



Agenda Date: 10/14/26

Agenda Item: 1A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

AUDITS

IN THE MATTER OF AN AUDIT OF THE UTILITIES') ORDER OF IMPLEMENTATION
CALCULATIONS OF UNIVERSAL SERVICE)
FUND/LIFELINE PROGRAM FACTORS) DOCKET NO. AA25050298

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Fidel Ekhelar, Director, Department of Community Affairs
Stacey M. Mickles, Esq., on behalf of Public Service Electric and Gas Company
Neil Hlawatsch, Esq., Atlantic City Electric Company
Sheree L. Kelly, Esq., Elizabethtown Gas Company and South Jersey Gas Company
Michael J. Martelo, Esq., Jersey Central Power & Light Company
Andrew K. Dembia, Esq., New Jersey Natural Gas Company
Rebecca Ahdoot, Esq., Rockland Electric Company

BY THE BOARD:

On April 30, 2026, Silverpoint Consulting, LLC ("Silverpoint") submitted its final audit report ("Final Report") to the New Jersey Board of Public Utilities ("Board" or "BPU") in the above docketed matter relating to the Universal Service Fund ("USF") and Lifeline programs at New Jersey's seven (7) electric and gas utilities ¹ (collectively, "Joint Utilities" or "Utilities"). The Final Report contains four (4) chapters: 1) Executive Summary, which provides a synopsis of the conclusions and recommendations; 2) USF/Lifeline Program Rates; 3) Fresh Start Administration and Reporting; and 4) Department of Community Affairs ("DCA") USF Administrative Budgets and Expenses. In addition, there are six (6) appendices labeled A through F. Silverpoint made thirteen (13) recommendations in the Final Report. At the Board's May 21, 2026, agenda meeting, the Board accepted the Final Report for filing purposes only and authorized the release of the Final Report for public comment. On July 23, 2026, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted comments. Rate Counsel made two (2) recommendations in their comments. On July 31, 2026, the Utilities submitted comments.

¹ The electric distribution utilities are Atlantic City Electric Company, Jersey Central Power & Light Company, Public Service Electric and Gas Company, and Rockland Electric Company. The gas distribution companies are Elizabethtown Gas Company, New Jersey Natural Gas Company, PSE&G, and South Jersey Gas Company.

By this Order, the Board considers the recommendations in the Final Report and the comments submitted to the Board regarding recommendations to be implemented by the Utilities and DCA.

BACKGROUND AND PROCEDURAL HISTORY

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("Act"), established the USF. The Act directed the Board to establish a USF program and determine its level of funding, appropriate program administration, and the purposes and programs to be funded. N.J.S.A. 48:3-60(b).

By Order dated April 30, 2003, the Board approved a permanent USF program to ensure that low-income customers have access to more affordable energy. By the April 2003 Order, the Board directed that the USF program be operated on a Statewide 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).

By Order dated November 22, 2006, the Board designated the DCA as the USF program administrator. DCA has continued to administer the USF program on a daily basis in accordance with Board Orders and policies, as the Board is vested with the statutory authority to create and oversee the USF program since 2006 which are amended from time to time. Since 2006, significant USF program and administrative changes have occurred with updated program parameters being implemented following the COVID-19 pandemic in the June 2023 Order², June 2025 Order³, and June 2026 Order⁴.

Also, as part of the USF Program, eligible USF customers with overdue balances of sixty (60) dollars or more are automatically enrolled in the Fresh Start program, which provides debt forgiveness once every five (5) years. The Fresh Start program is administered by the Utilities and overseen by the Board.

At the Board's July 16, 2025, agenda meeting, the Board authorized staff of the Audits Division ("Audit Staff") to initiate an audit of the Utilities' calculations of USF Program factors. The scope of the audit included, but was not limited to, a review of the Utilities' USF budget process, rates, and utility administrative expenses, and DCA's administrative budget process and administrative expenditures in its role as USF administrator. Audit Staff was authorized to send a Request for Proposal to the four (4) pre-approved management consulting firms that were determined to be qualified for such work (i.e., "pre-qualified") for their bid submission pursuant to Bid Solicitation #23DPP00886 ("Bid Solicitation") under contract term T-2482.

At its October 8, 2025, agenda meeting, the Board selected Silverpoint to perform the audit at a not-to-exceed cost of \$426,700. The Board further authorized former President and now Commissioner Christine Guhl-Sadovy to execute a consulting agreement with Silverpoint.

² In re the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic – Order on Universal Service Fund and Fresh Start Program Modifications, BPU Docket No. AO20060471, Order dated June 29, 2023 ("June 2023 Order").

³ In re a Rate Design and Policy Study Regarding Driving Equity in the Clean Energy Transition - Order Modifying USF Program, BPU Docket No. QO24110853, Order dated June 18, 2025 ("June 2025 Order").

⁴ In re the Matter of a Rate Design and Policy Study Regarding Driving Equity in the Clean Energy Transition, BPU Docket No. QO24110853, Order date June 10, 2026 (June 2026 Order")

On April 30, 2026, Silverpoint submitted the Final Report to the Board. The Final Report contained thirteen (13) recommendations. At the BPU's May 21, 2026 agenda meeting, the Board accepted the Final Report for filing purposes only. Additionally, the Board authorized the release of the Final Report for comments due July 31, 2026.

By letter dated July 23, 2026, Rate Counsel submitted its comments on the Final Report. Rate Counsel did not oppose the recommendations in Silverpoint's Final Report but offered additional comments and two (2) recommendations for the Board's consideration and action.

On July 31, 2026, the Utilities filed their joint comments on the Final Report. The Utilities responded to the specific recommendations made by Silverpoint and provided further commentary on various statements made within the Final Report. The Joint Utilities disagreed with recommendations USF-1 and USF-2 and raised some concerns with recommendations FS-1 and FS-2 but did not disagree with them. The Joint Utilities agreed with USF-3 and were silent on the remaining recommendations.

Below is a detailed discussion of the comments filed by the Utilities and Rate Counsel as they relate to specific Silverpoint recommendations. Additionally, the position of Board Staff ("Staff") is stated with respect to each of the audit recommendations that are listed.

SILVERPOINT RECOMMENDATIONS, COMMENTS RECEIVED, STAFF POSITIONS

Chapter II – USF/Lifeline Program Rates

Recommendation USF-1 (Page 13): Silverpoint recommended re-examining and potentially revising the approach for estimating USF and Fresh Start benefit payouts for future filings.

Silverpoint found that there were meaningful differences between the actual benefits that were paid to customers for USF and Fresh Start and the estimated benefits used in calculating rates. The actual utility payouts to gas customers were \$24 million higher than estimates in the 2023/2024 program year. These disparities between actual and estimated payouts were also seen with electric customers. Silverpoint found that no party has overall responsibility for the production of the estimates used in the annual filings. Accordingly, Silverpoint recommended that Staff and the Utilities reexamine and potentially revise their approach for estimating USF and Fresh Start benefit payouts for future filings.

