

**PUBLIC SERVICE COMMISSION  
OF MARYLAND**

**ELECTRIC UNIVERSAL SERVICE PROGRAM  
2007 ANNUAL REPORT**

**Pursuant to**  
**§ 7-512.1(c) of the Public Utility Companies Article,**  
*Annotated Code of Maryland*

Prepared for the General Assembly of Maryland

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## TABLE OF CONTENTS

|             |  |           |
|-------------|--|-----------|
| <b>I.</b>   | <b>OVERVIEW .....</b>  | <b>3</b>  |
| <b>II.</b>  | <b>LEGISLATIVE REQUIREMENTS .....</b>  | <b>3</b>  |
| <b>III.</b> | <b>BASIS FOR FINDINGS/RECOMMENDATIONS .....</b>  | <b>4</b>  |
|             | A. OHEP’s 2007 Annual Report.....  | 4         |
|             | B. Participation / Funds Expended in FY 2007 .....                                     | 6         |
|             | C. Benefits Matrix (Method of Calculation) for FY 2007.....                            | 6         |
| <b>IV.</b>  | <b>FINDINGS/RECOMMENDATIONS.....</b>   | <b>8</b>  |
|             | A. Total Amount of Funding Recommended for FY 2009 .....                               | 8         |
|             | B. Bill Assistance.....  | 9         |
|             | 1. Total Need (electric customers at or below 175% of poverty) .....                   | 9         |
|             | 2. Percentage of Need That Should be Funded, at a Minimum 50% .....                    | 9         |
|             | C. Weatherization Funding .....  | 9         |
|             | D. Arrearage Retirement Assistance Funding.....  | 10        |
|             | E. OHEP Outreach Plan for Program Year 2008 and Funding Level.....                     | 10        |
|             | F. Income Limitation Waivers.....  | 10        |
|             | G. Impact on Customer Rates / Including the Allocation Among<br>Customer Classes ..... | 11        |
|             | H. Impact of Using Other Federal Poverty Program Benchmarks.....                       | 11        |
| <b>V.</b>   | <b>CONCLUSION .....</b>  | <b>12</b> |

**LIST OF TABLES**

Table 1: FY 2008 Allocations Approved by Order No. 81638..... 4

Table 2: Distribution of MEAP applicants Service by Fuel Type – FY2006 – FY2007..... 5

Table 3: EUSP Benefits Matrix ..... 7

Table 4: FY 2007 Distribution of EUSP Arrearage Benefits ..... 8

Table 5: FY 2009 Funding Recommendations ..... 9

Table 6: Residential Rate Impact..... 11

# ELECTRIC UNIVERSAL SERVICE PROGRAM 2007 ANNUAL REPORT

## I. OVERVIEW

The Electric Universal Service Program (“EUSP”), enacted as part of the Electric Customer Choice Act of 1999 (“the Act”), was designed by the Maryland General Assembly to assist low-income electric customers with arrearage retirement, bill assistance, and weatherization during the restructuring of Maryland’s electric and electricity supply market. Pursuant to the Act, § 7-512.1 of the Public Utility Companies Article, *Annotated Code of Maryland* (“PUC Article”), required the Public Service Commission (“Commission”) to establish the program, make it available to low-income electric customers Statewide, and provide administrative oversight to the Office of Home Energy Programs (“OHEP”), the agency within the Department of Human Resources (“DHR”) responsible for program delivery.

## II. LEGISLATIVE REQUIREMENTS

Under the Act, the Commission is required to oversee the program as it is administered by DHR, through OHEP. Section 7-512.1(c) of the Public Utility Companies Article requires the Commission to report annually to the General Assembly, subject to § 2-1246 of the State Government Article, *Annotated Code of Maryland*, on the EUSP, including:

- (i) subject to subsection (e) of [§ 7-512.1], a recommendation on the total amount of funds for the program for the following fiscal year based on:
  - 1. the level of participation in and the amounts expended on bill assistance and arrearage retirement during the preceding fiscal year;
  - 2. how bill assistance and arrearage retirement payments to customers were calculated during the preceding fiscal year;
  - 3. the projected needs for the bill assistance and arrearage retirement components of the universal service program for the next fiscal year; and
  - 4. the amount of any bill assistance and arrearage retirement surplus carried over in the electric universal service program fund under subsection (f)(6)(i) of this section;
- (ii) for bill assistance:
  - 1. the total amount of need, as determined by the Commission, for electric customers with annual incomes at or below 150%<sup>1</sup> of the federal poverty level and the basis for this determination; and
  - 2. the percentage of need, as determined by the Commission, but at a minimum of 50%, that should be funded through the electric universal service program and the basis for this determination;

