

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF MARYLAND**

**Limited Income Mechanisms for  
Utility Customers**

**Administrative Docket  
PC59**

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**Reply Comments of the Maryland Energy Advocates Coalition**

The Maryland Public Service Commission issued a Notice requesting Comments to be filed on January 31, 2024, with Reply Comments to be filed on February 29, 2024. The Maryland Energy Advocates (MEAC) submitted extensive comments and a proposed framework for a low-income Affordability Plan on January 31, 2024. MEAC now submits the following Reply Comments.

Comments were submitted by several other non-utility stakeholders: Office of People’s Counsel (OPC), ACEEE, MEEA, Montgomery County and Fuel Fund. While MEAC will not address each of the comments in detail, these stakeholders clearly identify the need to address the energy burdens of low-income households more

effectively than we have, despite having the highest median income in the country.<sup>1</sup>

Maryland is serious about addressing climate change. We have substantial federal and state funding for clean energy initiatives, with a focus on equity. However, as the MDE Plan recognizes, over \$1 billion annually over the next 10 years is needed to accomplish state goals. And while a portion of existing funding is directed towards residential energy efficiency and electrification, and specifically low-income households and communities, many if not most low-income households will not receive those benefits. Meanwhile, energy costs (especially distribution) will continue to increase, making monthly bills more expensive.

Financial assistance for low-income households has reached only a quarter of eligible households; most are left without bill payment assistance. These households cannot afford energy bills currently and that energy costs, especially distribution costs, are going to increase, not decrease. Further, even as federal and state funds are directed to energy efficiency measures and electrification for low-income households, there is no way that funding and measures will be available to several hundred thousand households in need. If Maryland is going to make this

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<sup>1</sup> See OPC Comments, page 6 and the Comptroller's Report CITE

transition work for everyone, the excessive energy burden of these households must be addressed during this transition.

### **A. Comments of Non-Utility Stakeholders**

MEAC submitted extensive comments with a proposed Affordable Rate Plan. The non-utility stakeholders representing consumer interests (MEAC, OPC, ACEE, MEEA) are very much in sync regarding the importance of a low-income affordable rate plan, especially in the context of increasing energy costs and the cost impacts of addressing the energy transition in the short and midterm.<sup>2</sup>

These stakeholders are unified in supporting a statewide low-income affordable rate plan and reject the idea that households should receive varying benefits based on the utility that serves them. Equity means that households in all parts of the state should be treated the same. They also recognize that the most beneficial way to design an affordable rate plan is to target the energy burden of these households, whether by a tiered discount rate or Percentage of Income Payment Plan (PIPP). While there are some variations among these stakeholders, including the specific energy burden target (e.g., 6%, 4%, 3%, 2%), there

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<sup>2</sup>OPC cites an Illinois Citizen Utility Board (CUB) report that shows that Maryland ranks 40<sup>th</sup> in energy bill affordability (OPC Comments, p. 5).

is a unified view that rate plan participation should not be based only on OHEP verification and participation.

OPC has proposed a framework that is consistent with MEAC's proposal.<sup>3</sup> Both MEAC and OPC proposals outline a 2-door entry into an affordable rate plan and include a phased-in approach. Both support initial reliance on categorical eligibility, with enhanced discounts available based on the provision of more detailed income documentation.<sup>4</sup> The finer details of an eligibility and verification process can be addressed and refined in a Work Group setting, recommended by MEAC and OPC, to meet the needs of Maryland households.

Non-utility stakeholders (OPC, ACEEE, MEEA) also are in sync with MEAC's proposal to synchronize participation in an affordable rate plan with weatherization, energy efficiency, and electrification services.<sup>5</sup> This approach ensures that we (1) reduce the energy burden of low-income households; (2) address the equity goals of Maryland's climate initiatives; and (3) in the longer run, reduce the costs of the direct energy assistance programs.

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<sup>3</sup> See OPC's comments, pages 15-24.

<sup>4</sup> Like MEAC, MEEA also recommends using geo-targeting, such as DHCD's EmPOWER geo-targeting proposal.

<sup>5</sup> OPC comments, pages 26-27; Montgomery County; ACEEE.

Like MEAC, OPC and Montgomery County expressly recommend a Work Group process for refinement of an affordability rate plan details. Stakeholders could access data from utilities and other state agencies, and review PIPP and discount rate best practices from other states. This would be the best way to design an affordable plan that works best in Maryland. The recommendations of ACEEE and Fuel Fund also would be best served with such a process. MEAC believes that such a process will work best if the Commission initially approves a general rate plan framework for the Work Group to refine.

