



Agenda Date: 8/7/19
Agenda Item: 2F

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE UNIVERSAL SERVICE)
FUND PROGRAM)
)
)
)
) DOCKET NO. EO19030308

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Fidel Ekhelar, Director, New Jersey Department of Community Affairs

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"), was signed into law on February 9, 1999. Among other things, the Act provides:

There is established in the Board of Public Utilities a non-lapsing fund to be known as the "Universal Service Fund." The Board shall determine: the level of funding and the appropriate administration of the fund; the purposes and programs to be funded with monies from the fund; which social programs shall be provided by an electric public utility as part of the provision of its regulated services which provide a public benefit; whether the funds appropriated to fund the "Lifeline Credit Program" established pursuant to P.L. 1979, c. 197 (C.48:2-29-15 et seq.), the "Tenants' Lifeline Assistant Program" established pursuant to P.L. 1981, c. 210 (C. 48:2-29.31 et seq.), the funds received pursuant to the Low-Income Home Energy Assistance Program established pursuant to 42 U.S.C.s. 8621 et seq., and funds collected by electric and natural gas utilities, as authorized by the Board, to off-set uncollectible electricity and natural gas bills should be deposited in the fund; and whether new charges should be imposed to fund new or expanded programs.

On April 30, 2003, the Board of Public Utilities ("Board") established the Universal Service Fund ("USF") program in Docket No. EX10020091 ("April 2003 order") to ensure that low-income electric and natural gas customers have access to more affordable energy. The April 2003 order stated that USF would be "an on-going, evolving program, subject to review, and amended as

necessary." 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 ("USF rate") through the Societal Benefits Charge collected pursuant to N.J.S.A. 48:3-60(a).

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 at the same time. USF and LIHEAP are jointly administered by the Department of Community Affairs ("DCA").

In the April 2003 order, the Board created two main eligibility requirements for receiving USF benefits: 1) an applicant must have income no greater than 175 percent of the Federal Poverty Level ("FPL"); and 2) an income-eligible applicant must spend: a) more than three percent of their annual income on natural gas; b) more than three percent of their annual income on non-heating electric; or c) more than 6% of their annual income on electric heat. The Board capped USF benefits at \$150 per month or \$1,800 per year. USF benefits are distributed directly to the utility companies and are seen as monthly bill credits on participating customers' electric and/or gas bills.

DISCUSSION

As it has been 16 years since the USF program's inception, Board Staff sought public input concerning how the USF program could better serve the needs of New Jersey's low-income population. Board Staff therefore issued a Public Notice ("Notice") on April 10, 2019 requesting comment on the USF program. This Notice was: posted at the Board's office; was posted to the Board's website; and was emailed out to numerous potentially interested parties. The Notice announced a public stakeholder meeting at the Board's 44 South Clinton Avenue office on May 10, 2019 and also indicated that written comments would be accepted by the Board until May 24, 2019. In the Notice, the public was welcomed to comment on any aspect of the USF program, but specifically asked for comment on the following four items:

1. Should the USF Income Ceiling be increased from 175% FPL to 185%?
2. Should the USF Energy Affordability Threshold and/or screening process be reexamined?
3. Should the USF benefit cap be adjusted from \$150/month (\$1,800 per year) or be changed for certain heating types?
4. Should a one-time USF "incentive credit" be provided as a USF bill credit to households who participate in either the Board's Comfort Partners program or the Department of Community Affairs' Weatherization Assistance Program? If so, what would a reasonable credit amount be?