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<sup>1</sup> There is a discrepancy in the statute between the threshold level in this section (150% of the federal poverty level) (*see* § 7-512.1(c) of the PUC Article) and the level at which electric customers are eligible to participate in EUSP (175% of the federal poverty level) (*see* § 7-512.1(a) of the PUC Article.) The total amount of need determined in this Report is for electric customers with annual incomes at or below 175% of the federal poverty level to be consistent with the level at which customers are able to participate.

- (iii) the amount of funds needed, as determined by the Commission, to retire arrearages for electric customers who have not previously received assistance in retiring arrearages under the electric universal service program and the basis for this determination;
- (iv) the amount of funds needed, as determined by the Commission, for bill assistance and arrearage retirement, respectively, for customers for whom income limitations may be waived under subsection (a)(7) of [§ 7-512.1], and the basis for each determination;
- (v) the impact on customer's rates, including the allocation among customer classes, from collecting the total amount recommended by the Commission under item (i) of this paragraph; and
- (vi) the impact of using other federal poverty level benchmarks on costs and the effectiveness of the electric universal service program.

### **III. BASIS FOR FINDINGS/RECOMMENDATIONS**

The Commission's consideration and review of operational plans, proposals, workgroup reports, and filings is conducted principally in Case No. 8903. On May 4, 2007, OHEP filed a EUSP Proposed Operations Plan for FY 2008. Following a hearing to consider the Proposed Operations Plan, by Order No. 81638, issued September 28, 2007, the Commission authorized the following allocations for FY 2008, which are equal to the statutory amount provided for in § 7-512.1(e) of the Public Utility Companies Article:<sup>2</sup>

**Table 1  
FY 2008 Allocations Approved by Order No. 81638**

| <b>Allocation</b>               | <b>Amount</b>        |
|---------------------------------|----------------------|
| Arrearage Retirement Assistance | \$ 1,500,000         |
| Bill Payment Assistance         | \$ 30,835,000        |
| Administration                  | \$ 3,465,000         |
| Outreach                        | \$ 200,000           |
| <b>Total</b>                    | <b>\$ 36,000,000</b> |

On October 15, 2007, OHEP filed its FY 2007 Annual Report with the Commission in compliance with § 7-512.1(c)(2) of the PUC Article. The Commission held a hearing on November 16, 2007 for the purpose of obtaining sufficient information to prepare responses to the statutory questions at issue in this report.

#### **A. OHEP'S FY 2007 Annual Report**

In its FY 2007 Annual Report, OHEP provided highlights pertaining to the operation of EUSP for the preceding program year, noting the average bill assistance benefit awarded per household, \$518; the average arrearage retirement benefit awarded per household, \$486; the aggregate number of households served, 93,323; and the total amount expended for program benefits during the program year, \$55,803,355.

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<sup>2</sup> Under PUC Article §7-512.1(f) (5) , the Comptroller annually disburses an additional \$1,000,000 of low-income weatherization funds to the Department of Housing and Community Development.

During the 2007 fiscal year, OHEP was able to provide assistance to more households than it had in FY 2006. This was due to several factors. First, the availability of approximately \$900,000 of non-ratepayer funding through “Project Heat-Up” allowed OHEP to expand eligibility for assistance to households with incomes up to 200% of the Federal Poverty Level (“FPL”), up from the revised statutory ceiling for FY 2007 of 175% FPL.<sup>3</sup> Second, Senate Bill 1 of 2006 added \$3 million in ratepayer funding to EUSP, bringing total ratepayer funding to \$37 million. In addition, Senate Bill 1 provided \$6 million in one-time funding for EUSP; OHEP used most of this money for arrearage retirement assistance.

