

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 918 (Delegate M. Washington, *et al.*)
Environment and Transportation

Environment - Water Services - Water Affordability Program

This bill requires a “provider” of water service to establish a water affordability program that places an annual cap on the charges the provider may assess for the water services offered to a low-income customer, subject to specified conditions. Each provider must establish a plan for implementing a water affordability program by July 1, 2018, and the program must go into effect by July 1, 2019. A provider may recover net costs associated with administering a water affordability program, as specified. Each provider must also report to the General Assembly by December 31, 2021, and every three years thereafter, on the status, finances, and impact of the provider’s water affordability program. The bill does not preempt a local government from establishing a water affordability program that is more protective than the bill’s standards.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: Potential significant increase in expenditures for local government providers of water, wastewater, and stormwater services to establish affordability programs. Local revenues increase from the establishment of the programs and from the bill’s provision that authorizes providers to recover net costs, as discussed below.

Small Business Effect: Potential meaningful. To the extent small for-profit owners of water systems must comply with the bill, they are affected in much the same way as other providers.

Analysis

Bill Summary: “Provider” means any entity that uses a public right-of-way to provide piped centralized water service, wastewater service, or stormwater service to at least 100 retail low-income customers. A low-income customer for purposes of the bill means a person whose household income is no more than 150% of the federal poverty level or who a provider determines is facing financial hardship or other extenuating circumstance.

Each provider of water service must establish a water affordability program by July 1, 2019, that places an annual cap on the charges the provider may assess for the water services offered to a low-income customer. The charges assessed under the annual cap must not exceed 3% of the customer’s annual household income, regardless of how the charge for water service is collected. A provider may require that a customer provide income documentation, subject to specified notification requirements.

Generally, to participate in a water affordability program, a customer must consent to an energy- and water-use review by an energy or water agency authorized by the State. However, a customer is not required to consent to the review if the customer’s landlord refuses to allow the review or if the customer fails to provide matching funds for the review.

When a customer requests to participate or continue participating in a provider’s water affordability program, the provider must determine whether the water affordability program or a different provider program or discount will offer the customer the most affordable bill. The provider must then offer the most affordable program or discount.

A customer’s payment under a water affordability program must satisfy all of a provider’s services and charges for the given billing period. Payment for any prior arrears that a customer owes to a provider must be adjusted to comply with the annual cap.

A provider must restore terminated water service to a customer who enters a water affordability program and an agreement with the provider to make timely payments for all future bills charged under the program.

Generally, a provider may recover *net* costs associated with administering a water affordability program in accordance with the bill. If a provider’s recovery of net costs for the administration of a water affordability program is a fixed fee, the fee for residential customers who are not participating in the program must be no more than \$1 per month.

By December 31, 2021, and every three years thereafter, each provider must report to the General Assembly on the status, finances, and impact of the provider’s water affordability program. The report must include a determination of the anticipated net financial impact

of the program on customers who are not participating in the program, subject to specified considerations.

The bill does not preempt a local government from establishing a water affordability program that is more protective than the standards established in the bill.

Current Law/Background: State law does not require water companies to establish affordability programs. There are several State programs designed to increase affordability for other utility services, such as the Electric Universal Service Program (EUSP), which provides bill payment and arrearage assistance and weatherization. In fiscal 2016, 103,000 households received assistance from EUSP, which is funded through a ratepayer surcharge and revenue generated from the sale of carbon allowances under the Regional Greenhouse Gas Initiative.

Federal poverty levels vary according to household size. For a household with four individuals, 150% of the federal poverty level is \$36,450 annually. For a household of this size, the maximum annual charge under the bill (3% of household income) is \$1,094.

The Public Service Commission (PSC) regulates the infrastructure, rates, management, and billing of 22 water and water/sewage companies in the State. Combined, these companies have approximately 11,000 residential customers. The majority of water systems in Maryland are municipal systems whose supply, infrastructure, customer care, and rates are not regulated by PSC. The Maryland Department of the Environment advises that Maryland has 469 community water systems that serve from 25 to 1.8 million persons each. At least two local water companies – the Washington Suburban Sanitary Commission and the Bureau of Water and Wastewater in Baltimore City – already have customer affordability programs.

The U.S. Environmental Protection Agency (EPA) released a [comprehensive report](#) in April 2016 on water and wastewater company customer assistance programs, which can be found on EPA's website. The report discusses a range of possible programs along with their costs and benefits.

Local Fiscal Effect: The bill potentially has a significant operational impact on local jurisdictions that operate water, wastewater, and stormwater systems. Each county and municipal provider is required to implement a water affordability program, which potentially requires information technology and/or staff expenses to administer the program. However, affordability programs can increase total revenues received from low-income customers. For example, a higher percentage of the billed amounts could be paid or arrearage collection efforts may be more successful under the program.

These factors partially offset additional costs associated with the program. In recognition of this, the bill authorizes providers to collect revenue from nonparticipants to cover the program's *net* costs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Maryland Department of the Environment; Maryland Environmental Service; Dorchester and Montgomery counties; Washington Suburban Sanitary Commission; U.S. Environmental Protection Agency; Department of Legislative Services

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