Silverpoint found in some years when determining expected gas and electric USF and Fresh Start benefits, the under-allocation of total estimated payouts to gas rates contributed to the under-recovery by gas utilities and over-recovery by electric utilities. Silverpoint indicated a more thoughtful approach may be needed to allocate these estimated payouts between gas and electric to avoid swings of under/over recoveries by adopting a more sophisticated and analytical approach. Silverpoint recommended the Utilities consider whether investing more effort to develop better estimates is necessary since rates are self-correcting over time.

Joint Utilities: The Utilities stated that a revised methodology for estimating USF and Fresh Start payouts (utilizing customer counts and average benefits) has already been developed through collaborative efforts with Staff and was implemented in the 2026/2027 USF Compliance Filing.⁵

Rate Counsel: Rate Counsel supports Silverpoint's recommendations. Rate Counsel argued that the magnitude of the differences between estimated and actual payouts supports a reexamination of the forecasting methods to determine payouts. Rate Counsel further argued that these estimates directly impact the revenue requirement proposed in annual compliance filings and ultimately the USF rates paid by customers. Rate Counsel noted that while the rate-setting process is self-correcting, material forecasting errors can produce significant recovery balances and rate volatility.

Staff: Staff recognizes the importance of accurate forecasting to prevent significant over/under recoveries in the USF and Fresh Start programs. Staff recommends the Utilities provide a report to Staff addressing the changes they are making to the methodology used to calculate estimated payouts within two (2) months from the issuance of this Order. Staff also recommends that the Board direct the Utilities to provide Staff and Rate Counsel in their next USF/Fresh Start compliance filings, an analysis of whether the gap between actual and estimated benefit payouts was improved using the new method for estimating payouts. If the analysis indicates further revisions to the methodology are necessary, discussions regarding those additional revisions should be conducted during that subsequent USF/Fresh Start compliance filing process with Staff and Rate Counsel.

Staff recommends that there be a collaborative effort between DCA, Staff and Utilities to enhance the estimating/forecasting process. Staff further recommends this discussion include, as applicable, factors such as new customer participation from program changes, utility knowledge of past and current payout levels (rather than relying on April payouts), differences in a service territory's socio-economic situation, and current information regarding arrearages that may impact payout levels, including labor department information regarding income levels by service territory, if available, and other information including improved consistency among the Utilities and timely DCA information. These types of factors and information are examples that can be included in these discussions. Staff recommends that the Board direct the Utilities to provide to Staff in their analysis for the next USF/Fresh Start compliance filings expected for 2027/2028 whether forecasted payouts improved and whether these factors and variables and any other information helped or would be beneficial going forward in improving forecasting for payouts.

Recommendation USF- 2 (Page 15): Silverpoint recommended re-examining and potentially revising the current methodology and approach of allocating expected USF and Fresh Start benefits between gas and electric companies for the purpose of calculating separate rates.

Silverpoint also identified an issue with the current method used to allocate expected total USF and Fresh Start benefit payouts between gas and electric companies. The Utilities base their allocations for the USF and Fresh Start payout on the percentages of gas and electric payout

⁵ In re the Matter of the 2026/2027 Annual Compliance Filings for a Change in the Statewide Electric and Gas Permanent Universal Service Fund Program Factors Within the Electric and Gas Societal Benefits Charges Rates Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, BPU Docket No. ER26060356, Order dated September 24, 2026.

made for each program in April of the current year. During the review period there were significant swings between under-collections and over-collections between the gas and electric utilities from year to year. For example, the under-allocation of total estimated payouts to gas rates contributed to the under-recovery by gas utilities and over-recovery by electric utilities in some years under scope of the audit.

Joint Utilities: The Utilities disagreed with this finding, stating that they already estimate electric and gas USF and Fresh Start credits separately, rendering the auditor's recommendation to revise their allocation approach "unnecessary."

Rate Counsel: With regard to the rate volatility from forecasting errors shown in the Final Report when allocating estimated payouts between the gas and electric utilities, Rate Counsel further recommended that the Board direct the Utilities to explore and evaluate alternative processes and methodologies for the allocation of forecasted benefits. Rate Counsel stated that there are other options that minimize material forecasting errors and differences between gas and electric service companies. Rate Counsel further stated that as the USF program expands the enrollment levels, forecasts that are supported with documentation will become increasingly important to limiting avoidable recovery imbalances and ensuring that gas and electric rates reflect a reasonable and accurate estimate of program costs.

Staff: Staff agrees with Silverpoint's recommendation and agrees that the current method for allocating estimated USF and Fresh Start benefits between gas and electric utilities requires re-examination as the current method has been in place for many years. To address the historical cost imbalances identified in the Final Report, Staff recommends the Board direct the Utilities to formally review their current allocation methodology between gas and electric. As part of recommendation USF-1, Staff recommends that the Utilities be directed to also include in their updated analysis of recent payout data their review of the current allocations between gas and electric for the next USF/Fresh Start compliance filings expected for 2027/2028 and whether the Utilities' review resulted in changes to improve the current allocation methodology of allocating Fresh Start and USF benefits between gas and electric companies. Staff recommends that the Board direct the Utilities to provide this information by March 15, 2027, so the parties have enough time to review prior to the effective date of the next compliance filing. . This will allow Staff and Rate Counsel to properly review the revised formula and determine whether the changes to Utility payout forecasting and allocations for the gas-electric split is appropriate before final rates are calculated.

Recommendation USF-3 (Page 18): Silverpoint found no basis for recommending a change to the current forecasting practices used to estimate gas and electric customer volumetric usage for purposes of the annual USF filing. However, Rate Counsel recommends that the Board direct the Utilities, to coordinate with Staff, to evaluate and develop reasonable safeguards with regard to forecasting volumetric usage designed to mitigate excessive over- or under-recovery balances.

Silverpoint examined utility methodologies for developing volumetric projections for gas and electric sales and found that the Utilities use advanced econometric regression models and software that incorporated appropriate historical data and explanatory variables and concluded that each company's forecasting practices were sufficiently rigorous and consistent with good utility practice.

Silverpoint found that gas sales volumes are principally driven by weather. To forecast these volumes, the models consider customer class counts based on normal weather conditions. These

figures are then adjusted using billing information to derive baseload and heat load rates, which reflect the current and expected future impacts of energy efficiency and conservation. Regarding electric sales volumes, Silverpoint found that projection models begin by forecasting end uses for electricity, energy prices, demographic and economic data, and assumptions about normal weather. These initial forecasts are then adjusted to account for shifts in customer demand. Specifically, the models factor in the adoption of electric vehicles and energy efficiency technologies, such as solar power, using both historical sales data and future projections. Silverpoint also stated the Utilities confirmed their use of these methods for all rates and cost recovery proceedings and for corporate and financial planning.