Based on the FY 2007 program year experience, increasing numbers of applicants, and other factors, OHEP recommends an annual incremental increase in EUSP funding. Among its Annual Report recommendations, OHEP particularly notes the needs of individuals receiving arrearage retirement assistance. OHEP believes the current statutory cap of \$1.5 million<sup>4</sup> is not enough to meet current need and should be removed from the statute. Instead, OHEP recommends raising the maximum amount of arrearage funding to \$6 million, but recommends not setting that amount in statute.

In FY 2007, 99,989 customers received assistance through Maryland Energy Assistance Program (“MEAP”). All of these funds were from the Low-Income Home Energy Assistance Program (“LIHEAP”) Block Grant. FY 2007 expenditures for the MEAP consisted of \$29.7 million going to utilities (electric and gas) and \$12.3 million being used for other fuels (oil, kerosene, propane, wood and coal). Funding amounts provided through LIHEAP are not guaranteed as they are established each year by Congress.

**Table 2**  
**Distribution of MEAP Applicants Served by Fuel Type – FY 2006 - FY 2007**

| Poverty Level | 2006          |               |               |               | 2007          |               |               |              |              |               |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
|               | 1             | 2             | 3             | Total         | 1             | 2             | 3             | 4            | 5            | Total         |
| Electricity   | 12,801        | 8,263         | 7,196         | 28,260        | 11,453        | 9,536         | 7,401         | 2,741        | 1,772        | 31,131        |
| Gas           | 21,181        | 11,854        | 11,627        | 44,662        | 19,123        | 12,163        | 10,607        | 4,210        | 2,905        | 46,103        |
| Propane       | 1,172         | 1,020         | 1,022         | 3,214         | 1,047         | 1,070         | 1,025         | 323          | 201          | 3,465         |
| Oil           | 3,359         | 3,246         | 3,320         | 9,925         | 2,747         | 3,241         | 3,221         | 949          | 593          | 10,158        |
| Kerosene      | 1,143         | 1,018         | 895           | 3,056         | 911           | 1,101         | 821           | 260          | 146          | 3,093         |
| Coal          | 50            | 50            | 36            | 136           | 42            | 56            | 26            | 20           | 10           | 144           |
| Wood          | 96            | 58            | 42            | 196           | 91            | 70            | 64            | 22           | 8            | 247           |
| <b>Total</b>  | <b>39,802</b> | <b>25,509</b> | <b>24,138</b> | <b>89,449</b> | <b>35,414</b> | <b>27,237</b> | <b>23,165</b> | <b>8,525</b> | <b>5,635</b> | <b>94,341</b> |

**Source: Maryland Department of Human Resources  
Office of Home Energy Programs, October 2007**

During FY 2007, estimated expenditures of \$388,000 were made to perform outreach. OHEP, through its local agencies and the State office, and in partnership with other organizations conducts a wide range of outreach activities. Attachment M to OHEP’s FY 2007 Annual Report identifies the variety of outreach conducted throughout the State.

<sup>3</sup> Prior to the June 23, 2006 enactment of Chapter 5, Acts 2006, First Special Session, the statutory ceiling for EUSP ratepayer funds was 150% FPL.

<sup>4</sup> MD. CODE ANN., Pub. Util. Co. §7-512.1(a)(2)(iii) (1998 & Supp. 2007).

In its FY 2007 Annual Report, OHEP reports that no funds were retained from FY 2007 for carry over into FY 2008.

OHEP's FY 2007 Annual Report is attached as **Appendix A**.

### **B. Participation / Funds Expended in FY 2007**

According to information provided by OHEP in its FY 2007 Annual Report, the level of participation in EUSP continues to increase, as does annual spending. In FY 2007, the number of households receiving EUSP bill assistance totaled 93,323. Of these, approximately 88,200 participating households had incomes at or below 175% of the federal poverty level (FPL); approximately 5,100 participants had incomes between 176% and 200% of FPL.<sup>5</sup> Thus, in FY 2007, the number of households receiving bill assistance with incomes at or below 175% FPL rose by approximately 5%. The level of bill assistance funds that were expended also increased – from \$34.3 million in FY 2006 to \$46.6 million in FY 2007. This represents an increase in expenditures of approximately 36%. The average weighted bill assistance benefit for FY 2007 was approximately \$510-\$518 per household.

