



Agenda Date: 10/3/07
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
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DIVISION OF ENERGY

IN THE MATTER OF THE ESTABLISHMENT OF) ORDER
A UNIVERSAL SERVICE FUND PURSUANT TO)
SECTION 12 OF THE ELECTRIC DISCOUNT) REGARDING THE USF
AND ENERGY COMPETITION ACT OF 1999) OPERATIONAL PROCESSES

DOCKET NO. EX00020091

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background/Procedural History

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA or the Act) established the Universal Service Fund (USF). The Act directed the New Jersey Board of Public Utilities (Board), inter alia, to determine for the USF the level of funding, the appropriate administration, and the purposes and programs to be funded. N.J.S.A. 48:3-60(b).

On April 30, 2003, in Docket No. EX00020091 (April 30, 2003 Order), the Board approved a permanent USF program to ensure that low-income customers have access to more affordable energy. The Board ordered that the program be operated on a state-wide basis and funded through uniform charges on customers' electric and natural gas bills through the Societal Benefits Charge collected pursuant to N.J.S.A. 48:3-60(a).

The USF program has been intentionally linked to the Federal Low Income Home Energy Assistance Program (LIHEAP), and is now administered by the Department of Community Affairs (DCA), in order to take advantage of the existing infrastructure already in place to administer LIHEAP.¹ Through a shared application and database system, repetition of

¹ On November 21, 2001 Docket No. EX00020091 the Board Ordered that "The LIHEAP eligibility requirements be used for the purpose of establishing eligibility for interim USF assistance since the LIHEAP does not have an age based eligibility requirement", pages 20, 24. The Board subsequently affirmed the Staff's proposal that: "Eligibility would be calculated based on 175% of the Federal Poverty Level (FPL), which is the current standard for LIHEAP" in Docket No. EX00020091, April 30, 2003, pages 2-4.

administrative resources was reduced and applicants were conveniently able to apply for both programs simultaneously.

Board Staff has reviewed two USF policy issues relating to the reapplication and recertification of benefits, and made specific recommendations to the Board, with input from stakeholders, to improve the operation and administration of the program in these two areas. These two policy issues are explained in detail and considered by the Board below.

REAPPLICATION:

A USF policy issue has arisen concerning how and when a USF benefit amount changes. Upon enrollment in USF, a recipient's benefit amount is calculated to be provided in equal installments over a 12 month period. Because the USF and LIHEAP programs share the same application, database, and application in-take agency network, applicants who submit an application during the heating season apply simultaneously for USF and LIHEAP. For these applicants, the LIHEAP grant received is deducted from the applicant's energy burden before the USF benefit amount is determined as required in the Board's April 30, 2003 Order.² An issue arises because LIHEAP applications are only accepted during the heating season, while USF applications may be submitted throughout the year. If an applicant applies for USF during the non-heating season generally April-October ("Summer Months"), no LIHEAP grant is received at that time and therefore is not deducted from the applicant's energy burden before the USF benefit is determined. Yet, if the USF summer enrollee subsequently applies for LIHEAP during the heating season (and thereby submits updated income and energy burden information), that application is processed as a new application for both LIHEAP and USF.

In the USF/LIHEAP database system, applicants who fall into the latter category described above currently are handled in one of the following two ways depending on the factors described below:

- 1) If the eligibility determination of the new USF/LIHEAP application results in a change to the USF benefit amount, other than a result of no benefit eligibility as discussed in number 2 below, the USF benefit is adjusted to the appropriate amount. This ensures that the LIHEAP grant is deducted from the energy burden before the USF benefit amount is determined. For these updated applicants, the USF benefit year begins again for 12 months prospectively, at the new benefit amount. This process also brings the recipient's different USF and LIHEAP application periods into alignment. Thereafter, the recipient only needs to submit one application once a year to receive consideration for both energy assistance programs.
- 2) If the new USF/LIHEAP application would make the USF beneficiary ineligible to receive USF (due to the energy burden being below the energy affordability threshold), the USF benefit amount remains at the existing benefit level for the duration of the initial 12