With regard to weather normalization, Silverpoint found no basis for changing current utility weather normalization practices solely for the USF filings, arguing that the concerns raised in the USF compliance filings were not sufficient to mandate a change which impacts all rate setting proceedings in addition to USF.

Silverpoint further found that the difference between forecasted and actual sales volumes accounted for approximately \$11.7 million in under-collections from gas customers and approximately \$2.4 million in overcollections from electricity customers over the three (3)-year period to be very reasonable and consistent with sales volume projections derived, by convention, based on normal weather and forecasting models.

Overall, Silverpoint found utility forecasting volumetric usage in determining USF rates to be reasonable and the variations from projections consistent with actual experienced weather. Silverpoint did not recommend abandoning these methods of forecasting.

Joint Utilities: The Joint Utilities did not comment on this recommendation.

Rate Counsel: Rate Counsel recommended the Board direct the Utilities, to coordinate with Staff, to evaluate and develop reasonable safeguards designed to mitigate excessive over- or under-recovery balances. Rate Counsel stated the goal is to preserve the Utilities' existing forecasting methodologies while providing an additional assessment of whether the projected sales volumes used in Attachment A to the Annual Utility Compliance Filings remain reasonable. Rate Counsel further recommended the Board direct the Utilities, in coordination with Staff, to evaluate how any changes to the load forecasting methodology could affect other rates and recovery mechanisms that rely on the same forecasts.

Going forward for the Utilities' compliance filings, Rate Counsel also recommended the Board require the Utilities to include reconciliation schedules comparing projected and actual sales volumes, accompanied by explanations of material variances. Rate Counsel argued the reconciliation schedules will make the forecasting process more transparent without the increased administrative costs associated with changing the current underlying methodology.

Staff: Staff supports the recommendation suggested by Rate Counsel to develop safeguards as additional assessments to mitigate large under- and over-recovery balances without abandoning but rather preserving the existing Utilities' forecasting methodologies. Staff agrees with the findings that accurate volumetric forecasting is a topic in every rate setting situation including the USF, other rate recovery mechanisms, and when setting base rates. Thus, accurate volumetric forecasting mitigates excessive over or under-recovery balances and helps alleviate swings in rates which is beneficial to customers and the Utilities by providing stability in earnings throughout the year. Staff agrees with Silverpoint's findings that the utility forecasting models are rigorous, sophisticated models that have been utilized to set rates for many years and have proven to be

reliable methods. Implementing safeguards would be an extra measure that could prove helpful in preventing excessive under- and over-recoveries without increasing administrative cost burdens. Staff recommends that the Board direct the Utilities to provide Audit Staff, along with staff of the Division of Revenue and Rates, and Rate Counsel additional safeguards for consideration to incorporate into customer volumetric usage forecasting models on USF and Fresh Start within four (4) months of the date of issuance of this Order so these safeguards are in place before the filing of the next compliance filing.

Staff further agrees with Rate Counsel's proposal and recommends that the Board direct the Utilities to provide a reconciliation schedule in future annual compliance filings comparing projected and actual sales volumes, accompanied by explanations of material variances.

Recommendation USF-4 (Page 26): Silverpoint recommended re-examining and redefining the categories of allowable USF administrative expenses in the upcoming USF proceeding.

Silverpoint reviewed SJG and RECO deferred utility administrative expenses during the three (3)-year period as their expenses are recovered in the USF rates and found them generally consistent with the language of the Board's June 2010 Order.⁶ Silverpoint stated it is anticipated, however, that most if not all utilities would be seeking recovery this year for significant expenses associated with the increased USF enrollment targets set in the June 2025 Order such as personnel and new hires incurred from processing customer applications, training and new equipment according to information noted by PSE&G to Silverpoint. According to Silverpoint, some of these new expenses may not fit squarely within the categories contained in the June 2010 Order.

According to Silverpoint, one (1) issue that arose during discussions with SJG and RECO was whether costs for emails and/or social media which were used to inform customers about available USF and Home Energy Assistance ("HEA") utility assistance funds, satisfy the Fresh Start allowable administrative expenses in the June 2023 Order and fit within the USF related postage and mailing costs category.

Joint Utilities: The Joint Utilities did not comment on this recommendation.

Rate Counsel: Rate Counsel did not comment on this recommendation.

Staff: Staff agrees with Silverpoint's recommendation to re-examine the allowable administrative expenses and redefine them if necessary. To achieve this, Staff recommends that the Board direct the Utilities to commence discussions with Staff and Rate Counsel within four (4) months of the issuance of this Order to formally evaluate the June 2010 Order and the June 2023 Order regarding the recent changes that involve the Utilities in administration of and enrollment of customers in the USF and Fresh Start programs to determine the types of legitimate administrative costs the Board may consider during rate recovery proceedings, and evaluate establishing a universal recovery mechanism across all Utilities, along with the specific documentation standards required to support cost recovery under that mechanism. Staff recommends that the Board requires the Utilities to separately itemize all administrative costs, regardless of whether they are recovered through USF rates or through another rate mechanism, including base rates, and justify any new administrative expenses that fall outside the traditional June 2010 Order categories. This will allow Staff and Rate Counsel to thoroughly review the

⁶ In re the Recovery of Administrative Costs Expended by Utilities Under Universal Service Funds Program, BPU Docket No. EO09090771, Order dated June 21, 2010 ("June 2010 Order").

prudence of these USF/Lifeline administrative costs and recommend clearly defined, updated allowable expense categories for the Board's approval in the next Utilities' compliance filings. Staff further recommends that the Board direct that these discussions include an evaluation of whether the costs associated with SJG and RECO's social media and email outreach for the Fresh Start program should be classified as allowable administrative expenses.

Recommendation USF-5 (Page 27): Silverpoint found the data supporting the joint utility USF compliance filing to be adequate and had no recommendations. However, Rate Counsel recommends that the Board directs the Utilities, in coordination with Staff, to develop and implement formal Attachment A review procedures with additional forward-looking controls over the Attachment A workpapers. before each annual USF/Lifeline compliance filing is submitted.

Silverpoint assessed the sufficiency of the processes and methodologies used by the Utilities to compile and report the data contained in the spreadsheet (Attachment A of the annual USF compliance filing) supporting the annual USF compliance filing. Silverpoint found the Utilities' process for assembling these data to be adequate and controls sufficient.

Joint Utilities: The Joint Utilities did not comment on this recommendation.

Rate Counsel: Rate Counsel recommended that the Board supplement Silverpoint's conclusion with additional forward-looking controls over the Attachment A workpapers. Rate Counsel did not dispute that Silverpoint reviewed the Utilities' processes during the audit period. However, in its review of the 2025/2026 annual compliance filing, Rate Counsel identified an error in the initial Attachment A workbook where PSE&G's forecasted natural gas jurisdictional volumes were understated by a factor of 1,000 due to a unit-of-measure error, materially affecting the proposed USF gas rate. Rate Counsel argued this error demonstrates that the existing process needs additional controls to improve the consistency, accuracy, and reliability of the data and calculations used in Attachment A.

