

The New Jersey Universal Service Fund

“Making Energy Affordable”

OVERVIEW

- The New Jersey Board of Public Utilities created the Universal Service Fund (USF) to help low- and fixed-income residents pay for electric and natural gas service.
- All electric and natural gas customers contribute funding for USF through their utility rates.

GOALS

- The goal of the USF program is
 - to ensure that eligible New Jersey utility customers only have to pay an affordable portion of their household income for energy costs.
 - Under USF, eligible households would pay no more than 6% of their annual income for their natural gas and electric service combined.

Purpose

- Expensive energy forces hard-working people to have to choose between
 - paying their energy bills or
 - paying for other daily needs: food, rent and medical care.
- BPU created USF to help ensure our state's residents no longer have to make that choice.

MANY PROGRAMS

- There are a variety of programs, federal and state, to assist New Jersey residents
- USF is only ONE of several programs available

Other programs: the Low Income Home Energy Assistance Program (LIHEAP), as well as Lifeline, NJ Shares, and Comfort Partners

KEY ISSUES

- Today we are only going to talk primarily about USF.
- However, you should be aware that USF is administered with other programs to make sure each applicant and ratepayers get the most for their dollars
- BPU plays a lead role advising others on how to combine different programs to maximize the value of each applicant's benefit
- Our State is re-examining the “bundle” of benefits applicants now receive to make it easier for people get assistance

ELIGIBILITY

- To be eligible for USF an applicant must meet two qualifications:
 - Total household income must be less than or equal to 175% of the Federal Poverty Level (FPL);
 - The applicant must spend more than 3% of his or her income for electric service or more than 3% of income for natural gas service. If the applicant has electric heat in the home, the applicant must spend more than 6% of income on electricity.

Benefit Calculation

- Once an applicant qualifies for the USF program, the benefit is calculated
- The benefit amount is based on:
 - annual household income
 - benefits the household receives from other programs, such as Lifeline and the Low Income Home Energy Assistance Program (LIHEAP)
 - annual energy burden (formula for energy expense that includes electric and natural gas bills)
- The benefit appears as a “credit” on a customer’s bill, each month for the next twelve months.
- The maximum total annual USF benefit for any given household is \$1,800.

APPLICATIONS

- Applicants are screened for USF when they apply for other types of government benefits, such as food stamps
- [There is one application for USF (state program) and LIHEAP (federal program)]
- Applicants may also apply by mail or over the computer
- Most programs like this tend to have a limited application window, a person can apply for USF all year round

Current Program Issues – Eligibility for Other Benefits

- Participation in USF does not affect the benefits an applicant receives from other benefit programs.
- This is an important part of customer outreach and education, so people know they should apply.

Current Program Issues – What Is Meant By “Affordability”

- USF attempts to make bills affordable by eliminating past due balance for qualified USF applicants.
- For the customer's first year of participation in USF, any USF customer that has a balance of \$60 or more on his or her utility bill is automatically enrolled in the New Jersey Fresh Start Program.
- The Program:
 - forgives past due balances as a means to help customers improve payment practices.
 - A qualified enrollee is expected to pay the current bill on time every month.
 - After 12 months of full, timely payments, the overdue balance will be erased.

Other Things You Should Know

- Innovative program
 - Energy is a major necessity
 - Only _____ States in the Country have any type of state-based energy assistance programs
 - Most states do not coordinate benefits; that is what makes our program unique
 - Other states such as California and Maryland have programs, that cost more or reach fewer people
 - We have the best prototype*, and are working to improve it

Other Things You Should Know

- The program evolved over several years
- A “Working Group” of stakeholders, along with Staff, created proposals for the Board’s consideration
- Truly collaborative partnership of utilities, state agencies, the advocacy community, the public, and the Board

The Future - Major Challenges

- The cost of energy and the size of the eligible population continues to grow
- Technology is an important tool, but the real lynchpin to success is effective communication
 - People have to understand how to apply and re-enroll
 - The technology that makes automatic enrollment and screening, reduces an incentive to understand the details and how different programs work together
- We want it to be simple, but we have found if it is too easy, people don't learn

Conclusion

- This is a hot topic, ripe for policy innovation
- You are welcome to contact me or my Staff if we can assist you in
 - Accessing resources to create similar programs
 - Sharing ideas about how to do it better