
Briefing for the Senate Finance and Budget and Taxation Committees

Maryland Public Service Commission
March 5, 2009



Warning signs

- Calls to the Commission's Office of External Relations began to increase dramatically in January 2009
 - 100% increase over same period in 2008 (which included the Allegheny Power light bulb calls), 300% over same period in 2007
 - 3,349 customer complaints so far in 2009
 - Primarily BGE, Pepco and Washington Gas
 - Generally *not* known low-income customers

More warning signs

Utility arrearages are up (January 2009 figures)

□ Allegheny	Gross Residential Arrearages	\$9,980,308.53
	Accounts with arrearages	71,401
□ BGE	Gross Non-Low Income Residential Arrearages	\$71,268,286
	Accounts with arrearages	114,611
	Gross Low-income Residential Arrearages	\$16,003,480
	Accounts with arrearages	15,487
□ Pepco	Gross Residential Arrearages	\$24,519,967
	Accounts with arrearages	95,405
	Gross Low-income Residential Arrearages	\$2,587,850
	Accounts with arrearages	4,697
□ Delmarva	Gross Residential Arrearages	\$7,138,264
	Accounts with arrearages	30,190
	Gross Low-income Residential Arrearages	\$4,378,233
	Accounts with arrearages	6,800

Still more warning signs

■ Utility uncollectibles have grown substantially

■ Allegheny	2008	\$1,759,692
	2009	\$119,453
■ BGE	2007	\$24,698,303
	2008	\$44,355,655
	2009	\$4,300,000
■ Pepco	2007	\$8,777,633
	2008	\$12,492,064
■ Delmarva	2007	\$3,810,761
	2008	\$4,698,426

The PSC Opened An Investigation to Address Terminations...

- *In the Matter of Arrearage and Termination Practices of Maryland Electric, Gas or Electric and Gas Utilities, Case No. 9175, opened January 30, 2009.*
 - “The Commission’s Office of External Relations has noticed an increase in customer complaints, telephone inquiries and web chat activity regarding increases in their utility bills. ... As arrearages increase, the Commission anticipates that utilities may now claim that they are unable to continue to provide services to persons who are unable to bring their accounts up-to-date. **Although the Utilities are bound by the Winter Restrictions, the Commission anticipates that Utilities may undertake broader and more aggressive collection and termination efforts when those restrictions expire. And in the current economic climate, the Commission suspects that a broader-than-usual range of residential and commercial customers may be at risk for termination.**” (emphasis added)

...Then Expanded It To Address High Bills

- “Since the date on which the Notice was issued, the Commission’s Office of External Relations has experienced a significant increase in the number of complaints regarding higher than normal energy bills (both electric and gas) from the customer’s applicable utility. **The complaints do not appear to correspond with any rate increases that have been accepted or approved by the Commission in the past several months.**” (emphasis added)
 - The hearing took place on February 26 and March 4

Utility Explanations for High Bills

- Increased commodity rates for electricity and gas
- Weather – a colder-than-normal winter following a warmer-than-normal 2007-08 winter
 - Heat pumps are especially sensitive to weather
- Length of billing cycles – can range from 27-34 days
- Estimated meter readings
- Increased usage – e.g., new appliances, larger televisions, space heaters

Rates are up over a year ago, but not enough to make bills double

■ Electric

- ❑ Allegheny +19.07% (rate caps expired)
- ❑ BGE +9.31%
- ❑ PEPCO +8.74%
- ❑ Delmarva +7.80
- ❑ SMECO +10.88%
- ❑ Easton +8.25%
- ❑ Choptank +5.78%

Average winter 07/08 v. average winter 08/09

■ Gas

- ❑ BGE +8.02%
- ❑ Columbia Gas +5.37%
- ❑ Washington Gas +2.65%
- ❑ Easton -3.13%

Weighted average winter 07/08 v. 08/09

Commission Staff's Observations So Far

- Weather is a factor
 - Especially for customers with heat pumps – Staff's modeling suggests that the heating portion of a customer's electric bill could increase 50% from weather alone
- High bill customers are not on budget billing
 - The complaints generally are *not* coming from low-income customers
- December billing cycles frequently were longer, which increased December-January bills when it happened
 - Estimated bills may also contribute

Commission Staff's Observations So Far

- Gas supplier contracts may re-set rates far higher than utility rates
 - In one example, a customer's supplier contract increased the rate from \$1.189/therm to \$1.599/therm, while BGE's standard rate ranged from \$1.0155/therm to \$0.9309/therm

Commission Staff's Observations So Far

- No “smoking gun” or uniform, wholly satisfying answer
 - Individual circumstances vary, different factors may contribute in individual cases, and sometimes it just doesn't add up
 - The Commission's investigation will continue
- Customer confidence and trust are very low
 - Customers do not believe that utilities are investigating their complaints
 - Customers are skeptical of utility explanations and believe that “something is going on”

The Number of Customers Vulnerable to Termination Is Growing

- The utilities report large numbers of customers who could be terminated starting April 1
 - Allegheny: 699 non-low-income, 212 low-income
 - BGE: 83,471 non-low-income, 465 low-income
 - Pepco: 41,862 non-low-income, 1,049 low-income
- These figures *do not include* winter high-bill customers (numbers unknown), low-income customers whose budget billing charges may reset after receiving assistance (approximately 80,000), or low-income customers who have applied for but may not receive assistance before the 55-day protection expires (possibly 20,000)

Commission Regulations Provide Some Protection

- Winter restrictions (November 1 to April 1)
 - Limit terminations of service when weather forecast does not exceed 32 degrees for 24 hours (no limitation on terminations of service during hot weather)
 - Utilities must file affidavits confirming personal contact prior to termination of service during winter period
 - Affidavits contain important data, such as customer contact information, dates on which personal contact with the customer and the reason for the termination
 - Affidavits are mandatory for known low-income customers, optional for non-low income customers

Commission Regulations Provide Some Protection

- Limitations on terminations of service
 - Outstanding arrearages must be more than \$200 for a single service utility or \$300 for a dual service utility and the total amount due is greater than the amount of the customer's deposit with the utility
 - Low-income customers who have applied for assistance are protected for 55 days while the application is pending
 - Elderly customers and people with serious illness or life support equipment receive additional protections
- Utilities may enter into payment plans with customers – PSC regulations establish general criteria

Bill Assistance Programs Are Setting Records

- The Department of Human Resources is processing record numbers of applications for energy assistance – on pace to serve approximately 140,000 households this Fiscal Year
- Through February 25, DHR had paid out tens of millions of dollars to utilities through the EUSP and MEAP programs, and the numbers are growing
 - Allegheny: \$6,758,210
 - BGE: \$54,343,241
 - Pepco: \$7,044,518
 - Delmarva: \$14,093,159

Where do we go from here

- Commission's investigation will continue
- Ruling on short-term steps will follow shortly
 - Recommendations included orders regarding payment plans prior to termination
 - The Commission ordered a temporary moratorium on terminations in 2001
- Review existing regulations to evaluate adequacy of consumer protections

For more information...



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