Rate Counsel recommended that the Board direct the Utilities, in coordination with Staff, to develop and implement formal Attachment A review procedures before each annual USF/Lifeline compliance filing is submitted. Rate Counsel further stated that at a minimum, those procedures should include unit-of-measure validation, source-to-input reconciliations, formula and link checks, and version control.

Staff: Staff agrees with Rate Counsel on the development and implementation of a control process to ensure the completeness and accuracy of the final "Attachment A" document. This document is a consolidation of data from each of the utilities. Staff recommends that the Board concur that there should be two (2) control point with one (1) at each of the Utilities where each Utility has documented their controls showing that their Attachment A has been vetted for errors and all data represents accurate data and information before being consolidated by PSE&G. Currently, PSE&G is the designated utility. Staff further recommends that the Board concur that the second control should document the designated utility's review of the final Attachment A, which is compiled and summarized by PSE&G. In addition, Staff recommends that the Board direct PSE&G undertake similar controls to ensure completeness and accuracy of the compiled data from all utilities. Lastly Staff recommends that the Board direct the Utilities to implement these two (2) control points within four (4) months of the issuance of this Order.

Chapter III – Fresh Start Administration and Reporting

Recommendation FS-1 (Page 48): Silverpoint recommended Staff and the Utilities develop detailed definitions, clarifying guidelines or rules, and computational rules or procedures for the arrearage aspect of Fresh Start Program administration, the timing of prior enrollments and how the Utilities apply lump sum benefits. Silverpoint also recommends validation testing be conducted after any necessary changes are made to their utility business rules and processing consistent with this recommendation.

Silverpoint found several areas of inconsistency in how the Joint Utilities processed customer eligibility to participate in Fresh Start.

First, Silverpoint found that two (2) of the seven (7) Utilities appear to be complying with the Board's Orders in terms of determining eligibility for Fresh Start based on current arrearages of at least sixty (60) dollars. Silverpoint also found that some of the Utilities appear to be conflating outstanding balances with arrearages and therefore overstating original Fresh Start balances. Therefore, Silverpoint recommended that there be rules setting forth how the Utilities account for arrearages in determining Fresh Start benefits so they adhere to the Board's programs and there is consistency between the Utilities.

Second, Silverpoint found the record-keeping treatment of Fresh Start eligibility for participants were inconsistent among all the Utilities. During the audit, Silverpoint noted that eligibility for Fresh Start is based on the timing of prior enrollment. According to Silverpoint, all Utilities correctly evaluated eligibility based on the effective date of the customer's prior enrollment in Fresh Start and most utilities took into consideration whether prior enrollment was at an electric or a gas utility rather than at just any utility. As such, all else being equal, a customer could be enrolled in Fresh Start at one utility but not at another.

Third, Silverpoint identified a potential issue with how some utilities apply lump sum benefits (HEA, Lifeline) to a customer's account when those credits arrive at or near the same time as DCA's USF enrollment notification affecting the utility's test for Fresh Start eligibility.

Fourth, Silverpoint suggested the Utilities undergo validation testing after any necessary changes are made to their utility business rules to confirm consistent treatment by all Utilities.

Joint Utilities: The Utilities stated that while they generally agree that there should be consistency in application, there is a concern over the cost to align processes at this point. According to the Utilities, each utility has its own systems to handle the USF, Fresh Start and Lifeline processes, thus, aligning the utility systems could be time-consuming and costly. Moreover, the Utilities posited that this undertaking needs to be balanced with the benefit to customers. The Utilities stated they are willing to engage in discussions with Staff to clarify rules for consistency with regard to these programs.

Rate Counsel: Rate Counsel supported Silverpoint's recommendations to standardize Fresh Start administration and reporting across the Utilities' service territories. Rate Counsel stated that standardized rules are necessary to ensure that similarly situated customers receive consistent treatment regardless of which utility serves them and Fresh Start costs and program metrics should be calculated and reported accurately.

Rate Counsel recommended that the Board direct Staff, DCA, the Utilities, and interested stakeholders, to develop a single set of statewide standards governing Fresh Start eligibility that

address the distinction between arrearages and outstanding balances, the treatment of prior participation with another utility or service, the period during which prior participation affects eligibility, and the data sources the Utilities must review when making eligibility determinations. Rate Counsel also recommended that the Board should require each Utility to confirm that its system programming, business rules, and manual procedures apply these standards consistently. Rate Counsel further recommended that any necessary changes to systems or procedures should be followed by validation testing.

Rate Counsel supported Silverpoint's recommendation for the Board, Staff, DCA, and the Utilities to examine how lump-sum benefits should be treated when they are received at or near the time of a Fresh Start eligibility determination and to develop clarifying guidelines or rules. Rate Counsel argues that the procedures should establish a consistent sequence for receiving and posting HEA and Lifeline benefits, calculating arrearages, and establishing the original Fresh Start balance. Rate Counsel also recommended that DCA and the Utilities establish clear data-transfer and reconciliation procedures to reduce delays and ensure that relevant benefits information is available before Fresh Start balances are finalized. Additionally, Rate Counsel recommended that any resulting changes to utility business rules or system processing should be subject to validation testing.

Rate Counsel argued the Board should establish implementation deadlines and require status reporting on the corrective actions being taken. After the standardized requirements are implemented, each Utility should perform validation testing to confirm that its system programming, business rules, and manual procedures produce results consistent with the Board-approved standards. Rate Counsel asserted that Staff should review the validation results and require corrective action where inconsistencies remain. All validation test scripts validating system functionality should be maintained in Utility records. Rate Counsel argued this approach would help ensure that similarly situated customers receive consistent treatment and that Fresh Start costs and program metrics are calculated and reported accurately across the State.

Staff: Staff agrees with Silverpoint's recommendation to develop detailed guidelines for determining Fresh Start eligibility and the recommendations set forth by Rate Counsel. To resolve the inconsistent treatment of customer participation history across different service territories, Staff recommends the Board direct the Utilities to schedule meetings with Staff within five (5) months of the issuance of this Order, to establish standardized business rules, guidelines, reporting requirements, data-exchange procedures between DCA, Staff and the Utilities and computational rules and corrective actions taken. Implementation of these rules will help to ensure consistent understanding and application of the parameters of the programs by the Utilities and DCA. Once these uniform rules are established, Staff recommends the Board require the Utilities to complete the implementation of these standards within ten (10) months of the issuance of this Order. Following implementation, the Utilities must conduct comprehensive validation testing of their systems to confirm consistent, equitable treatment of all Fresh Start applicants going forward and to share testing results with Staff prior to filing all future compliance filings.