According to OHEP, EUSP arrearage retirement assistance expenditures in FY 2007 were \$5.1 million. This represents an increase of nearly 170% over the arrearage retirement assistance funds spent in FY 2006. In FY 2007, OHEP provided arrearage assistance to 10,468 households with incomes at or below 200% of FPL. In FY 2006 OHEP assisted 3,937 households with arrearage retirement needs. In FY 2007, the average arrearage grant was \$486. This was an increase of approximately 12% from the average grant of \$435 in FY 2006.

### **C. Benefits Matrix (Method of Calculation) for FY 2007**

For bill assistance under EUSP, OHEP uses the following formula to calculate the amount of assistance:

$$\text{annual kWh usage} \times \text{cost of electricity} \times \% \text{ of bill payment by FPL} = \text{benefit}$$

Benefits are based on customers' income and associated poverty index, coupled with electrical usage. Specifically, usage data collected from each utility on a per customer basis is used to customize the benefit for each customer. Based on utility provided information, OHEP calculates the estimated annual cost of electricity for each EUSP applicant. The customer's estimated annual cost of electricity is considered along with income level. During FY 2007, OHEP utilized poverty levels as shown in Table 3, below.

According to OHEP, during FY 2007, the income group at the level 0-75% of poverty received a benefit equal to approximately 75 percent of their estimated annual bill. Applicants at over 75-110% of poverty received a benefit equal to approximately 60 percent of their estimated annual bill; and the group at over 110-175% of poverty received a benefit equal to approximately 50 percent of their estimated annual bill. Bill assistance is capped at approximately 12,000 kWh per

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<sup>5</sup> Of note, the statutory cap for EUSP participation is 175% of FPL. For FY 2007, the number served at and below this level was approximately 88,200; the additional participants were served under OHEP's "Project Heat Up."

year. Customers who received assistance through the MEAP for electric heat would have usage in excess of that amount and would have received an additional 15% of their estimated annual bill.

**Table 3  
EUSP Benefits Matrix**

| <b>Poverty Category</b> | <b>Income Level</b>       | <b>% of Electric Cost Paid</b> | <b>Total With MEAP Added (15%)</b> |
|-------------------------|---------------------------|--------------------------------|------------------------------------|
| <b>1</b>                | <b>0-75 %</b>             | <b>75%</b>                     | <b>90%</b>                         |
| <b>2</b>                | <b>&lt;75%-110%</b>       | <b>60%</b>                     | <b>75%</b>                         |
| <b>3</b>                | <b>&lt;110%-150%</b>      | <b>50%</b>                     | <b>65%</b>                         |
| <b>4</b>                | <b>&lt;150%-175%</b>      | <b>50%</b>                     | <b>65%</b>                         |
| <b>5</b>                | <b>&lt;175%-200%</b>      | <b>N/A</b>                     | <b>N/A</b>                         |
| <b>6</b>                | <b>Subsidized Housing</b> | <b>25%</b>                     | <b>40%</b>                         |

The poverty levels in the table above are also used to assess the eligibility for arrearage retirement assistance. As discussed above, OHEP seemed to set a minimum arrearage amount of approximately \$100 for a household to qualify for arrearage assistance with an arrearage assistance cap of \$2,000. Under current law, a household may qualify for arrearage retirement assistance only once. OHEP requires customers who receive arrearage assistance to qualify for and participate in EUSP bill assistance.

