

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 770
Economic Matters

(Delegate Davis)

Finance

**Public Service Commission - Electric Companies - New Generation Facilities and
Customer Credits and the Electric Universal Service Program**

This bill requires the Public Service Commission (PSC) to consider the adequacy of the current funding of the Electric Universal Service Program (EUSP) if a party to a merger or acquisition of an electric company or an affiliate of an electric company is required to distribute a specified customer rate credit under an agreement with PSC in connection with the merger or acquisition. Any funds deposited into the EUSP Fund as a result of an agreement with PSC in connection with a merger or acquisition are in addition to, and may not substitute for, other funds collected under the program.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: Potential increase in special fund revenues and expenditures to the extent any future mergers or acquisitions provide for rate credits that are subsequently deposited into the EUSP Fund as a result of an agreement with PSC. EUSP funds cannot be reliably estimated at this time, as future mergers, customer rate credits, and the adequacy of future EUSP funding are unknown. PSC can implement the bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: EUSP assists electric customers with annual incomes at or below 175% of the federal poverty level. The components of the program include bill assistance, low-income residential weatherization, and retirement of arrearages under specified circumstances (once every seven years per customer).

The Department of Human Resources (DHR), through the Office of Home Energy Programs, is responsible for administering the bill assistance and arrearage retirement components of the program, and the Department of Housing and Community Development administers the low-income residential weatherization component. PSC has oversight responsibility for the bill assistance and arrearage retirement components of the program.

The EUSP Fund receives revenue from a surcharge collected by each electric company from electricity customers. PSC is required to determine a fair and equitable allocation for collecting the charges among all customer classes. A specified amount of \$37 million is required to be collected each year, \$27.4 million from the industrial and commercial classes and \$9.6 million from the residential class. The General Assembly may also appropriate supplemental funds.

Background: EUSP was created in 1999 and is administered by DHR's Office of Home Energy Programs. DHR indicates that EUSP, along with the federal Low Income Home Energy Assistance Program, which is operated as the Maryland Energy Assistance Program, function as an integrated process, providing benefits to low-income Marylanders with the intended purpose of helping to make electricity and heating more affordable for income vulnerable families. In addition to revenue from the electricity surcharge, EUSP has also been funded in recent years with a portion of the proceeds from carbon dioxide allowances auctions under the Regional Greenhouse Gas Initiative (from the Strategic Energy Investment Fund). The program also receives federal funds.

DHR, in its fiscal 2011 EUSP Annual Report to PSC, indicated that EUSP faces a fundamental challenge of more individuals and families seeking help with their home energy costs in a time of limited resources. The report shows that the number of households receiving benefits has been increasing, the average benefit amount decreasing, and that the availability of sufficient funding to meet demand is a concern. After receiving and considering DHR's report, and receiving other comments, PSC has recently decided to undertake a comprehensive review of Maryland's energy assistance programs and scheduled a public conference for March 20, 2012, to address various items, including funding sources and the amount of funding necessary for the programs.

Recent Customer Credits

PSC approved a merger between FirstEnergy Corporation and Allegheny Energy, Inc. on January 18, 2011. PSC ordered FirstEnergy to pay a one-time credit to each customer totaling approximately \$6.5 million. PSC also conditionally approved the merger of Exelon Corporation and Constellation Energy Group in Order No. 84698 on February 17, 2012. PSC required Exelon to pay a one-time credit totaling approximately \$112.0 million to each customer of Baltimore Gas and Electric Company (BGE) within 90 days of the final settlement. The Federal Energy Regulatory Commission approved the merger in early March, and the merger was completed on March 12, 2012.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Department of Housing and Community Development, Comptroller's Office, Department of Legislative Services

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