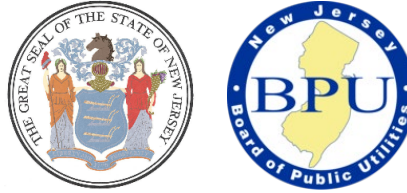


State of New Jersey
Governor Philip D. Murphy
Lt. Governor Sheila Y. Oliver



Joseph L. Fiordaliso
President

Mary-Anna Holden
Dianne Solomon
Robert Gordon
Dr. Zenon Christodoulou
Commissioners

Board of Public Utilities



www.nj.gov/bpu/

NOTICE¹

In the Matter of the New Jersey Board of Public Utilities' Response to the Covid-19 Pandemic,
Docket No. [AO20060471](#)

Universal Service Fund & Fresh Start Programs: Review & Proposed Changes

The New Jersey Board of Public Utilities ("NJBP" or "Board") hereby gives notice of a virtual stakeholder meeting to take place on the designated date and time contained in this Notice. The Board invites all interested parties and members of the public to participate in this meeting regarding potential modifications to the Board's Universal Service Fund ("USF") and Fresh Start programs as set out in this notice.

STAKEHOLDER MEETING

DATE: Wednesday February 15, 2023
TIME: 10:00 AM - 12:00 PM
LOCATION: Zoom Virtual Webinar
REGISTER: https://us06web.zoom.us/webinar/register/WN_zLCkPZirS56Rr7KKokBqjQ

Please note the meeting will be conducted virtually. You must register for the meeting before attending any or all of the sessions at least 48 hours prior to the scheduled date. Stakeholders and members of the public may participate after registering by utilizing the link or dial-in information set forth above and may express their views. In order to encourage full participation, please submit any requests for needed accommodations, such as interpreters and/or listening assistance, at least 48 hours prior to the above meeting dates to the Acting Secretary of the Board at: board.secretary@bpu.nj.gov.

If you wish to reserve a speaking opportunity, please designate this during the online registration process. After registering, you will receive a confirmation email containing information about joining the meeting and information about checking your system requirements in advance of the meeting. Please check your access devices in advance of the meeting to ensure that they will properly connect.

Questions on this stakeholder meeting process may be directed to Maureen Clerc at: maureen.clerc@bpu.nj.gov.

The Board is also accepting written and/or electronic comments. All public comments should be filed under Docket No. AO20060471. **The deadline for comments is 5:00 p.m. EST on Friday, March 3, 2023.**

¹ Not a paid legal advertisement.

Please submit comments directly to the specific docket listed above using the “Post Comments” button on the Board’s [Public Document Search](#) tool. Comments are considered public documents for purposes of the State’s Open Public Records Act. Only public documents should be submitted using the “Post Comments” button on the Board’s [Public Document Search](#) tool. Any confidential information should be submitted in accordance with the procedures set forth in N.J.A.C. 14:1-12.3. Confidential information may also be submitted via email to the Acting Secretary of the Board.

Written comments may also be submitted to:

Carmen D. Diaz
Acting Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
Phone: 609-913-6241
Email: board.secretary@bpu.nj.gov

USF² and Fresh Start Programs

On April 30, 2003, the Board established the USF program in Docket No. EX00020091 (“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 the USF would be “an on-going, evolving program, subject to review, and amended as necessary.”³ 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).

On March 4, 2004, the Board established the Fresh Start program in Docket No. EX00020091 (“March 2004 Order”) to provide a path to arrearage forgiveness for USF enrollees.⁴

In order to respond to the high level of utility arrearages caused by the economic situation customers faced during the COVID-19 pandemic, the Board took [action](#) in June 2021 (“June 2021 Order”) to temporarily expand the USF and Fresh Start programs to help customers pay down their arrearages and reestablish payment compliance with their utility companies.⁵ These expansions are in effect for a two (2) year period from October 1, 2021 through September 30, 2023.

In the June 2021 Order, the Board:

² The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (“EDECA” or “Act”) was signed into law on February 9, 1999. The Act required the Board establish the USF and authorized the Board to make determinations as to the appropriate use, levels, and allocations of the funds of this non-lapsing account.

³ [In re the Establishment of a Universal Service Fund Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999](#), Docket No. EX00020091 (April 30, 2003).

⁴ [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; and [In re the Matter of the Establishment of a Universal Service Fund Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999](#), BPU Docket No. EX00020091, Order dated February 1, 2005.

⁵ [In re the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic](#), Docket No. AO20060471 (June 24, 2021).

