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STATE OF MARYLAND



PUBLIC SERVICE COMMISSION

December 8, 2014

The Honorable Edward J. Kasemeyer  
Chairman  
Senate Budget and Taxation Committee  
Miller Senate Office Building, Ste. 3W  
Annapolis, Maryland 21401

The Honorable Norman H. Conway  
Chairman  
House Appropriations Committee  
House Office Building, Room 121  
Annapolis, Maryland 21401

**Re: Status Report Regarding Outcome or Status of Evaluation of Energy Assistance Programs**

In response to the 2014 Joint Chairmen's Report, the Public Service Commission ("Commission") submits this status report regarding *Outcome or Status of Evaluation of Energy Assistance Programs*.

By Direction of the Commission,

A handwritten signature in black ink, appearing to read "David J. Collins".

David J. Collins  
Executive Secretary

DJC:lvs

Enclosure

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**PUBLIC SERVICE COMMISSION  
OF MARYLAND**

**REPORT REGARDING  
OUTCOME OR STATUS OF EVALUATION OF ENERGY  
ASSISTANCE PROGRAMS**

Submitted to the  
Maryland General Assembly  
Annapolis, Maryland

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## **I. Introduction**

As part of the Joint Chairman’s Report—Operating Budget, April 2014,<sup>1</sup> the budget committees requested that the Public Service Commission of Maryland (“Commission”), in consultation with the Department of Human Resources (“DHR”), submit a report on the status or outcome of its review of Maryland’s energy assistance programs, including the anticipated ratepayer impact and impact to recipients of energy assistance benefits from any program changes. This report is submitted in response to the budget committees’ request. Discussion of overall funding levels for energy assistance programs is limited to funding from ratepayers, which is the only source of funds over which the Commission has control.

## **II. Evaluation of Low-Income Energy Assistance Programs**

The State of Maryland has three major energy assistance programs directed to low-income residential ratepayers. The Universal Service Protection Program (“USPP”)<sup>2</sup> offers protection from winter terminations and is administered by the utilities.<sup>3</sup> The Maryland Energy Assistance Program (“MEAP”) is federally funded to provide heating assistance to customers regardless of heating source.<sup>4</sup> The Electric Universal Service Program (“EUSP”) is funded by Maryland ratepayers to provide assistance with electric bills.<sup>5</sup> The EUSP and the MEAP are both administered by the Office of Home Energy Programs, Family Investment Administration, Department of Human Services (“OHEP”). Electric heating customers receive funds from both the MEAP and the EUSP. The Commission exercises oversight of the EUSP, and, as part of that

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<sup>1</sup> See Committee Narrative C90G00.01

<sup>2</sup> See COMAR 20.31.05.

<sup>3</sup> While the USPP does not provide a monetary benefit to low-income customers, it places limitations upon the authority of a public service company to terminate for nonpayment gas or electric service to low-income residential customers during the heating season. The USPP is available to utility customers who are eligible and have applied for a grant from the MEAP.

<sup>4</sup> OHEP’s allocation for MEAP during the current fiscal year (FY 2014) is \$68,939,715.

<sup>5</sup> See §512.1, Pub. Utils., *MD Code*.

oversight, reviews OHEP's Annual Plan, issued prior to the start of each fiscal year, as well as its Annual Report, issued after the close of each fiscal year.

OHEP's EUSP Annual Report for FY 2011 ("Report") was considered at a Commission hearing on December 20, 2011. The Report indicated that funding for the coming fiscal year was uncertain and the bill assistance grant had diminished considerably. Based in part on these considerations, the Commission convened Public Conference ("PC") 27, *In the Matter of Low-Income Energy-Related Customer Arrearages and Bill Assistance Needs*, for the purpose of performing a comprehensive review of Maryland's energy assistance programs.<sup>6</sup> In docketing this proceeding, the Commission expressed concern regarding whether Maryland's energy assistance programs were able to fulfill the purposes for which they were intended. The Commission noted the need for "a structural, longer term review of energy assistance programs in Maryland and to consider alternatives to the seemingly untenable *status quo*."<sup>7</sup> The Commission scheduled a hearing to commence March 20, 2012 at which the following issues were to be addressed:

- the scope, causes, and trends over time of arrearages and customers' inability to pay their bills;
- the goals of the current programs, as originally intended, and recommendations on whether those goals have changed or should;
- the sources of available funding, in total and broken out by resource, both public and private, and the amount of funding necessary;
- the criteria that should be considered and used for eligibility;
- coordination with other government assistance programs;
- logistical, mechanical, and technological issues that would need to be addressed or overcome to improve the efficiency of distribution of resources;

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<sup>6</sup> See Letter Order dated January 11, 2012.

