HB 1002

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1002 (Delegate Conaway, *et al.*)
Economic Matters Finance

Public Service Companies - Gas and Electric Service - Alternative Payment Agreements

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This emergency bill authorizes the Public Service Commission (PSC) to adopt by order and by regulation provisions limiting the authority of a public service company to terminate gas or electricity to a residential customer when the customer is threatened with the termination of services due to nonpayment. Any order PSC adopts limiting terminations may only be effective through June 30, 2010 and must be replaced by regulations taking effect no later than June 30, 2010.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: PSC may require implementation of one or more plans for alternative payment agreements in a form approved by PSC to allow any residential customer to pay arrearages and maintain gas or electric service through the term of the agreements. PSC may also specify termination limitations and implementation of alternative payment plans. PSC is required to report annually on the effect of terminations on nonlow-income customers.

Current Law: If a low-income customer is unable to pay charges for service, the Code of Maryland Regulations (COMAR 20.31.03.03) requires a utility to make a good faith attempt to negotiate a reasonable alternate payment plan. If a customer is not considered low-income, a utility may make alternative payment arrangements but is not required to do so. A utility may refuse to negotiate an alternative payment to a low-income customer if that customer failed to meet the terms and conditions of an alternative payment plan during the past 18 months.

An alternative payment plan must consider the circumstances and financial condition of the customer. If an alternative payment plan cannot be arranged, the utility must promptly notify the customer. If a customer fails to adhere to the alternate payment plan, the utility must notify the customer that termination procedure may be begun, pursuant to existing regulations.

PSC Action on Customer Arrearages and Terminations

Pursuant to Case Number 9175, PSC Order Number 82509 (March 11, 2009) directed 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. The work group held meetings on March 23 and 24, 2009 and developed a report on April 1, 2009. The work group did not reach consensus on all issues addressed in the report.

Work group participants agreed that alternative payment plans should assist *all residential customers* with arrearages – not just low-income customers, as currently required under COMAR. As proposed by the utilities, the alternative payment plan would have a maximum length of nine months for any investor-owned utility and six months for other utilities. The plans will be interest-free, and may require down payments of up to 25% for customers with no previous default experience and up to 50% for customers with prior payment plan defaults or who have made no payments in the previous 90 days. Some work group participants, including the Office of People's Counsel, which represents the interest of residential customers, did not concur with the payment plan and indicated that a minimum of 12 months should be available for customers with high arrearages and exceptional financial circumstances. PSC has not yet issued an order relating to alternative payment plans.

Background: 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.

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%.

On January 30, 2009, PSC initiated Case Number 9175 in response to increased customer complaints, telephone complaints, and web chat activity regarding increases in customer utility bills. In the initial proceeding PSC received and reviewed information regarding each utility's current practices for handling customers' arrearages and request for payment plans, each utility's collection practices and termination policies, and each utility's plans to change any practice or policy as winter restrictions on service terminations are lifted, including efforts to increase collection and termination efforts.

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): Maryland Energy Administration, Office of People's Counsel, Public Service Commission, Department of Legislative Services

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