ORDER NO. 76933

IN THE MATTER OF THE COMMISSION'S INQUIRY INTO THE PROVISION AND REGULATION OF ELECTRIC SERVICE	*	BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND
(Electric Universal Service Program)	*	CASE NO. 8738
	*	

Before the Public Service Commission of Maryland ("Commission"), in this matter, is the Report of the Universal Service Working Group ("USWG" or "Working Group") relating to the following supplemental issues:

- Whether crediting of 1/12 of an Electric Universal Service Program (or "EUSP") participant's bill assistance benefit each month is an alternative method of disbursing these benefits;
- Whether lump sum payments for annual bill assistance and arrearages considering the limited funds available to the EUSP and any alternate payment solutions is appropriate;
- Whether interest is or should be accrued on the unused portion of lump sum payments for EUSP benefits and who should receive the interest;
- Whether issues related to the lack of forward funding of the full $34 million for EUSP has had an adverse impact on program administration; and
- Whether changes should be made in the present allocation methodology underlying the collection of funds for the EUSP.

The USWG reconvened at the direction of the Commission to address the above-stated issues for year two of the Electric Universal Service Program.[1] Year two will begin on July 1, 2001.

[1] The USWG Report was filed with the Commission March 14, 2001.

Participants in the USWG included, Baltimore Gas and Electric Company, Delmarva Power & Light Company d/b/a Conectiv Power Delivery, Potomac Electric Power Company, The Potomac Edison Company d/b/a Allegheny Power, Southern Maryland Electric Cooperative ("SMECO"), Choptank Electric Cooperative, Inc.("Choptank") (collectively, "the Joint Utilities"), Washington Gas, Staff of the Maryland Public Service Commission ("Staff"), the Office of People's Counsel ("OPC"), the Department of Human Resources/Office of Home Energy Programs ("DHR/OHEP"), Energy Advocates, the Maryland Retailers Association and the Building Owners and Managers Association of Baltimore, Inc. ("MRA/BOMA"), Giant Food, Inc., Eastalco Aluminum Company Works ("Eastalco"), Westvaco, Bethlehem Steel, Baltimore City, the Maryland Industrial Group ("MIG"), Maryland Energy Administration ("MEA"), Montgomery County Government, the St. Vincent de Paul Society, and the Fuel Fund of Central Maryland.

On March 29, 2001, the Commission solicited comments from the parties and all interested persons regarding this matter. Comments were submitted by the Joint Utilities, Staff, OPC, MRA/BOMA and Bethlehem Steel/Eastalco. The report and the parties' comments came before the Commission at the Commission's April 25, 2001 Administrative Meeting. In its report, the USWG made the following consensus recommendations:

1. That no change be made to the use of average payment plans for implementation of the EUSP, at least through program year two;
2. That the current lump sum payment system for EUSP funds paid to the utilities should be continued through year two;
3. That interest should not be accrued on the unused portion of lump sum payments received by utility companies for year two; and

4. That no change be made with regard to forward funding by the utilities to the Comptroller for year two.

The sole issue not resolved by consensus was the methodology for the collection of funds for the Electric Universal Service Program, specifically the allocation to commercial and industrial (C&I) customers. A number of Working Group participants, however, favored making no changes to the current allocation methodology for the year two program. They also supported continued use of the 1999 bundled revenue data. They suggested that, at present, there is insufficient data and insufficient time to make any major changes to utility systems to implement a new collection scheme.[2]

In its comments, the Joint Utilities recommended that the Commission maintain the current allocation methodology and fee assignments for allocating EUSP charges among C&I customers for year two.[3] The Joint Utilities echo the USWG Report in stating that data collection, and the time remaining in year one, are insufficient at present to make major changes for year two.[4] The Joint Utilities also argued that two of the State's utilities, SMECO and Choptank, are in the midst of making significant computer changes necessary to introduce customer choice in their respective service territories this year. According to the Joint Utilities, diverting programmers from that effort could jeopardize the utilities' timeline for the implementation of choice.[5]

---

[2] USWG Report at 5.
[3] Joint Utilities Comments at 2.
[4] Staff, however, criticized the manner in which the data was presented by the utilities. *See* Staff Comments at 3.
[5] *Id.* The Joint Utilities also noted that not all utilities have unbundled rates, further complicating any change in C&I customer allocations for year two.