² The Board's Order in I/M/O Establishment of a Universal Service Fund Pursuant to Section 12 of the Electric Discount and Energy Competition Act 1999, Docket No. EX00020091 (April 30, 2003), provides that: "USF credit will be calculated by applying the customer's required affordable energy payment ... to the annual electric or gas bill. This amount, in addition to the amount of LIHEAP or Lifeline benefit which the customer receives, will be subtracted from the estimated annual bill. If the PIPP [Percentage of Income Payment Plan] calculated percentage of annual income as well as LIHEAP and Lifeline benefits does not cover the net energy burden, the USF credit will be applied up to \$1800. The amount of the credit will be applied evenly over a twelve-month period in equal installments. The customer is responsible for payment of the remainder of the bill after application of the credit in addition to the original 6% of income payments."

month USF benefit year. In order to accomplish this result the system rejects the USF portion of the USF/LIHEAP application. Even though the recipient's second application may result in a LIHEAP grant, no change to the USF benefit amount occurs. The USF recipient will need to submit another USF only application outside of the heating season at the end of the USF benefit year to receive consideration for USF again.

Staff has informed the Board that consideration of the two current processes for reapplication outlined above brings to light a discrepancy that needs to be addressed. The Board has made clear in its prior Orders that LIHEAP and/or Lifeline benefits received must be deducted from a USF applicant's energy burden before the ratepayer-funded USF benefit amount is determined. Therefore Staff recommends that the second scenario on page two be discontinued because it is inconsistent with the Board's April 30, 2003 Order which requires the deduction of LIHEAP grants from the energy burden and because it also allows for the rejection of some USF applications submitted during the heating season by summer USF enrollees, which perpetuates the problem of misaligned application periods. Instead Staff recommends that USF benefits for these recipients be adjusted to the minimum of \$5 per month/\$60 per year and that the change trigger a new benefit year. Staff recommends that the Board adopt this procedure subject to further review by the Board in order comprehensively consider the implications of such modifications upon heavily interdependent program issues. Failure to deduct the LIHEAP grant from the second group's energy burden, in addition to being inconsistent with prior Board Orders, is unfair to those recipients in the first group who do have the LIHEAP grant deducted and their USF benefit amount changed for the upcoming 12 months. Recipients who apply for USF outside of the heating season should be treated as similarly as possible to those who apply for USF within the heating season. Staff also recommends that the existing procedures described in the first scenario on page two be affirmed by the Board.

After careful consideration, the Board **HEREBY FINDS** that the recommended reapplication process which is intended to ensure that the USF beneficiary will still receive 12 months of USF benefits, based on the initial eligibility determination, and that USF applicants, who enroll during the summer, will not continue to be forced to reapply for USF outside of the heating season is a reasonable interim step towards treating all USF applicants in a consistent manner. Submitting the same application twice a year each year can be burdensome on low-income families. By re-starting the USF benefit year at the new benefit amount, the USF and LIHEAP program application periods will coincide from that point forward which will be easier for applicants and will also free up resources for the agencies that process applications.

As to Staff's recommendation that the existing procedures as described in the first scenario on page two be affirmed by the Board, the Board concurs and **HEREBY FINDS** that the recommended process, whereby USF benefits are adjusted to ensure that the LIHEAP grant is deducted from the energy burden before the USF benefit amount is determined, is consistent with the Board's April 30, 2003 Order.

For the foregoing reasons, the Board **HEREBY AFFIRMS AND APPROVES** the current reapplication process described in number 1, page 2 above.

Further, the Board **HEREBY ORDERS** that the current reapplication process (described in number 2, page 2 above) be discontinued and the following process be instituted subject to further review by the Board in order to comprehensively consider the implications of such modification upon heavily interdependent program issues:

- USF recipients who enroll in USF outside of the heating season and later submit a second USF/LIHEAP application during the heating season that would cause them to be

ineligible for USF before the 12 months of their current benefit year is up, shall have their USF benefit amount adjusted to the minimum \$5 per month/\$60 per year for the next 12 months as appropriate.