Finally, OPC and Montgomery County support use of taxpayer funds to address the funding needs of this approach. This is the same way that federal and state funds are used for other programs deemed in the public interest. MEAC already has noted that PUA Section 4-309 expressly identifies the public interest in a rate mechanism for low-income households. However, if this is not done, OPC agrees with MEAC that all ratepayer classes should contribute to the funding, in the same that all rate classes contribute to EUSP funding. Furthermore, Section 4-309 states that the Commission should consider whether utility shareholders should contribute as well. While utilities likely will raise constitutional challenges to the idea of shareholder contributions, the

Commission should at least examine whether this shared funding can and should be done.

There is no doubt that “the devil is in the details” as with almost every policy and program considered by the Commission. MEAC believes that MEAC, OPC and other non-utility stakeholders have provided the Commission with sufficient information, data and justification for an affordability rate plan. The Commission can provide initial approval for this approach, coupled with directives for data collection and further refinement of the details of a statewide rate plan. Any utility-specific technical and operational challenges can be addressed within the overall framework.

## **B. Comments of Commission Staff and Utilities**

### **1. Utilities**

The utilities (Exelon utilities, Washington Gas, Potomac Edison, SMECO, UGI<sup>6</sup>) have submitted limited comments. Some utilities show little interest in addressing the high energy burdens of low-income households throughout Maryland. The brief utility selectively used data about low-income households, and seemed to maintain a “business as

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<sup>6</sup> MEAC recognizes that very small utilities have specific operational concerns, which can be addressed separately.

usual” approach about the ability of these households to pay current and future bills. As MEAC comments show, Maryland has had many opportunities to address high bills and low participation rates in assistance programs and has not succeeded. Section 4-309 of the PUA must be viewed as an opportunity to rethink our approaches, and address high energy burdens with a comprehensive, well-designed approach to bill affordability for low-income households.

Based on the utility’s comments, MEAC finds few ideas to advance progress on the low-income affordability issue, and that’s opposite of many public utility comments made about this critical issue. The comments rely on existing OHEP and private assistance programs in their respective service areas, existing Commission billing programs, and the need for more outreach. The rate plan proposals primarily consist of limited seasonal (winter) discounts on distribution charges. The utilities also want to base eligibility and participation solely on the OHEP process, although the participation rates in OHEP programs remain low. They do not even address the OHEP program inadequacies and accessibility barriers driving consistently shrinking participation rates since 2010.<sup>7</sup>

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<sup>7</sup> As of January 1, 2024, DHS and OHEP are required to automatically enroll participants in certain benefit programs into the OHEP programs. While the goal is to increase participation rates in OHEP, there is no clear indication of when or how categorical eligibility will increase OHEP participation rates.

Columbia Gas even suggests that OHEP's low participation rate is evidence that further rate assistance is not needed.<sup>8</sup>

The utilities are unified in opposing a statewide plan. While the comments vary, they try to argue that the income and expense differentials between service territories merit such distinctions. They also want to limit any discount to distribution charges, as if energy supply costs are immaterial. In addition, the Exelon utilities brought up the energy supplier issue (needs to be addressed) as a reason that supply rates discounts should be excluded.<sup>9</sup> MEAC thinks this plan's focus should be on the total bill lack of affordability (supply and distribution) and crafting a rate plan that is beneficial to these households. It seems reasonable to figure out a way for retail suppliers to participate in LI rates or consider expanding the residential Energy Assistance Household rate plan to include this discount plan.

The Exelon utilities present an "interesting" analysis that shows that its customers' (half of Maryland low-income households) energy burden overall is well below the national average.<sup>10</sup> The Energy Affordability Maryland study concluded with sophisticated modeling down to the census tract level that 18% of Maryland households pay

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<sup>8</sup> NiSource comments, page 2.

<sup>9</sup> Exelon utility comments, page 10.

<sup>10</sup> Exelon Utilities, page 2.

more than 6% of their income for home utility expenses.<sup>11</sup> Averages can mask reality for sub-groups of customers. SMECO uses limited data to suggest that OHEP benefits cover 75% of participants' bills. In general, the utility comments suggest that there is no real need for rate plan assistance, that the current OHEP program is effective and that low participation rates show that other low-income households do not really need rate discounts. MEAC contends that the utility rate discount proposals are limited and inadequate (one size fits all customers; seasonal; distribution charge only; OHEP does all the work). In contrast, MEAC and OPC have made viable and detailed affordable rate plan proposals for the Commission to consider and adopt.

## **2. Commission Staff**

The Commission Staff does not make an explicit rate plan proposal but provides a limited data analysis and indicates certain preferences. Staff limits its discussion to OHEP customers and does not consider the 75% of low-income households that do not receive energy assistance.<sup>12</sup> Staff does identify considerations that are addressed by utility and non-utility stakeholders:

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<sup>11</sup> [https://www.psehealthyenergy.org/work/energy-affordability-in-maryland/#:~:text=Over%2018%20percent%20of%20all,federal%20poverty%20level%20\(FPL\).](https://www.psehealthyenergy.org/work/energy-affordability-in-maryland/#:~:text=Over%2018%20percent%20of%20all,federal%20poverty%20level%20(FPL).)