Recommendation FS-2 (Page 48): Silverpoint recommended developing detailed definitions, guidelines, and computational rules for the Fresh Start Quarterly and Annual Report metrics to ensure consistency and comparability among the reported results.

The Final Report referred to the Board's June 2023 Order which set forth quarterly and annual reporting requirements regarding ten (10) new Fresh Start metrics. Silverpoint found that while all the Utilities theoretically complied with the Order and filed the required reports, they were not calculating and reporting the same information. Silverpoint found for some metrics utility

interpretations were different, such as measuring the remaining arrearage balance as opposed to the original balance.

Joint Utilities: See Joint Utilities' Comment under recommendation FS-1.

Rate Counsel: Rate Counsel agreed with Silverpoint's recommendation that Staff and the Utilities develop detailed definitions, guidelines, and computational rules for each Fresh Start Metric. Rate Counsel indicated that standardized reporting requirements should identify the definition of each metric, the applicable reporting period, the source data to be used, the treatment of adjustments and reversals, and the required calculation methodology.

Rate Counsel further recommended that Staff work with the Utilities to develop a common Fresh Start reporting template with sample calculations and instructions. Rate Counsel argued that a standardized template would improve consistency and data completeness among the Utilities, make the reported results easier to compare, and provide the Board and interested parties with a more reliable basis for evaluating program performance and costs.

Staff: Staff agrees with Silverpoint's recommendation. To ensure the reporting requirements implemented in the June 2023 Order fulfill their intended purpose, Staff finds it critical that the Utilities calculate the Fresh Start metrics uniformly. Staff recommends that the Board direct the Utilities to work closely with Staff to establish exact, standardized definitions and computational procedures for each of the ten (10) Fresh Start metrics, thereby eliminating reporting discrepancies and ensuring consistent data moving forward, within six (6) months of the issuance of this Order.

Recommendation FS-3 (Page 49): Silverpoint recommended requiring all Utilities to comply with the Fresh Start customer outreach and communications requirements in the Board's 2004⁷ and 2023 Orders.

As discussed in the Final Report, certain Board Orders identified requirements regarding Fresh Start customer outreach and communication requirements. Silverpoint found that the Utilities are complying with expanded communications requirements in the Board's June 2023 Order, with a few exceptions. According to Silverpoint's findings, RECO did not implement its process to send the second form of communication to Fresh Start customers consistent with the Board's June 2023 Order, and JCP&L did not indicate whether it sends the second form of communication.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: Rate Counsel did not provide comments on this recommendation.

Staff: Staff agrees with Silverpoint's recommendation. To ensure full compliance with the Board's June 2023 Order regarding Fresh Start customer outreach, Staff agrees that immediate corrective action is necessary from RECO and JCP&L. Staff recommends that the Board direct RECO and JCP&L to rectify their respective communication deficiencies and to formally notify Staff once the required second form of communication has been fully implemented and verified within three (3) months of the issuance of this Order.

⁷ In re the Matter of the Establishment of an Arrearage Payment Program for the Universal Service Fund, BPU Docket No. EX00020091, Order dated March 4, 2004.

Recommendation FS-4 (Page 49): Silverpoint recommended Staff, DCA and the Utilities review existing processes of data exchange/transfers between DCA and the Utilities. Specifically, this should include the complete and accurate record transfer of HEA benefit information between DCA and the Utilities in addition to how the Utilities manage their processes and approach to assessing eligibility for Fresh Start.

As stated in the Final Report, data exchanges with DCA are an essential function of utility processes for managing the Fresh Start and USF programs. According to the Final Report, DCA delayed transferring customer HEA benefit information to the Utilities. As a result, Silverpoint noted that Fresh Start benefits to customers were larger than required, since lump sum HEA benefits typically offset a portion of customer arrears. Silverpoint also stated that DCA maintains the database that allows a Utility to determine if and when its customer previously received Fresh Start at another utility. Silverpoint found that the Utilities have disparate approaches to assessing eligibility for Fresh Start based on prior participation at another utility. Thus, Silverpoint recommended that DCA's database inquiry logic may need to be revised.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: Rate Counsel recommended that DCA and the Utilities establish clear data-transfer and reconciliation procedures to reduce delays and ensure that relevant benefit information is available before Fresh Start balances are finalized. Rate Counsel also stated that system controls are needed to evaluate and ensure data exchanges and transfers between DCA, and the Utilities are complete and accurate. Rate Counsel recommended that any resulting changes to utility business rules or system processing should be subject to validation testing.

Staff: Staff agrees with Silverpoint's recommendation. Staff recommends that the Board direct DCA and the Utilities to review existing processes of data exchange and transfers. Staff finds that timely and accurate data transfers are critical to ensuring Fresh Start balances are accurate and properly stated in customer accounts. Staff further reemphasizes the importance of consistency with respect to Fresh Start eligibility, as timely data exchange/transfer and consistency for eligibility rules go hand in hand and that the Board direct the Utilities to reassess, update and consistently apply Fresh Start eligibility rules as discussed under recommendation FS-2. Staff recommends that the Board direct the Utilities and DCA to document and test all changes or modifications to system functionality or processing to ensure all system modifications have been implemented as intended. Staff further recommends that the Board direct the Utilities implement these improvements within eight (8) months of the issuance of this Order so they are operational by October 1, 2027.

Recommendation FS-5 (Page 31): Silverpoint recommended there be a further examination of the potential issue in DCA's system that creates an HEA or USF record with an "unknown" header code.

Silverpoint identified a potential issue related to DCA system which creates an HEA or USF record with an "unknown" code. Silverpoint believes the issue could have a significant financial impact. According to Silverpoint, during interviews, Utilities noted that they receive large numbers of UNKWN records with no utility code/name, and either a missing or unverifiable customer account number from DCA in weekly data files known as 'Send' files, which DCA transmits to utilities every Friday containing various types of customer records flagged by header codes, during October and November, which is the beginning of the USF program year. According to the Final Report, these applications are usually uploaded to DCA by other New Jersey State agencies without customer documentation and then the DCA system creates an HEA or USF record with

an UNKWN header code. Silverpoint stated that once created, these are sent to all Utilities with hope the Utility can determine the customer. Silverpoint found that estimates of these “unknown” codes are in the range of 10,000 to 20,000 per year. During those same months, it appeared to Silverpoint that DCA holds back HEA benefit records so as not to overwhelm the Utilities, then sends these records later, mostly in December which causes some customers to qualify for Fresh Start that would otherwise not qualify had DCA not held back on sending HEA benefits records. Silverpoint was unable to obtain more information from DCA to further clarify this potential issue.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: Rate Counsel did not provide comments on this recommendation.