**\*\* Table 4 – continued on next page\*\***

**\*\* Remainder of page intentionally blank\*\***



**Table 4  
FY 2007 Distribution of EUSP Arrearage Benefits**

| <b>Benefit Range</b> | <b>Household Count</b> | <b>Cumulative Count</b> | <b>% Distribution</b> | <b>Cumulative %</b> |
|----------------------|------------------------|-------------------------|-----------------------|---------------------|
| <100                 | 6                      | 6                       | 0.1%                  | 0.1%                |
| 100-199              | 2,053                  | 2,059                   | 19.6%                 | 19.7%               |
| 200-299              | 2,012                  | 4,071                   | 19.2%                 | 38.9%               |
| 300-399              | 1,616                  | 5,687                   | 15.4%                 | 54.3%               |
| 400-499              | 1,272                  | 6,959                   | 12.2%                 | 66.5%               |
| 500-599              | 907                    | 7,866                   | 8.7%                  | 75.2%               |
| 600-699              | 634                    | 8,500                   | 6.1%                  | 81.2%               |
| 700-799              | 438                    | 8,938                   | 4.2%                  | 85.4%               |
| 800-899              | 326                    | 9,264                   | 3.1%                  | 88.5%               |
| 900-999              | 236                    | 9,500                   | 2.3%                  | 90.8%               |
| 1000-1099            | 196                    | 9,696                   | 1.9%                  | 92.7%               |
| 1100-1199            | 139                    | 9,835                   | 1.3%                  | 94.0%               |
| 1200-1299            | 112                    | 9,947                   | 1.1%                  | 95.1%               |
| 1300-1399            | 91                     | 10,038                  | 0.9%                  | 95.9%               |
| 1400-1499            | 66                     | 10,104                  | 0.6%                  | 96.6%               |
| 1500-1599            | 46                     | 10,150                  | 0.4%                  | 97.0%               |
| 1600-1699            | 46                     | 10,196                  | 0.4%                  | 97.4%               |
| 1700-1799            | 28                     | 10,224                  | 0.3%                  | 97.7%               |
| 1800-1899            | 36                     | 10,260                  | 0.3%                  | 98.1%               |
| 1900-1999            | 27                     | 10,287                  | 0.3%                  | 98.3%               |
| 2000                 | 177                    | 10,464                  | 1.7%                  | 100.0%              |
|                      |                        |                         |                       |                     |
|                      | 10,464                 |                         | 100.0%                |                     |
|                      |                        |                         |                       |                     |
| Mean Grant           | \$ 483.69              |                         |                       |                     |
| Median Grant         | \$ 368.48              |                         |                       |                     |

#### IV. FINDINGS/RECOMMENDATIONS

##### A. Total Amount of Funding Recommended for FY2009

The Commission recommends the FY 2009 funding levels outlined in Table 5 for the EUSP program, with which OHEP agrees. The recommendation is based on OHEP's benefits matrix which demonstrates that, for most participants, at least 50% of a bill is paid using EUSP funds. The figure was arrived at using an average anticipated benefit of \$635 per household. This figure for total

funding for FY 2009 is 30% higher than the FY 2008 appropriation requested by OHEP, \$58.5 million.

**Table 5**  
**FY 2009 Funding Recommendations**

| Allocation                      | Amount        |
|---------------------------------|---------------|
| Arrearage Retirement Assistance | \$ 6,000,000  |
| Bill Payment Assistance         | \$ 62,341,667 |
| Administration                  | \$ 6,150,750  |
| Outreach                        | \$ 648,925    |
| Weatherization                  | \$ 1,000,000  |
| Total                           | \$ 76,141,342 |

Understanding that a total allocation of \$76.1 million is 30 percent higher than the budget appropriation OHEP requested, the Commission believes that this level of funding is necessary to meet the projected need for assistance in FY 2009.

**B. Bill Assistance**

**1. Total Need (electric customers at or below 175% of poverty)**

According to OHEP, the legislative increase in EUSP eligibility from 150% of poverty to 175% of poverty increases the potentially eligible EUSP population to an estimated 336,000 households. With an expected average bill assistance award of \$623.00 - \$635.00 for FY 2008, the amount of funding needed to assist the entire eligible population is approximately \$209,328,000 – \$213,360,000.

**2. Percentage of Need That Should be Funded, at a Minimum 50%**

The Commission considered several options for funding recommendations for EUSP bill assistance, including the percentage of need that should be funded.

The first option is to use OHEP’s benefits matrix to fund 50% of most participants’ bills. Under this scheme, benefits increase as a household’s income decreases. The consensus among parties is that, to meet 50% of need under OHEP’s benefits matrix, \$60-\$62 million is required for bill assistance.

A second option is to recommend EUSP bill assistance funding at a level that will meet the needs of 50% of the eligible population. As noted above, OHEP estimates that 336,000 households in Maryland are eligible for assistance. Funding 168,000 households with an average benefit of \$623.00 - \$635.00 would require approximately \$104.7 million – \$106.7 million.