<sup>12</sup> Staff Comments, pages 13-19.

1. Utility-specific not statewide rate plan
2. Seasonal vs. year-round assistance
3. Distribution and supply rates vs. distribution rates
4. Methods for determining eligibility and participation
5. Relative costs of different rate discount plans

Staff does support utility-specific rate plans, not a statewide plan, and recommends a distribution rate discount only, in line with the utilities' positions.<sup>13</sup> The same as the utilities, Staff also focuses on the potential cost of a distribution and supply rate discount. They suggest that since supply prices change and are subject to the market (e.g., electric SOS rates change 2 times a year), it would be too expensive and less stable to discount distribution and supply rates. Further, Staff states that it would be "unfair" to apply the discount to both supply and distribution rates and put non-SOS customers at a disadvantage.<sup>14</sup> They also suggest that discounts on supply would deter adoption of energy efficiency (ignoring the data showing only a tiny fraction of low-income households participate in these services). MEAC and other non-utility stakeholders disagree with this utility-specific approach that will treat households differently, depending on where they live in the State. This

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<sup>13</sup> Staff comments, page 28.

<sup>14</sup> This is confusing. For OHEP customers, Maryland law now limits supplier rates to a rate at or below the SOS rate. MEAC has proposed that when possible, households on utility rate plans should also be enrolled in OHEP programs.

is the definition of inequitable. A statewide plan focuses on an equitable result – reduce the energy burden to a specified level – that should be the same for each eligible household. The backend delivery of that result may differ from utility to utility but that is the same for any all-utility law or regulation.

Staff presented an analysis of the summer and winter usage patterns of OHEP customers. They state it “suggests” that energy assistance customers prioritize winter heating over summer cooling based on a limited analysis with OHEP data. As climate change increases the number of summer days with temperatures over 90 degrees forecast for the state, MEAC thinks that both heating and cooling will be equally important for health and safety. MEAC hopes that the Commission instead adopt a total bill, year around model.

Like the utilities, they also refer to the costs of a combined, year-round discount. MEAC has recognized that cost is an issue, and always has been. However, MEAC thinks that this sophisticated cost analysis is exactly the type of issue that requires data analysis and cost comparisons by the Commission and within a Work Group. We are not ignoring that, and that is why we believe that taxpayer funding should be considered, like funding of other public benefit programs. However, if ratepayers will

be held responsible, it should be a responsibility of all customer classes as a public benefit (see PUA Section 4-309).

Finally, over the past years low-income households continue to pay for the costs of a variety of initiatives that have not yet provided commensurate benefits to them – LI EmPOWER, net metering, community solar, and especially the utility costs of implementing retail competition. MEAC hopes and is working hard to improve the accessibility that low-income households will get more benefits, including lower costs, from the energy efficiency and clean energy programs (especially when Community Solar is billed on the utility bill). But it is time for the high bill burdens on the most vulnerable households be addressed in a consistent and effective way to reduce energy burdens. While MEAC is active in the state OHEP LI working group, member of the DHCD working groups and a huge fan of Community Solar LI discounts, we’re realistic that relying on agency programs to improve participation can be disappointing and may continue excessive energy burden risks for low income families.

Staff does raise concerns about reliance solely on OHEP to determine eligibility and participation in a rate discount plan and recognizes that the legislative “categorical eligibility” fix may not deliver the relief that is expected. MEAC fully agrees, as discussed in our

comments. The utilities can and should participate in discussions about the utility role in assessing eligibility for low-income rates.

Staff also recognizes the importance of connecting low-income households to energy efficiency and clean energy programs. It is critical that the state agencies administering these programs participate in this proceeding and the Work Group to ensure effective alignment of OHEP and rate plan participants with these programs. Without this alignment, low-income households cannot be required to participate in programs, even in energy audits.<sup>15</sup>

### **C. Conclusion**

MEAC has submitted comprehensive comments in support of a low-income rate plan, and framework for refinement of that proposal in a Work Group. MEAC appreciates both the comments of the utilities and Commission Staff, and we think that none raise concerns that cannot be addressed in refinement of MEAC's proposal. We therefore urge the Commission to fully consider the proposals of MEAC as well as OPC, and the support from other non-utility stakeholders and adopt a framework consistent with those proposals.

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<sup>15</sup> Staff Comments, page 29. Staff recommends requiring households to get an energy audit if they participate in a rate plan.

Sincerely,

Laurel Peltier

Chair, MEAC