



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

AUDITS

IN THE MATTER OF THE DEPARTMENT)
OF COMMUNITY AFFAIRS' STATE)
FISCAL YEAR 2011 UNIVERSAL SERVICE)
FUND ADMINISTRATIVE COST BUDGET)

ORDER APPROVING
BUDGET

DOCKET NO. EO10090640

(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 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 Board also determined in this Order that initial administrative expenses would be capped at ten per cent (10 %) of the program costs or \$3 million. Further, the Board determined it must approve additional expenses above \$3 million in advance.

In its order dated July 16, 2003, in Docket Number EX00020091, the Board clarified that this cap would total \$3 million, and any administrative costs (excluding one-time start-up costs) exceeding this amount must be approved in advance by the Board. The Board also stated that the USF would be an ongoing, evolving program, subject to review and amended as necessary. In this same Order, the Board designated the Department of Human Services ("DHS") as the USF program administrator.

The USF program was intentionally linked to the Federal Low Income Home Energy Assistance Program ("LIHEAP") in order to take advantage of the existing infrastructure already in place to administer LIHEAP. Through a shared application and database system, repetition of administrative resources was reduced and applicants were conveniently able to apply for both

programs simultaneously. LIHEAP was jointly administered by DHS and the Department of Community Affairs ("DCA") when the permanent USF program was authorized by the Board.

On August 31, 2006, DCA was designated as the State's administrator of LIHEAP. The DCA Commissioner sent a letter dated September 21, 2006, requesting that the Board designate the Department of Community Affairs as the Universal Service Fund program administrator. On October 23, 2006, the Board changed the USF program administrator from DHS to DCA. By December 2006, DCA assumed full responsibility as USF program administrator.

On July 31, 2009, the Board approved the projected State Fiscal Year 2010 ("FY 2010") DCA USF administrative cost budget in the amount of \$7,298,602.00. The FY 2010 Budget encompassed an increase above the \$3 million cap instituted in the April 2003 Order, which required Board approval prior to such expenditures.

DISCUSSION

On May 18, 2010, DCA submitted its USF administrative cost budget for State Fiscal Year 2011("FY 2011") in the amount of \$7,124,602. After subsequent review by Board Staff (Staff) and revisions to the budget formats of the community based organizations ("CBO"), DCA resubmitted its FY 2011 budget on August 26, 2010, in the amount of \$6,941,513. The FY 2011 DCA USF budget has decreased by \$357,089 from the FY 2010 budget. This decrease is due to the implementation of a more precise budget tool that helps to standardize accounting for costs across all agencies.

The FY 2011 budget is broken down as follows:

DCA	\$1,074,420
Subgrantees-	
County Welfare Organizations	\$198,800
Community Based Organizations	<u>\$5,668,293</u>
Total	\$6,941,513

Staff and DCA, with the advice of the accounting and consulting firm of WithumSmith+Brown, created a streamlined budget format for the USF administrative budget. Because USF and LIHEAP share an application and administrative structure, the community based organizations were instructed to report their total costs for administering these energy assistance programs using the revised budget template. The percentage of the total cost to each program was then allocated based upon the number of USF or LIHEAP applications processed by each agency during the previous year. This approach will ensure the administrative cost budget is prepared in a uniform manner, consistent with the actual work performed by the agencies. These changes have resulted in a more accurate representation of the actual costs associated with the USF and LIHEAP programs.

It has been over seven years since the Board created the permanent USF program in its April 2003 Order and during that time the administrative costs for the program have remained low in relation to the yearly program cost, despite the fact that the overall cost of the program has increased from \$30 million in 2003 to \$195 million for the 2009-2010 program year. The DCA's proposed administrative budget for the 2010-2011 program year does present administrative costs above the \$3 million cap that was instituted in the April 2003 Order, which accordingly requires Board approval prior to such expenditures.

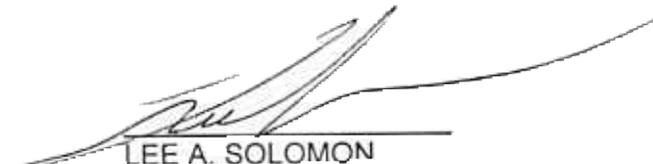
Staff has reviewed DCA's proposed budget and has found the costs listed therein appear to be appropriate and necessary for the administration of the USF program by the DCA. Staff has reviewed the Administrative Budget for the 2010-2011 program year and concluded the costs are proportionally justified, relative to the enrollment size and participation in the program. Therefore, Staff recommends the Board approve this budget. It is noted that the budget is an estimate. As per the Board's Memorandum of Understanding with DCA, DCA shall submit to the Board, on a quarterly basis, a billing for actual USF administrative costs incurred. Payment of said costs will be considered by the Board upon receipt of these billings.

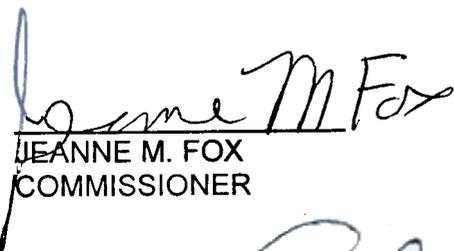
FINDINGS AND ORDER

Accordingly, the Board HEREBY FINDS that DCA has adequately justified its FY 2011 USF administrative cost budget and HEREBY APPROVES said budget in the amount of \$6,941,513. The DCA FY 2011 USF administrative cost budget summary is attached hereto as schedule A.

DATED: 10/5/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

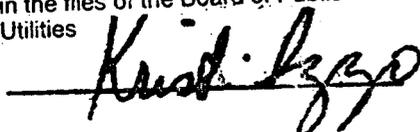

NICHOLAS ASSELTA
COMMISSIONER


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COMMISSIONER


ELIZABETH RANDALL
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



IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS
STATE FISCAL YEAR 2011 UNIVERSAL SERVICE
FUND ADMINISTRATIVE COST BUDGET
DOCKET NO. EO10090640

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STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
DCA USF BUDGET - EXPENSE SUMMARY
FY 2011

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Prepared By: Jose Sanchez

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BUDGET CATEGORIES COSTS	TOTAL	HEA	USF
A. PERSONNEL AND FRINGE	\$ 1,226,622	\$ 620,906	\$ 605,716
B. CONSULTANTS AND PROFESSIONAL FEES	\$1,012,058	\$683,704	\$328,354
C. MATERIALS AND SUPPLIES	\$28,000	\$ 18,200	\$ 9,800
D. OTHER	\$373,000	\$242,450	\$130,550
DCA SUB TOTAL COST	\$ 2,639,680	\$ 1,565,260	\$ 1,074,420
County Welfare Agencies	\$568,000	\$369,200	\$198,800
Community Based Organizations (CBO's)	\$ 16,470,854	\$ 10,802,561	\$ 5,668,293
Subgrantees SUB TOTAL COST	\$17,038,854	\$11,171,761	\$5,867,093
TOTAL COST (DCA & Subgrantees)	\$19,678,534	\$12,737,021	\$6,941,513