Staff: Staff recognizes that there is a cost to determine whether the customer is legitimate, and it causes delays in other critical information being sent to the Utilities which increases costs for the USF Program. For applications missing account numbers and/or other critical information on the application necessary for processing, Staff recommends that the Board direct DCA to return these applications back to the State and/or county agencies or Community Based Organizations that originally sent the incomplete application, so DCA can obtain the proper information on the application prior to uploading into DCA’s system and transferring to the Utilities. Staff further recommends that the Board direct the Utilities, DCA, along with Audit Staff and Customer Assistance Staff to meet to discuss the above process for handling and resolving applications recorded as “UNKWN” which generally relate to either the customer account or customer not known to the utility within four (4) months of the issuance of this Order.

Chapter IV – DCA USF Administrative Budgets and Expenses

Recommendation ABE-1 (Page 63): Silverpoint recommended that DCA develop formal policy, procedure, and controls documentation that includes defined roles and responsibilities across all programs, fiscal, procurement and treasury functions, key control points and approval requirements, and definition of end-to-end process flows.

Silverpoint examined DCA’s administrative processes and found that even though it appeared that DCA had established processes and layers of review, it lacked formal documentation to improve internal controls and ensure fiscal accountability by providing more transparency and standardization and consistency in its processes. Silverpoint stated that the process was principally communicated through institutional knowledge, established practices and workflows based upon informal practices, staff experience, and embedded State system controls. Silverpoint recommended that DCA develop formal process documentation covering administrative and financial policies, such as budgeting, procurement, contracting, payment processing, segregation of duties, and cost allocation. Specifically, this documentation should include the following: end-to-end process flow diagrams; defined roles and responsibilities across Programs (USF, Fresh Start, Lifeline), Fiscal Division, Procurement and Treasury; and key control points and approval requirements.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: Rate Counsel recommended the Board establish a formal governance process by which DCA administrative budgeting cost allocation included written policies, document standards, periodic review, and transparent support for all shared-cost allocations.

Staff: To ensure the transparent and secure administration of ratepayer funds, Staff believes it is critical that DCA transition from relying on informal practices to utilizing formally documented internal controls. Staff agrees with Silverpoint's recommendation to develop formal policy procedure, and controls documentation. Staff recommends that the Board direct DCA to evaluate its current level of procedural documentation over core business processes and, with the assistance of Staff, develop or enhance its current inventory of relevant policies and procedures. More specifically, Staff recommends that the Board direct DCA to develop detailed standard operating procedures including clearly defined roles, approval requirements, and end-to-end process flows to strengthen overall fiscal accountability and ensure consistent oversight of the USF and Fresh Start programs. Staff recommends that the Board direct DCA to submit to Staff a document that formalizes and captures DCA's administrative processes within six (6) months of the issuance of this Order.

Recommendation ABE-2 (Page 6): Silverpoint recommended DCA evaluates the appropriateness of existing allocation factors currently used in allocating shared administrative costs between the USF and HEA programs. Allocation factors, such as caseload analysis, should be documented and updated regularly for all shared cost categories and included as required support for the annual USF administrative budget filing.

Silverpoint found that when setting the budgets for Fiscal Year 2022, DCA allocated forty percent (40%) of shared administrative costs to the USF program and sixty percent (60%) to HEA and for Fiscal Year 2023 and Fiscal Year 2024 that rate changed to forty-eight percent (48%) to USF and fifty-two percent (52%) to HEA. According to Silverpoint, DCA did not provide support for these allocation rates nor for the increase of the USF share from forty percent (40%) to forty-eight percent (48%). Silverpoint stated that the only available documentation provided during the audit that included a basis and calculation deriving an allocation rate between USF and HEA, supported a forty-two percent (42%) to USF and fifty-eight percent (58%) to HEA ratio. In 2016, the allocation percentage was based on an analysis of caseloads. It was Silverpoint's understanding that during the audit period the USF allocation percentage was the subject of discussions between DCA and Staff before the administrative budget was submitted to the Board.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: Rate Counsel did not provide comments on this recommendation.

Staff: Staff agrees with Silverpoint's recommendation. To ensure transparency and to safeguard ratepayer funds, Staff recommends that the Board direct DCA to clearly define and document the quantitative basis for allocating shared administrative expenses between the USF and HEA programs. Staff further recommends that the Board direct DCA to work with Staff in determining the most appropriate basis to be used in the allocation calculation within four (4) months of the issuance of this Order. A caseload analysis can assist in the allocation of shared administrative expense, but there may be other allocation factors that may be more appropriate or result in a more complete allocation factor. Staff also recommends that the Board direct DCA to submit its analysis supporting the allocations between HEA and USF programs to Staff for its review prior to Board budget approvals.

Recommendation ABE-3 (Page 64): Silverpoint recommended DCA evaluate the following suggested control environment improvements: a) Assign a single senior role accountable for all charges flowing to the USF account across the four (4) cost categories; b) Provide the USF program manager with visibility into payroll allocation of employee costs by means other than the established USF/HEA allocation percentage including the list of personnel to whom non-standard percentages are applied; c) Require program manager review and approval of all journal-entry reclassifications affecting the USF account prior to posting; d) For inter-agency charges, document the composition of the cost pool, allocation methodology, re-computation frequency, and evidence reviewed before acceptance; and e) For state-allocated charges, obtain and retain the underlying vendor invoices supporting billing-agency schedules for each billing period.

Silverpoint concluded that although the USF program operates within a well-established and effective external governance framework, there is no single DCA person or group who retains overall responsibility and accountability of the USF Program. This oversight and monitoring role should have access to view all budget category expenditures to challenge its completeness and accuracy before final distribution to the BPU according to Silverpoint.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: See Rate Counsel's Comment under recommendation ABE-1.

Staff: Staff agrees with Silverpoint's recommendation. Staff supports establishing a DCA point of overall accountability and oversight as it will assist in ensuring the final USF DCA Administrative Budget is complete and accurate. To ensure the accurate, complete, and authorized accounting of all charges flowing to the USF program, Staff recommends that the Board direct DCA to establish, within six (6) months of the issuance of this Order, a single senior role or group/committee accountable for USF charges and granting the program manager explicit oversight over payroll allocations, journal entries, and state-allocated charges as it will ensure full transparency and accountability for ratepayer funds.

Recommendation ABE-4 (Page 64) : Silverpoint recommended DCA implements the following suggested improvements: a) Improve program manager monitoring and oversight by strengthening initiative-level cost tracking and variance analysis for IBM and IT expenditures and formal monitoring and review of subgrantees; b) Incorporate formal variance analysis into budgeting processes including periodic review of budget-to-actual results by category, documenting significant variances and underlying drivers, and integrating variance insights into future budget assumptions; and c) Strengthen control execution by standardizing documentation approvals and key control activities, formalize reconciliation reviews and evidence retention, implement a structured exception tracking and resolution process, and clearly document segregation of duties.

