



Energy Safety Net Toolkit

February 4, 2002

Dear NFFN member:

The National Fuel Funds Network (NFFN) believes that it can help its members provide more than money to the communities they serve. NFFN strives to help our member organizations provide education and services, as well. In that vein, we launched the Energy Safety Net Toolkit in December. Attached is the third tool of the tool kit series, a set of three educational columns that might be helpful to you and the communities you serve. We are providing the columns in electronic form to allow you to put the name of your own local fuel fund on them.

NFFN prepared the columns specifically for National Energy Help Week (February 8-17, 2002). They address very practical ways in which your clients can receive needed financial assistance: budget billing, Earned Income Tax Credit and alternatives to cash security deposits.

We encourage you to submit them in your own name, especially during National Energy Help Week to entities such as:

- Local weekly newspapers;
- State association of weekly or local newspapers (for distribution statewide);
- Neighborhood newspapers; and
- Local Councils on Aging (COAs), Area Agencies on Aging (AAAs), service clubs, or places of worship that have monthly newsletters.

You may even want to consider distributing them to local television and/or radio stations that have “Consumer Corner” features in their broadcasts. Please refer reporters to *Energy Safety Net Toolkit #2*, January 2002, for more details on EITC. The paper is at www.nationalfuel funds.org.

We hope that through this education, you will not only help many customers directly, but that you will be able to use your own resources more effectively and efficiently. Someone who gets an EITC credit, for example, may not need a fuel fund grant, thus freeing that fuel fund grant up for someone else. Someone who doesn't have to spend cash on a security deposit may have that cash to devote to retiring his or her arrears. Again, you may eliminate the need for a fuel fund grant, thus freeing that grant up for someone else.

Please feel free to use all or any portion of the set of educational columns that we have provided you or modify them to meet your particular needs. And, of course, if we can be of additional assistance, please feel free to contact me.

Sincerely,

George Coling, Executive Director
National Fuel Funds Network (NFFN)

TOOL #3

WHAT EVERY UTILITY CUSTOMER SHOULD KNOW: BUDGET BILLING; EARNED INCOME TAX CREDIT; AND CUSHIONING THE IMPACT OF A SECURITY DEPOSIT

An Energy Safety Net Tool from:

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BUDGET BILLING

As the winter winds howl and the heating bills mount up, you may wish for the warm breezes of summer and low energy bills. While wishing won't make it so, there is something you can do to make your home energy costs more manageable.

One alternative to fighting these high winter heating bills is to use the spring months as an opportunity to call your local utility company to enter into a levelized budget billing plan. Through a budget billing plan, you can pay your home heating bills in equal monthly installments throughout the entire year.

Customers who have used budget billing plans talk about two things, in particular, that they like about them. First, budget billing takes the spike out of the winter home heating bill. Rather than having those two or three really high winter months that often pose such a struggle, budget billing provides you the same bill, even when the weather gets cold and your heating usage goes up. The reason for this is that you have prepaid part of those winter bills in small

parts during the warm weather months when your heating bill would otherwise have been very, very low.

Just as importantly, however, customers talk about how they like budget billing plans because it helps them to know in advance what their utility bill is going to be each month. You will know in July, for example, what your heating bill is going to be the next November, or January, or March. Because the bill will be the same all year, it is easier to plan for it and to fit it into your household budget. Since you have agreed to pay a level bill each month, you don't have to worry about whether last week's cold weather will make your heating bill \$300 instead of the \$200 you had planned for.

The ideal time to enter into a budget billing plan for your home heating is in April or May. This provides you with the most number of warm weather months to make some small contribution toward next winter's heating bills. You can enroll simply by calling your local utility.

If high and unpredictable home heating bills pose problems for you and your family every winter, one tool to use is a levelized budget billing plan. Such plans have helped millions of utility customers take the worry out of winter.

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Prepared by:

*National Fuel Funds Network
and
(name of local fuel fund)
April 2002*

530 words

EARNED INCOME TAX CREDIT

Are you in a panic over unpaid winter heating bills? When the cold snap came and the \$300 bills followed, did you build up an arrears that now seem far beyond anything that you possibly afford out of your paycheck?