<sup>7</sup> *Id.* at 2.

- the relative impact on customer bills between increasing bill assistance contributions and writing off greater portions of uncollectibles; and
- Best Practices of other States.

The Staff of the Public Service Commission of Maryland (“Staff”), the Maryland Office of People’s Counsel (“OPC”), Baltimore Gas and Electric Company (“BGE”), The Potomac Edison Company (“PE”), Potomac Electric Power Company (“Pepco”), and Delmarva Power and Light Company (“DPL”) met to discuss energy assistance programs in other states. On March 13, 2012, the Baltimore City Department of Housing, Pepco and DPL, OPC, BGE, Staff, and OHEP filed comments addressing the issues outlined by the Commission. On March 19, 2012, nine evaluation reports of various types of energy assistance programs in other states were filed by this group in the PC 27 docket.<sup>8</sup> On March 20, 2012, the Commission held a Public Conference at which the parties filing written comments and the Fuel Fund of Central Maryland, Inc. made presentations and responded to questions from the Commission.

After considering the Report and the Comments of the Parties as presented at the Public Conference, the Commission directed Staff to prepare recommendations for changes to Maryland’s energy assistance programs to be filed by November 1, 2012.<sup>9</sup> On that date, Staff and OPC filed a document entitled the *Affordable Energy Plan* (“AEP”),<sup>10</sup> which represented joint recommendations for changes to Maryland’s existing energy assistance programs. The AEP consists of the following five components that would be available to both gas and electric customers: 1) bill payment assistance based on a percentage of income; 2) pre-AEP arrearage assistance based on the same percentage of income with the possibility of an additional “co-pay;” 3) coordination with existing weatherization and EmPOWER Maryland programs in order to

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<sup>8</sup> See PC 27, Item 8.

<sup>9</sup> See Letter Order, dated July 10, 2012.

<sup>10</sup> See PC 27, ML#143460 (Nov. 1, 2012).

increase energy efficiency; 4) targeted treatment for selected customers with very high usage or special circumstances; and 5) crisis assistance to be made available upon a mid-cycle change of circumstances. Stakeholders filed Comments regarding the AEP on November 30, 2012.<sup>11</sup> A legislative-style hearing was held on May 9, 2013, at which Staff and OPC made a joint presentation regarding the AEP, and Stakeholders were provided an opportunity to address the proposal and issues raised in comments.

The AEP is a conceptual document designed to address bill payment from a new perspective. Rather than pay a portion of the low-income participant's bill, leaving the responsibility for the remainder of the bill to the customer, the AEP would require the low-income customer to pay a bill equivalent to a percentage of the customer's gross household income. Under the AEP, the remainder of the bill would be paid for by energy assistance funds. This would be a major change from existing Maryland energy assistance programs. Such an approach to bill assistance and the additional elements of the AEP would require new legislation, new and revised regulations, and resolution of implementation details.

In its November, 2012 report to the General Assembly regarding PC 27, DHR listed several strengths and weakness of the AEP, and did not endorse the plan.<sup>12</sup> DHR's most significant concern was that the AEP could cost approximately \$220 million, with a residential ratepayer impact of \$7-10 per month. DHR also identified several alternative program design enhancements that the agency believed would increase the efficiency and impact of energy assistance programs.

### **III. Increased Energy Assistance Revenues from RGGI Auctions**

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<sup>11</sup> The following parties filed Comments: Maryland Energy Group; OPC; BGE; PE, Pepco and DPL, Columbia Gas of Maryland, Inc.; and Energy Advocates.

<sup>12</sup> *Maryland Department of Human Resources: Family Investment Administration Office of Home Energy Programs: Public Service Commission Review of Energy Assistance Benefits.*

All proceeds received from the auction of the State’s share of allowances stemming from its participation in the Regional Greenhouse Gas Initiative (“RGGI”) are directed by statute to the Maryland Strategic Energy Investment Fund (“SEIF”).<sup>13</sup> Between June 2008 and March 1, 2009, the initial statutory allocation of RGGI auction proceeds directed 17% of the State’s revenues toward “the Electric Universal Service Program and other electricity assistance programs in the Department of Human Resources.”<sup>14</sup> As a result of revenue distribution adjustments executed under two subsequent budget reconciliation measures, from March 1, 2009 through July 1, 2014, *up to* 50% of the proceeds went toward the same energy assistance programs. The increased statutory allocation of RGGI revenues toward energy assistance,<sup>15</sup> in combination with increased RGGI auction proceeds, significantly increased the size of DHR’s statutorily authorized award from 2009 to 2014:<sup>16</sup>

<b>Fiscal Year</b>	<b>OHEP Award of RGGI Auction Proceeds</b>
2009	\$24,836,108.58
2010	\$27,875,248.46
2011	\$19,477,566.24
2012	\$15,179,627.83
2013	\$39,628,366.25
2014	\$43,814,760.45

<sup>13</sup> State Gov’t § 9-20B-05.