RECERTIFICATION:

In order to improve the operation and efficiency of the USF program, the DCA has proposed a recertification process to streamline the application renewal process for current USF enrollees, as well as the agency staff that process these applications. Currently, there is no differentiation between the application that an enrollee in the program must submit for a renewal of the enrollee's USF benefit and the application that a new applicant must submit to receive initial consideration for a USF benefit. Both current USF enrollees and new applicants are required to fill out the same three-page USF application and submit the same documentation in order to renew the benefits for another year. Yet, some of the information and required documentation on the full application may not change from the previous year and therefore does not need to be submitted again in order to renew an enrollee's USF benefits for another year. Additionally, requiring resubmission of information that has not changed is not an efficient use of USF program administrative resources.

Board Staff has worked with the DCA Staff and stakeholders to alleviate this problem and create a revised recertification process and form that is both simpler for current enrollees to fill out and easier for agency staff to process. The resulting recertification process requests all of the information needed to renew an enrollee's USF benefit on a streamlined recertification form. The recertification form will be mailed to current USF enrollees prior to the expiration of their benefits, so they may fill out the form and return it to agency staff for processing. The recertification process will be easier for applicants and enable agency staff to process benefits much faster. Also, the efficiency gained from the recertification process will enable agency staff to focus their attention towards other USF related tasks, which should improve the efficiency of the overall operation of the USF program.

The proposed recertification process requires that the USF enrollee, whose address has not changed, need only provide updated income and household composition information so the continued eligibility for benefits, as well as the amount of their benefit may be accurately determined and in a timely manner. The recertification process will ask USF enrollees to provide the following information on the recertification form and mail the form back:

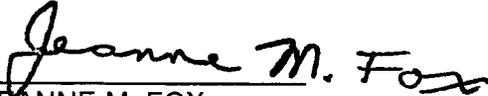
- 1) Indicate whether there have been any changes in the composition of their household size;
- 2) Provide current income information for all members of the household who are 18 years of age or older; and
- 3) Submit recent copies of their heating bill from the primary home heating supplier, electric bill and gas bill.

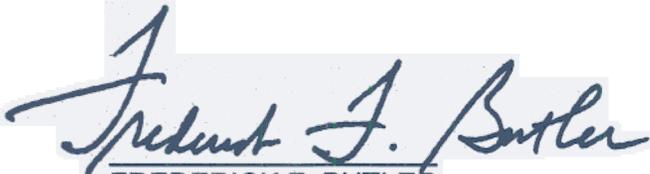
Agency staff will then screen the information contained on the recertification form to determine if the enrollee is still eligible to receive a USF benefit, as well as the amount of the benefit.

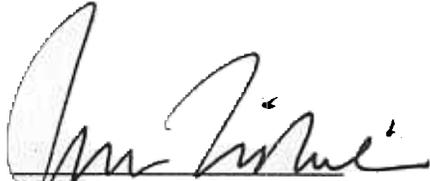
The Board **HEREBY FINDS** that the recommended recertification process, whereby USF/LIHEAP recipients may update their eligibility information is intended to make the process easier for such recipient and enable accurate and timely benefits determinations by program staff, is reasonable. Accordingly, for the foregoing reasons, the Board **HEREBY APPROVES** the recertification process, as described above for the USF program.

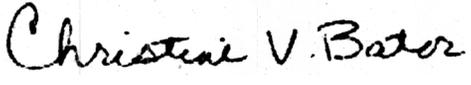
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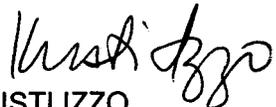
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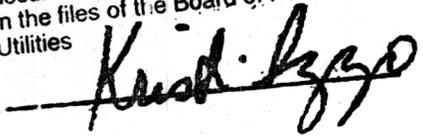

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I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities


I/M/O THE ESTABLISHMENT OF A UNIVERSAL SERVICE
FUND PURSUANT TO SECTION 12 OF THE ELECTRIC
DISCOUNT AND ENERGY COMPETITION ACT OF 1999-
REGARDING THE USF OPERATIONAL PROCESS

DOCKET NO. EX00020091

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