If you worked during this past year, and received a paycheck, there may be an additional source of money that you can use to help pay off those outstanding winter bills. The dollars come from what is called the federal Earned Income Tax Credit (EITC). Under the EITC, workers can receive a refundable tax credit from the federal government. If someone in your household has had taxes withheld, the federal government will return her withheld taxes and pay an additional amount up to the maximum tax credit to which he or she is entitled. If the person worked but had no taxes withheld, the federal government will send a check for the maximum EITC to which she is entitled. You don't have to owe taxes to receive an EITC benefit. You do, however, have to file a tax return.

Single or married people who worked full time or part time at some point in 2001 can qualify for the EITC depending on their income:

- Workers who were raising one child in their home and had family income of less than \$28,281 in 2001 can get up to \$2,428.
- Workers who were raising more than one child in their home and had family income of less than \$32,121 in 2001 can get up to \$4,008.
- Workers who were not raising children in their home but were between ages 25 and 64 on December 31, 2001 and had income below \$10,710 can get up to \$364.

EITC refunds average about \$2,000 per household.

In addition to the EITC, you may be eligible for even more tax relief if you have children. Beginning with tax returns filed in 2002 (for the 2001 tax year), a substantial part of the federal child tax credit has been made refundable. What that means is that even if your household owes no income tax to the federal government, you would receive the child tax credit. The child tax credit will be a maximum of \$600 per child this year.

You need not pay a commercial tax preparer to help file your tax return in order to receive the EITC or child tax credit. The IRS offers lower-income households free tax preparation help through its Volunteer Income Tax Assistance (VITA) program.

Filing for the EITC and child tax credit can put cash in your pocket just when you need it most to pay big past due winter home heating bills. Local winter shutoff restrictions usually end at just about the same time that tax refunds can be claimed. If you owe utility bills that you don't know how you're going to pay, and you worked either full time or part time in 2001, you should contact your local IRS office to find out how to hook up with a VITA tax preparer. Claiming your EITC can put dollars in your pocket big enough to pay off your winter arrears without threatening your ability to buy food, clothes and other household necessities.

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Prepared by:

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CUSHIONING THE IMPACT OF A SECURITY DEPOSIT

Paying off large winter heating bills is not necessarily the only financial obligation you will face this spring when the utility collector comes knocking on your door. If you have unpaid bills left from the winter months, the utility may require you to pay a “security deposit” as well.

State utility commission rules allow a utility to require a security deposit from customers who have had past-due bills build up. Utilities are often allowed to collect a deposit up to twice the customer’s expected largest monthly bill. If the highest bill you received in the past year was \$250, in other words, a utility may require a deposit of up to \$500.

You have several options to help cushion the financial impact of a required utility deposit. You have the right to submit a letter of guarantee instead of providing a cash deposit. A letter of guarantee is simply an agreement by another person to pay your bill (up to the level of the security deposit that had been requested). If someone provides a letter of guarantee for \$400, and you happen to leave a bill of \$350, the person must pay the entire bill. If they provide a letter of guarantee of \$400 and you leave a bill of \$600, they must pay only the amount that they guaranteed (\$400).

A letter of guarantee must usually come from another customer of the utility. The customer must be in good credit standing with the utility. A utility will not, in other words, accept a letter of guarantee from someone who, himself or herself, has unpaid bills with the utility. A letter of guarantee does not have to come from an individual. While people often seek to have friends or family provide a letter of guarantee to the utility, you may instead wish to seek a letter of a guarantee from a local church or community action agency.

A letter of guarantee is a complete alternative to a cash security deposit. If you provide a letter of guarantee for the amount of the deposit requested by the utility, the utility may not insist that you provide cash instead.

A letter of guarantee does not last forever. If you pay your utility bill on time for twelve straight months, the person who provided the letter of guarantee is “released” from the guarantee obligation.

If you do not provide a letter of guarantee, you have the right to pay a cash deposit in installments over time. Most utilities will allow you to pay a deposit over three or four months. Asking to pay a deposit in installments will not reduce the amount of money you have to pay eventually to the utility. It will simply make the first payment a bit more affordable.

Be wary of this approach, however. Think about the coming months as well. In the next few months, you will need to make three payments each month: (1) your current utility bill; plus (2) a payment toward your arrears; plus (3) a payment toward your deposit.

Paying high winter heating bills on limited budgets can impose substantial stress in your life. Adding the burden of paying a cash security deposit may make the obligation seem impossible to meet. Using the letter of guarantee alternative to posting a cash deposit can help cushion that burden to some extent.

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556 words