The USF stakeholder meeting was attended by approximately 40 members of the public representing public interest groups, utility companies, state agencies, a public policy research firm, non-profits, energy efficiency and weatherization organizations, and USF application agencies. Public comments from seven different organizations were provided at the public stakeholder meeting and in written form. These comments are summarized below:

AARP

AARP is generally supportive of the USF program and believes that it is important to improve the program. AARP believes that issues relating to the USF program are complex and that the Board should engage in a comprehensive analysis to obtain additional information before modifying the program. AARP suggests that the Board explore whether the cost of the program can be shared between ratepayers and shareholders. Finally, AARP recommends that the Board ensure adequate and effective outreach to facilitate enrollment in USF. On the Board's specific requests for comment, AARP recommends:

- **Income Ceiling:** AARP believes that the Income Ceiling should be raised to at least 200% FPL;¹
- **Energy Affordability Threshold:** The Board should consider decreasing the energy threshold.
- **\$1,800 Cap on USF Grant:** AARP believes additional information is necessary to review a change.
- **Incentive Credit:** AARP urges the Board to seek more information prior to making a change.

Affordable Housing Alliance

The Affordable Housing Alliance expressed concern that the limited amount of assistance resources are not necessarily administered in an equitable fashion across levels of income. They see applicants for additional assistance that are already receiving USF and LIHEAP. Additionally, although they believe that a large amount of people are being turned away from USF and LIHEAP because of the income level, they believe that lowering the income level would effectively help more people, as more people would be eligible for the Board's PAGE Grant program which would serve a greater number of people in need.

La Casa de don Pedro²

- **Income Ceiling:** La Casa de don Pedro believes that the Income Ceiling should be raised to match LIHEAP at 200% FPL.
- **Energy Affordability Threshold:** La Casa recommends a change in the USF energy affordability threshold for certain fuel types.
- **\$1,800 Cap on USF Grant:** La Casa recommends no change to the cap, however, if a change were considered, a revised cap should not exceed \$2,000.
- **Incentive Credit:** They further recommend that the Board adopt a one-time \$200 incentive credit.

Legal Services of New Jersey

Legal Services of New Jersey ("LSNJ") concurs with AARP's comments and emphasized the need for additional data collection.

¹ 200% FPL is the current income ceiling for New Jersey's federal LIHEAP program.

² La Casa is a USF/LIHEAP application agency in Newark.

Regarding the Board's specific questions:

- **Income Ceiling:** LSNJ recommends increasing the USF income ceiling to between 200-250% FPL.
- **Energy Affordability Threshold:** Reduce the 3% threshold with exploration of a tiered system.
- **\$ 1,800 Cap on USF Grant:** Eliminate the \$1,800 cap in light of the net increase in energy utility rates.
- **Incentive Credit:** LSNJ supports an incentive credit.

NJSHARES

NJSHARES recommends additional data collection as well as the following based on the Board's questions:

- **Income Ceiling:** NJSHARES recommends increasing the USF income ceiling to 200% FPL.
- **Energy Affordability Threshold:** NJSHARES does not recommend changing current threshold.
- **\$1,800 Cap on USF Grant:** NJSHARES recommends a crisis fund, in lieu of changing the current benefit cap.
- **Incentive Credit:** NJSHARES recommends additional research to determine if weatherization programs are under-utilized.

NJ Utilities Association

NJ Utilities Association ("NJUA") believes that each of the program changes contemplated in the public comment will increase costs and have a rate impact on all customers. Therefore, NJUA recommends that the Board first develop projections regarding incremental costs of any proposed recommendations as the costs will be shared by all ratepayers.

Rate Counsel

Rate Counsel agrees with the Board that a review of the current USF program is appropriate and expressed a strong interest in ensuring the program is conducted in an effective and efficient manner. Rate Counsel noted that there appears to be a decrease in the utilization of the USF program and believes the Board should review the adequacy of the utilities' outreach programs. Rate Counsel further concurred with AARP's comments at the Stakeholder meeting and indicated that there should be a substantial opportunity for public comment on this process before the Board makes any changes to the USF program.

DISCUSSION AND FINDINGS

The Board appreciates the comments provided by the public and agrees that an in depth evaluation of the Board's energy assistance programs would be beneficial to public stakeholders and Board Staff in determining what modifications are needed. The Board believes that this review should extend beyond the USF program and consider all of the energy assistance programs supported by the Board. Therefore the Board **DIRECTS STAFF** to initiate a comprehensive study of the Board's energy assistance programs, which include USF, Fresh Start and the Payment Assistance for Gas and Electric (PAGE) program.