1. Increased the income eligibility limit for USF from 185 percent of the Federal Poverty Guidelines (“FPG”) to 400 percent FPG;⁶
2. Increased the USF monthly benefit cap from \$150 per month to \$180 per month;
3. Increased the USF “affordability threshold”. USF covers energy costs over an “affordability threshold” up to the benefit cap:
 - a. The USF affordability threshold was adjusted from three percent (3%) of annual income for gas and non-heating electric costs to two percent (2%) of income.
 - b. The USF affordability threshold for electric heat was adjusted from six percent (6%) of annual income to four percent (4%) of income.
4. Created a minimum \$5.00 USF monthly benefit for any applicant who met the income requirement, but not incur energy costs over the affordability threshold. Prior to this change, if customers did not spent more than the specified percentage of annual income on gas or electric costs, the household was deemed ineligible for USF;
5. Expanded enrollment into the Fresh Start energy debt forgiveness program so that any USF enrollee with \$60 or more in overdue balances would be automatically enrolled into Fresh Start. Prior to this expansion, only first time USF enrollees with \$60 or more in overdue balances were eligible for Fresh Start forgiveness; and
6. Removed the \$100 cap on monthly Fresh Start forgiveness so that 1/12 of the overdue balance is forgiven each month the customer pays their monthly charges in full. Prior to this expansion, when a customer paid their current monthly charge in full, 1/12 of overdue balance was forgiven up to a cap of \$100 per month, or \$300 per quarter, and any remaining balance forgiven at the conclusion of the 12 month program, or at the end of the three-month grace period.
7. Directed the gas and electric utilities to apply any available federal arrearage forgiveness to Fresh Start balances before current balances as the funds become available and in a manner consistent with the best interest of the customer in order to maximize federal funding. Prior to this directive, the utilities applied federal funds to current balances.

If no action is taken by the Board, these temporary changes will expire on September 30, 2023 and the former program parameters will resume.

Program Data

To inform the public of the impact of the USF and Fresh Start program expansions, Board Staff (“Staff”) reports the following program data that compares program impact before and after the expansions took place. The “Pre-Expansion” period is the 10/01/2020-9/30/2021 program year. The “Expansion Year 1” period is the 10/01/2021-9/30/2022 program year, during which the temporary program expansions were in place.

⁶ For a family of four, 185 percent of FPG is currently \$51,338 and 400 percent FPG is \$111,000

I. Enrollment: Enrollment in USF increased by 97 percent during Expansion Year 1:

USF Enrollment	Households
Pre-Expansion	147,139
Expansion Year 1	289,788
Percentage Change	97%

II. Benefits: During Expansion Year 1

A. USF benefit dollars increased by 38 percent:

USF Benefits	Dollars
Pre-Expansion	\$105,808,543
Expansion Year 1	\$146,431,260
Percentage Change	38%

B. USF Fresh Start forgiveness dollars increased by 1,247 percent:

Fresh Start Benefits	Dollars
Pre-Expansion	\$3,788,641
Expansion Year 1	\$51,039,219
Percentage Change	1,247%

C. Total USF and Fresh Start dollars increased by 80 percent:

USF & Fresh Start Benefits	Dollars
Pre-Expansion	\$109,596,784
Expansion Year 1	\$197,470,479
Percentage Change	80%

**D. Average Monthly USF electric benefits increased 2 percent;
Average Monthly USF gas benefits did not change:**

Average Monthly Benefit	Electric	Gas
Pre-Expansion	\$52	\$23
Expansion Year 1	\$53	\$23
Percentage Change	2%	0%

**E. Average Monthly USF & Fresh Start electric benefits increased by 26 percent;
Average Monthly USF & Fresh Start gas benefits increased by 48 percent:**

Average Benefit	Electric	Gas
Pre-Expansion	\$54	\$25
Expansion Year 1	\$68	\$37
Percentage Change	26%	48%

III. Rate Impacts

Indicated below are the cost impact of the programs' temporary expansions on residential gas and electric customers during the last two (2) rate adjustment periods, after the expansions went into effect. Comparing the current 10/01/22 USF rates with the 10/01/20 USF rates:

- average monthly residential electric bills rose by \$1.25 or by 129 percent.
- average monthly residential gas bills rose by \$0.52 or by 88 percent.

USF Rates Approved ⁷	Electric USF Rate	Avg Monthly Residential Electric Bill ⁸	Gas USF Rate	Avg Monthly Residential Gas Bill ⁹
10/1/2020	\$0.001493	\$0.97	\$0.0059	\$0.59
10/1/2021	\$0.002468	\$1.60	\$0.0133	\$1.33
10/1/2022	\$0.003417	\$2.22	\$0.0111	\$1.11

Area of Discussion

Staff is soliciting comments and recommendations from the utilities, stakeholders and the public regarding, if and how, each of the following USF and Fresh Start program parameters should be modified going forward in light of the above data, current arrearage data,¹⁰ available federal funding, and other economic factors. Staff also requests the estimated cost impact of those recommendations on utility customers.