The Report noted, however, that OPC also recommended adding a 24^{th} tier to the existing 23 tier C&I allocation schedule. The 24^{th} tier would cover C&I customer accounts with total annual electric bills under $250.00.[6] According to OPC, its 24^{th} tier proposal remedies an inequity experienced by residential customers who coincidentally have separate garages, sheds or swimming pools that are billed under a non-residential tariff.[7] According to OPC, in year one approximately 21,000 C&I customers had total annual electric bills of $250 or less.[8] Under the current C&I allocation methodology, OPC projected that the electric companies will collect approximately $756,000 from these customers. Under its proposed 24^{th} tier, OPC projected that the companies would collect approximately $100,800 from those same customers in year two, a difference of $655,200.

Under OPC's proposal, C&I customers with annual electric bills of $250 or less would pay $0.40 per month, which is equivalent to the monthly EUSP fee paid by residential customers under residential electric use tariffs. According to the USWG Report, implementation of a 24^{th} tier in the manner recommended by OPC would make the contribution of this C&I customer group more equitable.[9]

---

[6] USWG Report at 6.
[7] *Id*. at 7. Under the existing methodology such customers are being charged the minimum of $3.00 per month, or $36.00 per year, in addition to their $0.40, $4.80 per year, residential EUSP charge.
[8] *Id*. at 8.
[9] *See id*.

At the Administrative Meeting, other parties, including Staff, the Joint Utilities, and MIG either agreed with, or did not oppose, OPC's recommended 24th tier.[10] According to Staff, the current EUSP collection schedule is expected to over-collect EUSP funds in year one. Staff also projected that the over-collection will absorb the deficit created by forming a 24th tier. Staff explained that the over-collection is largely, or entirely, attributable to collections from C&I customers. This, according to Staff was due to the use of historic (1998) data to estimate the number of C&I customers. The Commission expects that more current data may require a review of the C&I allocation/collection methodology for year three.

In its written comments, MRA/BOMA supported OPC's recommended 24th tier, noting that the proposed "under $250.00" group may include some small commercial customers operating on separate "commercial service meters" but in tandem with their residential service.[11] MRA/BOMA, however, maintained that under the existing 23-tier methodology the cap on contributions for the largest industrial customers is still unfair.[12] At the Administrative Meeting, the Joint Utilities and MIG also supported OPC's proposed 24th tier.

Upon review of the USWG Report and the comments and representations of the parties, the Commission is persuaded that, in large part, the year one EUSP operating procedures should be carried over to year two. However, the Commission adopts the 24th tier -- under $250.00 --

---

[10] *See also* Staff's Comments at 2-3.
[11] MRA/BOMA Comments at 2.
[12] *Id.* at 3. Bethlehem Steel/Eastalco supported the 23-tier allocation methodology as previously adopted. *See* Bethlehem Steel/Eastalco Comments at 1-2.

customer group, recommended by OPC, for the C&I allocation/collection schedule. All other procedures and methods adopted for use during year one shall be used in implementing the year two program.

IT IS, THEREFORE, this 11th day of May, in the year Two-Thousand One, by the Public Service Commission,

ORDERED: (1) That the consensus provisions set forth in the Universal Service Working Group Report dated March 14, 2001 are adopted;

(2) That a 24th tier - under $250.00 - customer group is adopted for the commercial and industrial customer allocation/collection schedule as set forth herein.

/s/ Catherine I. Riley

/s/ Claude M. Ligon

/s/ Susanne Brogan

/s/ J. Joseph Curran, III

/s/ Gail C. McDonald

Commissioners