A third option considered by the Commission is to use OHEP’s proposed “reasonable budget” to provide bill assistance to approximately 42% of the target population. Using the projected average benefit of \$635.00 per household, OHEP estimates that funding this level of penetration would require \$90.2 million. The assumption under this option is that OHEP would continue to use

its benefits matrix to determine an individual household's assistance, which would result in most households having at least 50% of their bills paid.

The Commission continues to find that a minimum of 50% of the determined need of most participants should be funded by EUSP. According to OHEP, the EUSP benefits matrix (Table 3) is designed to cover 50 percent of most participating households' electricity bills. Based on OHEP's benefits matrix, the Commission believes FY 2009 funding for EUSP bill assistance should be \$62 million.

### **C. Weatherization Funding**

In 2005, the General Assembly established \$1,000,000 as the level for EUSP weatherization funds, assigning the administration of those funds to the Department of Housing and Community Development. The Commission does not believe that this level of funding should be changed.

### **D. Arrearage Retirement Assistance Funding (for arrearages incurred prior to the implementation date)**

The statutory level for arrearage retirement assistance that may be funded by ratepayers is \$1.5 million. In FY 2007, OHEP spent approximately \$5.1 million for arrearage assistance and provided benefits to 10,468 participants. The \$3.6 million in excess of the statutory cap on arrearage retirement assistance in FY 2007 came from a one-time diversion of the corporate income tax.

Based testimony to the Commission from parties appearing at the November 16, 2007 hearing, approximately \$6 million is required to adequately fund the EUSP arrearage retirement assistance program in FY 2009. This figure is based on the FY 2007 expenditure of \$5.1 million and an expectation that the need for arrearage assistance will increase because of rising electricity prices.

The Commission recommends arrearage retirement assistance funding in the amount of \$6 million for FY 2009. Again, the Commission recognizes that this amount is well above the statutory limit, but believes that this amount is required to address the arrearage needs that continue to burden low-income households.

### **E. OHEP Outreach Plan for Program Year 2008 and Funding Level**

OHEP has been allocated \$200,000 for outreach by the Commission for the past several years. The number of EUSP participants has grown steadily at about three percent per year. In response to Order No. 81638, issued September 28, 2007, OHEP filed a detailed outreach plan that was built on the outreach plan required for the receipt of federal funds for the MEAP.<sup>6</sup> OHEP's Outreach Plan attempts to reach the elderly, the disabled, and households with high energy burdens throughout the State. OHEP's Outreach Plan is intended to increase the number of households served through engendering increased awareness of MEAP and EUSP statewide. The mechanisms proposed are designed to inform a broad spectrum of people and organizations about MEAP and EUSP and the benefits available to low-income persons who qualify for the programs. Specific enrollment and reenrollment strategies are also included. OHEP proposes to reevaluate the Outreach Program at the end of each outreach cycle. To aide OHEP in its expanded outreach, the Commission recommends that \$648,925 be provided to OHEP for outreach for FY 2009.

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<sup>6</sup> See OHEP *Outreach Plan*, Case No. 8903, Item No. 299 – electronic case file, [www.psc.state.md.us](http://www.psc.state.md.us).

## F. Income Limitation Waivers

According to OHEP, with the increase in income guidelines to 175% of FPL, OHEP decided not to offer waivers during FY 2007. As long as income guidelines continue to include households with incomes up to 175% FPL, OHEP does not intend to offer income limitation waivers.

## G. Impact on Customer Rates / Including the Allocation Among Customer Classes

Currently, residential customers pay 37¢ per month. Other customer classes, from small commercial to large industrial, are allocated charges by scale based upon historical usage or consumption. The allocation methodology for collecting EUSP funds from commercial and industrial customers is based on a 24-step matrix, which is adjusted periodically by the Commission to account for significant changes in funding. The electric companies are required to review the assignment of these customers annually to assure that each C&I customer is in the proper tier. The Commission monitors the amount being collected to assure that it is in keeping with statutory guidelines.

The impact on residential customer rates for the FY 2009 recommended level of EUSP funding is shown in Table 6.