Additionally, Staff seeks feedback from the electric and gas investor-owned utility companies in New Jersey regarding the impact USF and Fresh Start programs may have on utility arrearages, utility uncollectibles, and utility disconnections of residential customers. Staff recognizes the impact other variables, such as the COVID-19 related statewide moratorium on utility disconnections and the federal American Rescue Plan, may have had on these indicators.

I. Program Parameters

A. USF

- 1) The USF income ceiling was temporarily set at 400 percent FPG, which is \$111,000 for a family of four (4). Beginning October 1, 2023, should the USF income ceiling:
 - Revert to the previous level of 185 percent of the FPG?¹¹

⁷ Including Sales and Use Tax.

⁸ Based on 650 kilowatt hours per month.

⁹ Based on 100 therms per month.

¹⁰ In October 2022, residential Gas and Electric arrearages over 60 days old were reported by the utility companies at approximately \$374 million, compared to approximately \$534 million in October 2021.

¹¹ The Supplemental Nutritional Assistance Program sets its income limits at 185 percent of FPG.

- Align with the federal Low Income Home Energy Assistance Program (“LIHEAP”)?¹²
 - Be limited to a different amount?
- 2) Should the USF monthly benefit cap stay at \$180 per month, or revert back to \$150 per month? Would a different amount be more beneficial? Please consider both the impact to all ratepayers and the cost of gas and electric on low- and moderate-income households.
 - 3) Should the USF affordability threshold remain two percent (2%) of annual income for gas and non-heating electric costs, or revert to three percent (3%)? Please provide any estimated cost considerations. USF covers any electric and gas costs over the affordability threshold up to the benefit cap.
 - 4) Should the USF affordability threshold remain at four percent (4%) of annual income for electric heat or revert to six percent (6%)? Please provide any estimated cost considerations. USF covers any electric and gas costs over the affordability threshold up to the benefit cap.
 - 5) Should the temporary minimum \$5.00 USF monthly benefit be made permanent for any applicant who is income eligible for the program? Or should income eligible applicants who do not spend more than the specified percentage of annual income on gas and electric (affordability threshold) be denied USF benefits? What are the pros and cons of each scenario?

B. Fresh Start

- 1) Enrollment:
 - Should Fresh Start enrollment revert back to automatic enrollment for only first time USF customers?
 - Should Fresh Start enrollment to any USF enrollee be extended an additional year or longer, due to economic factors and current arrearages?
 - Should Fresh Start enrollment be conditional? If so, what conditions should be placed on the customer to be enrolled and/or remain in the program?
 - Should enrollment in Fresh Start be made available to any USF enrollee once during a five or ten year period?
 - Please provide suggestions for Fresh Start enrollment eligibility criteria and/or factors that should be considered when determining a way forward with the Fresh Start program.
- 2) The \$100 cap on monthly Fresh Start forgiveness was removed during the program expansion period so that each month a customer pays their current bill in full, 1/12 of their overdue balance is forgiven, or ¼ of the overdue balance is forgiven each quarter. Should the \$100 monthly cap (\$300 quarterly cap) on Fresh Start forgiveness be reinstated or removed permanently?

¹² The New Jersey LIHEAP income ceiling is currently set at its income cap of 60 percent of the State Median Income. For a family of four, the LIHEAP income ceiling is currently \$79,942.

- 3) The Board directed the gas and electric utilities to apply any available federal arrearage forgiveness to Fresh Start balances before current balances as the funds become available and in a manner consistent with the best interest of the customer in order to maximize federal American Rescue Plan (“ARP”) funding during the program expansion period. Prior to this directive, the utilities applied federal funds, which only included LIHEAP funds, to current overdue balances. Should the utilities revert to the former practice of applying federal LIHEAP funds to current overdue balances? Please note that the application of LIHEAP funds to current balances helps customers comply with the Fresh Start program and earn forgiveness on Fresh Start balances.
- II. **Other:** Please indicate any cost or societal benefits Staff should consider before making any proposed changes to the USF and Fresh Start programs.
- III. Please provide any further data that would be useful to Staff in drafting a proposal regarding the USF and Fresh Start programs (e.g. USF and Fresh Start impact on arrearages, utility uncollectibles and residential disconnections).

As indicated above, **the deadline for written comments on this matter is 5:00 P.M. EST on Friday March 3, 2023.**

Carmen D. Diaz

Carmen D. Diaz
Acting Secretary

Dated: January 23, 2023