Additionally, in reviewing the comments and in light of the fact that the USF program's eligibility criteria has not been changed since the inception of the permanent program, the Board **HEREBY DETERMINES** that an immediate change to the USF income ceiling is appropriate. Board Staff has examined the applicant pool from the most recent USF historic year³ and estimated the following cost increases to USF benefits based on that time period. The estimated USF benefit cost impacts for two possible income ceilings are detailed below:

USF Income Ceiling	Estimated Increase in Income-Eligible Households	Estimated Increase in USF Electric Benefits	Estimated Increase in USF Gas Benefits	Total Estimated Increase in USF Benefits
185% FPL	5,700	\$3,958,008	\$1,361,214	\$5,319,222
200% FPL	12,100	\$8,366,840	\$2,877,246	\$11,244,086

The Board recognizes that other factors can impact estimated USF costs including: 1) not all applicant households who are income eligible for USF will spend the required percentage of income on energy to qualify for USF; 2) income eligible households that do not have a gas or electric account in their name would not be eligible for USF; 3) certain first time USF enrollees will be eligible for the USF Fresh Start arrearage forgiveness program⁴ and it is difficult to determine the number of households who will be eligible for Fresh Start and of these the number of households who will comply with the program requirements; 4) administrative costs; 5) utility under and over-recoveries; 6) utility electric and gas sales volumes; 7) economic conditions; and 8) energy prices.

The Board also notes that the income ceiling for the New Jersey Supplemental Nutritional Assistance Program ("SNAP" formerly known as "Food Stamps")⁵ is set at 185 percent of the FPL and recognizes that it is somewhat incongruous for households found income eligible for SNAP benefits to be found income in-eligible for low-income energy assistance benefits. Raising the USF income ceiling to 185 percent of the FPL will close this gap between the state's energy assistance and food security programs. While raising the USF income ceiling to 185 percent of the FPL will increase the costs which are borne by all ratepayers, the Board must balance this concern with its obligation for USF to ensure access to affordable energy for the poorest of the state.

Therefore, the Board **HEREBY ORDERS** that the Department of Community Affairs, which administers the USF Program on the Board's behalf, raise the USF income ceiling to 185 percent of the FPL effective October 1, 2019. All actions and system changes necessary to effectuate the 185 percent of the FPL threshold should be taken in time for an October 1, 2019 effective date.

³ October 1, 2017-September 30, 2018

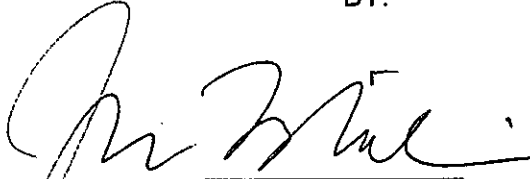
⁴ Fresh Start gives first time USF participants with overdue balances of \$60 or more the opportunity to earn unlimited forgiveness on overdue balances if they pay their current bill on time and in full for one year.

⁵ 49% of USF recipients are automatically screened for USF benefit eligibility through their participation in the Food Stamps program.

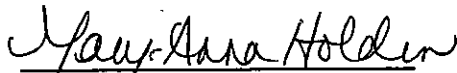
This Order will be effective on August 17, 2019.

DATED: 8/7/19

BOARD OF PUBLIC UTILITIES
BY:



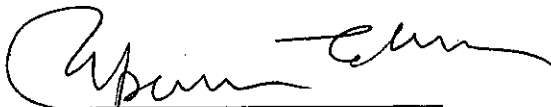
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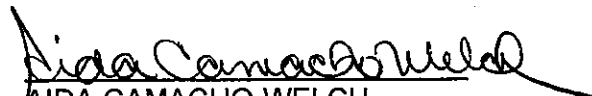
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ATTEST: 

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.

**IN THE MATTER OF THE UNIVERSAL SERVICE FUND PROGRAM
ORDER ADJUSTING UNIVERSAL SERVICE FUND ELIGIBILITY CRITERIA**

DOCKET NO. EO19030308

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