Silverpoint found no fundamental breakdown in controls, but did identify opportunities for process improvement through formalized process and control execution. For example, Silverpoint found management approvals were often only documented through email correspondence, and there was no standardized exception tracking or resolution framework for invoice or processing issues.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: See Rate Counsel's Comment under recommendation ABE-1.

Staff: Staff agrees with Silverpoint's recommendation to formalize control execution and strengthen budgetary variance analysis. To ensure optimal oversight of USF expenditures, Staff recommends that the Board direct DCA to implement all of the specific process improvements detailed in Recommendation ABE-5 within one (1) year of the issuance of this Order. Specifically, DCA must: 1) enhance program manager monitoring; 2) incorporate formal variance analysis into its budgeting processes; and 3) strengthen control execution and documentation. This recommendation will elevate fiscal discipline and ensure ratepayer funds continue to be managed with maximum accountability and transparency.

Recommendation ABE-5 (Page 65): Silverpoint recommended DCA considers the following measures to strengthen control execution that include the following suggested improvements: a) Standardizing documentation of approvals and key control activities; b) Formalizing reconciliation review procedures and evidence retention; c) Implementing a structured exception tracking and resolution process; and d) Clearly documenting segregation of duties across organizational functions.

Silverpoint identified opportunities for improvement through formalized process and control execution. Silverpoint noted that while DCA's administrative processes include multiple layers of review across all functions, certain activities are informally executed or not consistently documented. Silverpoint cautioned that these informal practices create risks, such as a reduced audit trail and/or lack of evidentiary support for key control activities, inconsistent execution of controls over time, and a limited ability to demonstrate control effectiveness to external stakeholders.

Joint Utilities: The Joint Utilities did not provide comments on this recommendation.

Rate Counsel: See Rate Counsel's Comment under recommendation ABE-1.

Staff: Staff agrees with Silverpoint's suggested improvements to the control environment. Staff believes that strengthening existing documentation controls, by implementing control documents/templates, where possible, over the approval and reconciliation processes will ensure appropriate and timely supervisory review and approval. Documenting transaction process flows across organization functions can identify control weaknesses or lack of segregation of duties. Staff recommends that the Board direct DCA to implement these controls within ten (10) months of the issuance of this Order.

DISCUSSION AND FINDINGS

As noted above, Silverpoint's Final Report includes thirteen (13) recommendations for improvement of the Utilities' USF budget process, rates, utility administrative expenses, and DCA's administrative budget process and administrative expenditures in its role as USF administrator. Additionally, Rate Counsel provided two (2) recommendations pertaining to certain areas of the Final Report. After careful review of the Final Report, the comments filed by the Joint Utilities and Rate Counsel, and Staff's positions, the Board agrees with Staff's recommendations. Therefore, the Board **HEREBY ORDERS** the Joint Utilities to implement the recommendations, as modified above.

Additionally, with respect to Rate Counsel's recommendations USF-3 and USF-5, the Board **HEREBY DIRECTS** DCA and the Utilities, with the assistance of Staff, to submit within six (6) months of the issuance of this Order the following: Proposed Attachment A Internal Control; Standardized Fresh Start procedures; Forecast methodology; Cost allocation methodology;

Reconciliation procedures; Reporting templates; and Implementation schedule. Specific directives of the Implementation Schedule shall include: the recommendation being addressed; the responsible entity; the required corrective action; the implementation deadline; and the documentation or testing needed to demonstrate compliance. The Board **FURTHER DIRECTS** the Utilities, and DCA to formulate detailed implementation plans for the recommendations, as modified above, within sixty (60) days from the effective date of this Order. All recommendations shall be implemented as soon as possible but no later than one (1) year from the date of this Order, unless otherwise indicated.

Furthermore, the Board **HEREBY DIRECTS** the Utilities and DCA to file quarterly reports with the Division of Audits, the Division of Revenue and Rates, and the Division of Customer Assistance by the fifteenth (15) day of the month following the conclusion of each calendar quarter regarding the status of the implementation of all recommendations directed within this Order. The Board **HEREBY ORDERS** that such quarterly reports additionally include status updates regarding the implementation of measures directed by this Order, and any other State, federal, or other investigation as they impact the USF and Fresh Start programs. Staff shall monitor, evaluate, and modify, as necessary, the implementation of the recommendations.

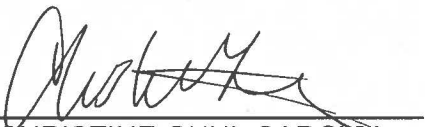
The recommendations of the Final Report shall not be dispositive of issues raised in any other proceedings before this Board.

The effective date of this Order is October 21, 2026.

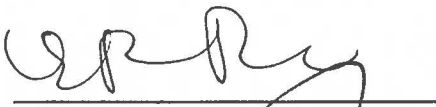
DATED: October 14, 2026

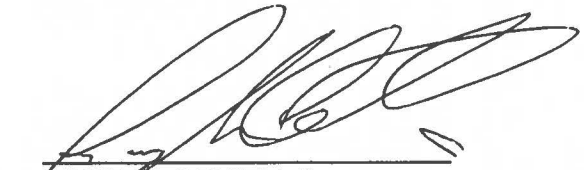
BOARD OF PUBLIC UTILITIES
BY:


BEN HERTZ-SHARGEL
PRESIDENT

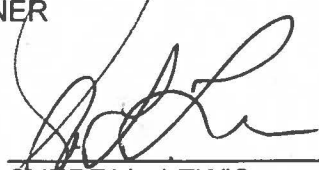

CHRISTINE GUHL-SADOVY
COMMISSIONER


MICHAEL BANGE
COMMISSIONER


EMMA REBORN
COMMISSIONER


JOSEPH COVIELLO
COMMISSIONER

ATTEST:


SHERRI L. LEWIS
BOARD 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 AN AUDIT OF THE UTILITIES' CALCULATIONS OF UNIVERSAL SERVICE FUND/LIFELINE
PROGRAM FACTORS)

DOCKET NO. AA25050298

SERVICE LIST

Utilities

Stacey M. Mickles, Esq.,
80 Park Plaza, T-5
Newark, New Jersey 07101
stacey.mickles@pseg.com

Neil Hlawatsch, Esq.,
Pepco Holdings, LLC-92DC56
500 N. Wakefield Drive
P.O. Box 6066
Newark, DE 19714-6066
neil.hlawatsch@exeloncorp.com

Sheree L. Kelly, Esq.,
One South Jersey Place
Atlantic City, NJ 08401
Skelly@sjindustries.com

Michael J. Martelo, Esq.,
FirstEnergy Service Company
341 White Pond Drive
Akron, OH 44320
mmartelo@firstenergycorp.com

Andrew K. Dembia, Esq.,
1415 Wyckoff Road
Post Office Box 1464
Wall, New Jersey 07719
adembia@njng.com

