

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 1051

(Senator Pugh)

Finance

Public Service Commission - Prohibition on Terminating Gas and Electric Service - Residential Customers

This emergency bill prohibits an electric company or a gas and electric company from terminating gas or electric service to a residential customer whose account is in arrears until after June 1, 2009. After June 1, 2009, an electric company or gas and electric company may not terminate gas or electric service to a residential customer whose account is in arrears during the pendency of an investigation by the Public Service Commission (PSC) of a complaint by a customer about the increased cost of gas and electric service during the heating season.

The bill remains in effect through June 30, 2010 and terminates on June 30, 2011.

Fiscal Summary

State Effect: PSC can implement the bill within existing budgeted resources

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Pursuant to Case Number 9175, PSC Order Number 82509 (March 11, 2009) directs all utilities, subject to the commission's jurisdiction, to refrain from terminating any residential electric or gas service for delinquent payment or outstanding balances until PSC directs otherwise.

The order created a work group to convene and develop procedures and criteria for payment plans that each utility must offer all customers before the utility can commence termination procedures. By April 1, 2009, the work group will publish a written report on the new payment plan criteria and the parties involved will appear before PSC to discuss the results of the work group on April 7, 2009. The work group is headed by PSC Director of the Office of External Relations and consists of all utilities, PSC staff, the Office of People's Counsel, the Mayor and City Council of Baltimore, the Office of Home Energy Programs of the Department of Human Resources and any other interested parties.

During the winter months, a utility or electric company cannot terminate service to residential buildings if the forecasted temperature at 6 a.m. is not expected to exceed 32 degrees Fahrenheit for the next 24 hours. If a public service company seeks to terminate electric or gas service during the period of November 1 through March 31, the company must file an affidavit with PSC certifying the service termination does not constitute a threat to the life or health of the residential occupants. During these months service cannot be terminated for nonpayment unless the amount of arrearage is greater than \$200 for a single-service utility and \$300 for a dual service utility. The amount owed must be greater than the customer's security deposit.

Background: In the most recently published *Report on Residential Customer Terminations, Arrearages and Reconnections in Maryland* (October 2006-September 2008) PSC reports that customers face severe financial pressure in paying utility bills. The report highlighted the following changes over a two-year period prior to fall 2008 for all residential utility customers in Maryland:

- gross arrearages were up by 43.7%;
- the average arrearage among customers with an arrearage increased by 36% (from \$250 to \$340);
- termination notices increased by 22%; and
- terminations increased by 23%.

As reported to PSC by the utilities, the number of arrearages, uncollectible accounts and, ultimately, the number of customers that may face service termination on April 1 have all increased significantly when compared to prior years. The major utilities report that the number of customers that could be terminated starting April 1 are as follows:

- Allegheny Power – 699 nonlow-income, 212 low-income;
- Baltimore Gas & Electric – 83,471 nonlow-income; and
- Pepco – 41,862 nonlow-income, 1,049 low-income.

These totals do not include winter high-bill customers, low-income customers whose budget billing charges may reset after receiving assistance, or low-income customers who have applied for assistance but may not receive assistance in time to avoid a termination.

Additional Comments: An increase in bad-debt write-offs by utilities may result in a minor rate increase to all customers. Such an increase would be authorized through a formal rate proceeding to be held by PSC. To the extent that alternative payment agreements allow customers to pay arrearages, all ratepayers benefit; however, to the extent that customers are not able to correct arrearages the potential for increased bad-debt write-offs exists.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Maryland Energy Administration, Office of People's Counsel, Public Service Commission, Department of Legislative Services

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ncs/rhh

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