**Table 6**  
**Residential Rate Impact**

|   |          | <b>Current<br/>FY2008</b> | <b>EUSP<br/>Workgroup<br/>95,000<br/>\$635</b> |
|---|----------|---------------------------|--|
| <b>No. of Participants</b>                                    | <b>%</b> |                           |  |
| <b>Average Benefit per Participant</b>                        |          |                           |  |
| 1 Funding   |          | \$37,000,000              | \$76,141,342                                   |
| 2 Additional Funding  |          |                           | \$39,141,342                                   |
| 3 ( Above Current Funded amount of \$37M)                     |          |                           |  |
| 4   |          |                           |  |
| 5 Residential Class Allocation (Line 2 x Line 5)              | 0.26     | \$9,600,000               | \$10,176,749                                   |
| 6 Commercial Class Allocation (Line 2 x Line 6)               | 0.74     | \$27,400,000              | \$28,964,593                                   |
| 7 Total Additional Funding (above \$37,000,000)               |          |                           | <u>\$39,141,342</u>                            |
| 8   |          |                           |  |
| 9 Residential Impacts <sup>1</sup>                            |          |                           |  |
| 10 Residential Monthly EUSP rate based on paying 100%         |          |                           | \$1.48   |
| 11 of Addl. Funding (Line 7) / 2.2M res. customers / 12 mos.) |          |                           |  |
| 12 Plus Res. Current Monthly EUSP rate                        |          |                           | <u>\$0.37</u>                                  |
| 13 New Monthly Rate   |          |                           | <u><u>\$1.85</u></u>                           |
| 14  |          |                           |  |
| 15 Residential Monthly EUSP rate based on paying 26%          |          |                           | \$0.39   |
| 16 of Addl. Funding (Line 7) / 2.2M res. customers / 12 mos.) |          |                           |  |
| 17 Plus Res. Current Monthly EUSP rate                        |          |                           | <u>\$0.37</u>                                  |
| 18 New Monthly Rate   |          |                           | <u><u>\$0.76</u></u>                           |
| 19  |          |                           |  |
| 20 Residential class monthly increase; C&I held harmless      |          |                           | \$0.44   |
| 21 at \$27,400,000: (Line 7) - \$27.4M / 2.2M / 12            |          |                           |  |
| 22 Plus Res. Current Monthly EUSP rate                        |          |                           | <u>\$0.37</u>                                  |
| 23 New Monthly Rate   |          |                           | <u><u>\$0.81</u></u>                           |

<sup>1</sup> Analysis is based on 2,200,000 total residential customers

## **H. Impact of Using Other Federal Poverty Program Benchmarks**

OHEP uses federal poverty levels to determine eligibility for EUSP assistance. Eligibility is capped at 175% FPL. The FPLs are based on gross household income and family size and are updated periodically based on certain cost of living indices. These levels are publically available and widely used. OHEP uses an identical eligibility system for the federally-funded MEAP. This similarity facilitates administration of the two programs and also enables OHEP to make more efficient use of its combined federal and ratepayer funding.

The benchmark for determining eligibility for participation is crucial to the determining the aggregate funding needed by the EUSP. To the extent that the benchmark interacts with benefit size, it greatly affect EUSP's effectiveness. In FY 2007, OHEP offered EUSP-like funding to "Project Heat Up" participants with incomes up to 200% FPL. The same system was used for MEAP that year and justified as serving persons at or below 50% of Maryland's median family income. If OHEP were to continue this practice, it is unclear what the true effect on actual participation (as opposed to eligibility) an increase to 200% FPL as an eligibility cap would cause. It is doubtful that awareness of eligibility was widespread during Project Heat Up's single year when approximately 5,100 additional participant households. In light of the fixed statutory funding level of EUSP, it seems likely that an extension to 200% FPL would decrease the available benefit to those traditionally covered by EUSP.

## **V. CONCLUSION**

Based on the OHEP FY 2007 Annual Report and information provided during the two hearings held in 2007 on EUSP matter, the Commission recommends that the total amounts of the funds for EUSP for FY 2009 be \$76,141,342. Additional funds for arrearage retirement and for outreach to encourage participation in EUSP is needed in light of the increasing market prices for electricity and the increasing electricity demand, and the lack of capacity and increased congestion in accommodating this increased demand. The Commission, therefore, believes that the additional funding is necessary to protect low-income customers in Maryland with annual incomes of at or less than 175% of the federal poverty level.