Rebecca Ahdoot, Esq.,
4 Irving Place
New York, NY 10003
ahdootr@coned.com

Department of Community Affairs
101 South Broad Street
P.O. Box 800
Trenton, NJ 08625-0800

Fidel Ekhelar
fidel.ekhelar@dca.nj.gov

Safiyah Abdus-Salaam
safiyah.abdus-salaam@dca.nj.gov

Sheri Malnak-Renn
Sheri.malnak@dca.nj.gov

New Jersey Board of Public Utilities

44 South Clinton Avenue, 1st Floor
Trenton, NJ 08625-0350

Sherri L. Lewis, Board Secretary
board.secretary@bpu.nj.gov

Stacy Peterson, Deputy Executive Director
stacy.peterson@bpu.nj.gov

Division of Audits

Alice Bator, Director
alice.bator@bpu.nj.gov

Paul Buhagiar, Deputy Director
paul.buhagiar@bpu.nj.gov

Jesse Flax
jesse.flax@bpu.nj.gov

Counsel's Office

Ava-Marie Madeam, General Counsel
avamarie.madeam@bpu.nj.gov

Taylor Hoopes, Associate Counsel
taylor.hoopes@bpu.nj.gov

Michael Hunter, Associate Counsel
michael.hunter@bpu.nj.gov

Division of Customer Assistance

Richard Lambert, Director
richard.lambert@bpu.nj.gov

Maureen Clerc, Administrative Analyst 4
maureen.clerc@bpu.nj.gov

New Jersey Division of Rate Counsel

Brian O. Lipman, Esq., Director
New Jersey Division of Rate Counsel
140 East Front Street, 4th Floor
Trenton, NJ 08625-0003
blipman@rpa.nj.gov

New Jersey Division of Law

Department of Law and Public Safety
Richard J. Hughes Justice Complex
Public Utilities Section
25 Market Street, P.O. Box 112
Trenton, NJ 08625

Terel Klein, Section Chief, DAG
terel.klein@law.njoag.gov

Pamela Owen
pamela.owen@law.njoag.gov

Elizabeth Van Winkle
elizabeth.vanwinkle@law.njoag.gov

Rachel Reckeweg
rachel.reckeweg@law.njoag.gov

Tanya Lloyd-Samuel
tanya.lloyd-samuel@law.njoag.gov

Appendix 1 - Summary of Board Decision on Recommendations

<u>Chapter 1 – Utility Service Fund (USF)/Lifeline Program Rates</u>	<u>Decision</u>
Recommendation USF-1: Silverpoint recommended re-examining and potentially revising the approach for estimating USF and Fresh Start benefit payouts for future filings.	Agree
Recommendation USF- 2: Silverpoint recommended re-examining and potentially revising the current methodology and approach of allocating expected USF and Fresh Start benefits between gas and electric companies for the purpose of calculating separate rates.	Agree
Recommendation USF-3: Silverpoint found no basis for recommending a change to the current forecasting practices used to estimate gas and electric customer volumetric usage for purposes of the annual USF filing.	Agree
Recommendation USF-4: Silverpoint recommended re-examining and redefining the categories of allowable USF administrative expenses in the upcoming USF proceeding.	Agree
Recommendation USF-5: Silverpoint found the data supporting the joint utility USF compliance filing to be adequate and had no recommendations.	Agree
<u>Chapter 2 – Fresh Start Administration and Reporting</u>	
Recommendation FS-1: Silverpoint recommended Staff and the Utilities develop detailed definitions, clarifying guidelines or rules, and computational rules or procedures for the arrearage aspect of Fresh Start Program administration, the timing of prior enrollments and how the Utilities apply lump sum benefits. Silverpoint also recommends validation testing be conducted after any necessary changes are made to their utility business rules and processing consistent with this recommendation.	Agree
Recommendation FS-2: Silverpoint recommended developing detailed definitions, guidelines, and computational rules for the Fresh Start Quarterly and Annual Report metrics to ensure consistency and comparability among the reported results.	Agree
Recommendation FS-3: Silverpoint recommended requiring all Utilities to comply with the Fresh Start customer outreach and communications requirements in the Board’s 2004 and 2023 Orders.	Agree
Recommendation FS-4: Silverpoint recommended Staff, DCA and the Utilities review existing processes of data exchange/transfers between DCA and the Utilities. Specifically, this should include the complete and accurate record transfer of HEA benefit information between DCA and the Utilities in addition to how the Utilities manage their processes and approach to assessing eligibility for Fresh Start.	Agree
Recommendation FS-5: Silverpoint recommended there be a further examination of the potential issue in DCA’s system that creates an HEA or USF record with an “unknown” header code.	Agree

Chapter 3 – Department of Community Affairs (“DCA”) USF Administrative Budgets and Expenses	
Recommendation ABE-1: Silverpoint recommended that DCA develop formal policy, procedure, and controls documentation that includes defined roles and responsibilities across all programs, fiscal, procurement and treasury functions, key control points and approval requirements, and definition of end-to-end process flows.	Agree
Recommendation ABE-2: Silverpoint recommended DCA evaluates the appropriateness of existing allocation factors currently used in allocating shared administrative costs between the USF and HEA programs. Allocation factors, such as caseload analysis should be documented and updated regularly for all shared cost categories and included as required support for the annual USF administrative budget filing.	Agree
Recommendation ABE-3: Silverpoint recommended DCA evaluates the following suggested control environment improvements: a) Assign a single senior role accountable for all charges flowing to the USF account across the four (4) categories of cost; b) Provide the USF program manager with visibility into payroll allocation of employee costs by means other than the established USF/HEA allocation percentage including the list of personnel to whom non-standard percentages are applied; c) Require program manager review and approval of all journal-entry reclassifications affecting the USF account prior to posting; d) For inter-agency charges, document the composition of the cost pool, allocation methodology, re-computation frequency, and evidence reviewed before acceptance; and e) For state-allocated charges, obtain and retain the underlying vendor invoices supporting billing-agency schedules for each billing period.	Agree
Recommendation ABE-4: Silverpoint recommended DCA implements the following suggested improvements: a) Improve program manager monitoring and oversight by strengthening initiative-level cost tracking and variance analysis for IBM and IT expenditures and formal monitoring and review of subgrantees; b) Incorporate formal variance analysis into budgeting processes including periodic review of budget-to-actual results by category, documenting significant variances and underlying drivers, and integrating variance insights into future budget assumptions; and c) Strengthen control execution by standardizing documentation approvals and key control activities, formalize reconciliation reviews and evidence retention, implement a structured exception tracking and resolution process, and clearly document segregation of duties.	Agree
Recommendation ABE-5: Silverpoint recommended DCA considers the following measures to strengthen control execution that include the following suggested improvements: a) Standardizing documentation of approvals and key control activities; b) Formalizing reconciliation review procedures and evidence retention; c) Implementing a structured exception tracking and resolution process; and d) Clearly documenting segregation of duties across organizational functions.	Agree