STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

January 29, 2021

Chairman Delores G. Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: SB0392 – INFORMATION – Public Service Commission – Electricity and Gas – Limited Income Mechanisms

Dear Chairman Davis and Committee Members:

I have reviewed Senate Bill 392 and provide the information below for the Committee's consideration. SB 392 states that a utility may propose a limited income mechanism to benefit limited income customers, for approval by the Maryland Public Service Commission. The mechanism may take the form of a program, tariff, credit, rate, rider, or other means to assist an eligible customer to afford utility service. SB 392 defines limited income customers as those with annual income at or below 175 percent of the federal poverty level, customers of at least 67 years of age with annual income at or below 200 percent of the federal poverty level, or any other designation approved by the Commission. The mechanism would be subject to approval by the Commission in a base rate proceeding or a separate application.[1]

SB 392 gives Utility Companies broad discretion regarding the proposal and development of a "well-constructed" limited income mechanism but provides minimal guidance to the Commission regarding considerations for approval. With such broad discretion of program design, it is difficult to determine how the design of a given mechanism would impact ratepayers. Similarly, SB 392 provides no guidance regarding what would constitute a "well-constructed" limited income mechanism. Utilities could file different mechanisms (or no mechanism) which may lead to disparate programs across the State and therefore different levels of benefits and program offerings for low income customers. It could also be difficult for smaller utilities and municipal utilities to cost-effectively devise and execute a mechanism. A statewide mechanism or program with explicit criteria may be more equitable and provide the Commission with guidance to evaluate proposals and monitor outcomes.

[1] The cost and expense of any limited income mechanism would almost certainly result in offsetting increases in utility bills for non-limited income residential customers, and potentially commercial and industrial customers.

WILLIAM DONALD SCHAEFER TOWER • 6 ST. PAUL STREET • BALTIMORE, MARYLAND 21202-6806
410-767-8000 • Toll Free: 1-800-492-0474 • FAX: 410-333-6495
MDRS: 1-800-735-2258 (TTY/Voice) • Website: www.psc.state.md.us

Currently, there are several programs in Maryland to assist limited income customers to pay for utility service. One such program is the Electric Universal Service Program ("EUSP"). EUSP is codified in Public Utilities Article §7-512.1 and applies to all electric utilities, including municipal utilities. This program collects $37 million per year from utility customers ($27.4 million from industrial and commercial customers and $9.6 million from residential customers.) The EUSP statute requires all customers to contribute to this program. Similar to the intent of SB 392, EUSP is available to low income customers with annual income at or below 175 percent of the federal poverty level.

Expansion of the existing EUSP program may be useful to consider in lieu of, or in addition to, establishing a new statewide mechanism such as a low income rate or tariff.[2] If the EUSP was expanded, more funds would be available to limited-income customers in the form of bill assistance, weatherization benefits, and arrearage retirement programs.

Another existing low income energy program is the Maryland Energy Assistance Program ("MEAP"), which is federally funded and provides heating assistance to low income gas and electricity customers. MEAP is also used for arrearage funding for customers of gas utilities. The Office of Home Energy Programs may adjust the eligibility parameters of MEAP within limits and could expand the guidelines to include the limited income population identified in this legislation.

Thank you for your consideration of this information. Please contact the Commission's Director of Legislative Affairs, Lisa Smith, at (410) 336-6288 with any questions.

Sincerely,

Jason M. Stanek
Chairman

[2] OHEP has reported to the Commission that these funds are not always expended, due to many eligible low income Marylanders not applying for the program.