<sup>14</sup> State Gov’t § 9-20B-05(g)(1).

<sup>15</sup> On February 24, 2014, Governor O’Malley also announced that RGGI proceeds would be used to provide a one-time, \$20 million supplement to help lower-income Marylanders pay high utility bills resulting from the extreme 2013-2014 winter weather. The funds were made available to all income eligible households who apply for the EUSP in FY2014.

<sup>16</sup> Various transfers from the Strategic Energy Investment Fund have been authorized, primarily to replace lost revenue from tax credits.

Before the end of the 2014 Legislative Session, OHEP expressed a reluctance to commit the increased amount of RGGI funds collected in FY2013 – 2014, citing the imminent expiration of the FY2012-2014 budget reconciliation measure that directed 50% of RGGI proceeds toward energy assistance.<sup>17</sup> The 2014 Budget Reconciliation and Financing Act of 2014, however, made this allocation to OHEP of RGGI funding permanent by dedicating *at least* 50% of future RGGI auction proceeds. As a result, at the Commission’s July 23, 2014 hearing to review OHEP’s Proposed Operation Plan for FY2015, OHEP stated that it would evaluate how to use the increased RGGI funds dedicated toward energy assistance and how that would affect the structure of OHEP’s energy assistance programs in FY2016 and beyond.

**IV. Due to Increased Funding, Statutory Certainty, and Coming DHR Enhancements, No Plans to Proceed with AEP Proposal**

RGGI auctions are producing revenues that are resulting in supplemental energy assistance funding far in excess of what DHR expected a few years ago. OHEP received \$39.6 million and \$43.8 million in RGGI funding in 2013 and 2014 respectively. The first quarter FY2015 OHEP award exceeded \$9M, and RGGI revenues are projected to remain steady into the foreseeable future. For these reasons, DHR has a stated interest in examining ways to enhance its suite of energy assistance programs even beyond the budget-neutral program enhancements it outlined in 2012.<sup>18</sup> Although the Commission finds many of the elements of the AEP to be innovative and

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<sup>17</sup> Upon expiration of the FY2012 – 2014 budget reconciliation measures and in the absence of further legislative action, the proceed allocation formula would have reverted to the formula that provided 17% of RGGI auction proceeds to energy assistance.

<sup>18</sup> Some advocates have also expressed a concern that current energy assistance funds, even with the benefit of enhanced RGGI revenues, are insufficient. For example, in budget testimony during the 2014 Legislative Session, Energy Advocates -- a statewide coalition that advocates for policies and programs to meet the home energy needs of low and moderate income families – noted that Maryland households living below the federal poverty level spend between 21 and 73% of their income on home energy bills. Energy Advocates hailed the permanent allocation of 50% of RGGI revenues for energy assistance. Energy Advocates also encouraged the legislature to consider the AEP as a plan that does not depend on RGGI funding, because the AEP would depend entirely on ratepayer funds.



intriguing,<sup>19</sup> the Commission notes DHR's concerns about dedicating a large amount of ratepayer dollars to a new program, especially given the large amount of supplemental proceeds from RGGI and DHR's interest in proposing new enhancements for the next fiscal year. DHR plans to work with other agency partners to design innovative program enhancements that will use a portion of the RGGI funding to begin to address some of the concerns raised in the AEP. As a result, and in recognition of its statutory role as an administrator of a portion of the State's energy assistance programs, the Commission does not intend to advocate for an Affordable Energy Plan of the scope contemplated under PC 27. Nevertheless, PC 27, the AEP, and the related filings provide useful references and policy options as the Commission continues its oversight of the EUSP. The Commission and DHR will continue to monitor closely the energy assistance needs of Maryland ratepayers, as well as the adequacy of energy assistance funds.

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<sup>19</sup> Like Energy Advocates, a large part of OPC and Staff's support for the AEP stems from their ongoing concern about the adequacy of energy assistance funding. Although the Commission recognizes that DHR is the State agency with the greatest amount of expertise in determining existing needs for assistance to low-income individuals, the Commission is also well aware of the continued need for adequate energy assistance funding, including increases in the numbers of individuals seeking assistance. For example, in its FY 2014 EUSP Annual Report, OHEP reported receiving 153,993 applications from customers seeking heating and electric assistance from OHEP administered programs, an increase of 3.6% over the applications received in 2013. The number of bill payment assistance applications received by OHEP increased by 4.6%.