposed the following USF and Lifeline rates (including a 6.625% Sales and Use Tax):

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

The above proposed rates represent decreases for the electric companies for both the USF and Lifeline rates and increases for the gas utilities in both the USF and the Lifeline rate. The USF rates shown above are designed to recover \$106.3 million on a statewide basis. The Lifeline rates are designed to recover \$74.6 million for the Lifeline low-income program. These calculations were contained in the Utilities' June 2018 filings and were based on actual results for the period October 2017 through April 2018, and estimates for the period May 2018 through September 2018 and for the 2018/2019 USF Program Year, which runs from October 2018 – through September 2019.

In response to a Board Staff Discovery request, the Utilities updated their original filings by replacing estimated data for the months May and June 2018 with actual cost and revenue data for those two months. These updates, if implemented, have no impact on the proposed Lifeline rates and relatively minor impacts on the proposed gas and electric USF rates.

The Utilities' June 2018 filings also 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. Only two utilities (South Jersey Gas and Rockland Electric) are currently seeking recovery of actual and projected administrative costs. South Jersey Gas projects that it will seek recovery through the USF of \$2,238 for administrative expenses incurred between July 2017 and September 2018. Rockland projects that it will seek recovery of \$298 for administrative expenses incurred during the same period of time. Both utilities claim that their administrative expenses were in the form of printing and mailing costs for letters sent to USF and Fresh Start Initiative participants.¹

Lastly, the Utilities request in this proceeding that the 2017/2018 current USF and Lifeline interim rates, approved in the September 22, 2017 USF Order, also be made final.

RATE COUNSEL'S COMMENTS

Proposed USF and Lifeline Rates

The Division of Rate Counsel has carefully reviewed the Utilities' June 2018 USF and Lifeline Annual Compliance Filings. The Board Staff and Rate Counsel have each requested additional information from the Utilities concerning the Utilities' filings. Rate Counsel has carefully reviewed the Utilities' responses thereto.

¹ See Utilities response to S-USF-0003, Attachment.

Rate Counsel examined (1) the Utilities' calculation of their under/over recovery position at October 1, 2017; (2) support provided for the administrative costs (both utility specific and DCA); (3) support provided for the estimated benefits for the 2018/2019 program year; and (4) support provided for the projected sales volumes for the 2018/2019 program year.

As of October 1, 2017, the gas utilities had a combined over-recovered USF balance of approximately \$24.0 million. The Utilities project that by September 30, 2018, the USF balance will be over-recovered by approximately \$19.6 million. The projected over-recovered balance is used to offset USF administrative (primarily DCA) and estimated benefits for the next program year.

The level and type of utility-incurred administrative costs, \$1,564 in total, appears reasonable. As stated previously, the majority of administrative costs incurred by the utilities are for postage associated with mailing USF-related letters to ratepayers. The Board, in the past, has approved these types of costs in previous Annual Compliance Filings. Rate Counsel has no objection to their recovery in this proceeding.

As for the DCA administrative costs included in the Annual Compliance Filings, the amount, i.e., \$6,513,613 is significantly less than that budgeted by DCA last year. However, Rate Counsel takes no position on the reasonableness of that budget amount.

Rate Counsel did not identify any serious discrepancies in the Utilities' 2018/2019 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 in USF that may result from the 2018/2019 program year will be reconciled and are subject to true-up in the next Annual Compliance Filings due in June 20, 2019.

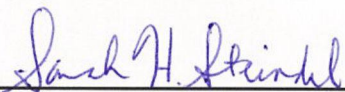
Rate Counsel does wish to note the unusually high over-recovery for the 2017/2018 USF Program Year that was reflected in the current filing. If a large over-recovery (or under-recovery) occurs for the upcoming USF Program year, the utilities' estimation methodologies should be evaluated to assure they are as accurate as possible,

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 2016 in the reconciliation to be reflected in the utilities' 2019/2020 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 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.

Respectfully submitted,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 

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Assistant Deputy Rate Counsel

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