

ELECTRIC UNIVERSAL SERVICE PROGRAM YEAR THREE REPORT¹

December 2002

I. OVERVIEW

The Electric Universal Service Program (or "EUSP") is part of the Electric Customer Choice Act of 1999 ("the Act"), and was created 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. Section 7-512.1 of the Act authorized the Public Service Commission ("the Commission") to establish the program, make it available to low-income electric customers Statewide and provide administrative oversight to Office of Home Energy Programs ("OHEP"), the agency within the Department of Human Resources (or "DHR"), responsible for program delivery.² During the 2001 session, the General Assembly amended the Act to allow the Commission to authorize the retention of any unexpended funds in the EUSP as of June 30, 2002 and authorized the Commission to permit such funds to be made available for disbursement through June 30,

¹ This Report also addresses certain specific aspects of the Department of Human Resources/Office of Home Energy Programs Proposed Operations Plan for Fiscal Year 2003 and the comments and reply comments of parties and interested persons filed with the Public Service Commission in Case No. 8903. Accordingly, findings are made herein that shall also be adopted by Order of the Commission.

² Prior to the Act, the Commission observed in Order 73834 that "[a]s part of electric restructuring, adoption of universal service programs and a related funding mechanism (a universal service charge) are paramount." The Commission noted that "[s]uch programs are intended to provide reasonable assurance that electric service is affordable to all Maryland residents, and that necessary costs associated with these programs are recovered by utilities or non-regulated suppliers through service rates or market pricing." *Re Provision and Regulation of Electric Service*, Case No. 8738, 88 Md. PSC 249, 262 (1997).

2003 to electric customers who qualified for assistance from the fund during fiscal year 2002 and who applied for such assistance before July 1, 2002.³

During the 2002 legislative session, the General Assembly amended the Act to require the Commission and DHR to submit an EUSP a report to the Governor and to the General Assembly on October 1, 2002 concerning (i) the level of participation in the program during fiscal year 2002; (ii) the projected needs of the program for fiscal years 2003 and 2004; (iii) the amounts expended from the program during fiscal year 2002; (iv) the amounts of surplus carried over from fiscal year 2002 to fiscal year 2003; (v) any difficulties that the Commission expects in complying with § 7-512.1(h); and (vi) recommendations for simplifying the process of reducing the universal service charge for customers when there are unexpended funds in the program at the end of the fiscal year.⁴

On October 16, 2002, the Commission and the Department of Human Resources submitted a report (PSC/DHR Report Pursuant to HB 1130) indicating that:

- 63,549 households participated in the EUSP during fiscal year 2002;
- the projected need for fiscal years 2003 and 2004 would continue to be \$34 million, as had been appropriated in prior years;
- \$30.03 million had been expended during fiscal year 2002;
- \$3.97 million in surplus funds (inclusive of \$3.5 million in low-income weatherization monies) were carried over from fiscal year 2002 to fiscal year 2003;
- the in fiscal year 2003 the Commission expects fewer difficulties than in the past, except the Commission continues to expect some difficulties with respect to distribution of weatherization funds; and

³ Section 2, ch. 263, Acts 2002.

⁴ *Id.* ch. 433.

- the recommendations regarding simplifying the process for reducing the universal service charge for customers when there are unexpended funds in the program at the end of the fiscal year, if any, would be included in the Commission's December 2002 report.

The unexpended and carried over weatherization funds will be discussed in greater detail herein.

A. Legislative Requirements

Under the Act, the Commission is required to oversee the EUSP administered by the Department of Human Resources. The Act requires the Commission to report annually to the General Assembly on the universal service program, including:

- (1) a recommendation on the total amount of funds for the program for the following fiscal year;
- (2) for bill assistance:
 - (i) the total amount of need, as determined by the Commission, for electric customers with annual incomes at or below 150% of the federal poverty level and the basis for this determination; and
 - (ii) the percentage of need, as determined by the Commission, but at a minimum of 50% that should be funded through the universal service program and the basis for this determination.
- (1) for low-income weatherization, the amount of funds needed, as determined by the Commission, for measures that reduce consumption of energy by electric customers with annual incomes at or below 150% of the federal poverty level for this determination;
- (2) the amount of funds needed, as determined by the Commission, to retire arrearages that were incurred prior to the initial implementation date by electric customers with annual incomes at or below 150% of the federal poverty level and the basis for this determination;
- (3) the impact on customers' rates, including the allocation among customer classes, from collecting the total amount recommended by the Commission under item (1) . . .; and

- (4) the impact of using other federal poverty level benchmarks on costs and the effectiveness of the universal service program.

B. Year Three Funding Recommendations

Based on current data, and comments and recommendations of the parties and participants in the Commission’s proceedings in this matter, the Commission continues to support funding in the amount of \$34 million annually, as previously authorized by the Act for the Electric Universal Service Program. The program is currently operated on a “needs assessment” premise derived from 1990 Census information. According to information provided by OHEP, 225,000 Maryland families are at or below 150% of the federal poverty level. Therefore, OHEP determined that potentially 112,500 Maryland families need EUSP assistance annually. OHEP states that updated data from the 1999 Current Population Survey confirms that the assumption that 225,000 Maryland families are at or below 150% of the federal poverty level is a valid.⁵ OHEP projected 90,000 families need EUSP assistance in Years One and Two. OHEP data for fiscal year 2002 shows similarity in the number of households served between 2001 and 2002 (57,585 and 58,107 respectively).

These findings clearly demonstrate the continuing need for the EUSP and the resources of the Commission, DHR and OHEP in meeting low-income consumer needs. Based on participation levels and carried over funds at year end in Years One and Two, OHEP projects serving 70,000 households with EUSP benefits in Year Three. In its comments regarding the July 12, 2002 USWG Report however, Staff submitted that the

⁵ During Years One and Two, there was insufficient time and data for OHEP and other parties to fairly evaluate need using any means other than the federal poverty benchmarks provided for under the Act.

70,000 households projected by OHEP was probably overly ambitious and recommends a projected target population of 60,000 households.⁶

The Federal Census provides the most readily available source of information based upon family or individual income levels. Since the EUSP targets only a specific subset of the State's electricity customers (*i.e.*, low-income customers) the use of Census data by OHEP to quantify "need" at this time is reasonable.⁷

OHEP reported that, in Year Two, it processed 64,547 EUSP applications and 57,585 customers were approved for EUSP assistance.⁸ OHEP proffered that the decline in EUSP participation in Year Two was the result of several factors including, good weather (above average winter temperatures), lower average energy costs, and the mandatory budget-billing requirement of the program.⁹ Staff notes that due to the many problems affecting the output from OHEP's computer reports in Year One, OHEP's figures for Year Two cannot be compared with the Year One totals.

In Order No. 75935, the Commission authorized the allocation of \$22.525 million for bill assistance, \$3.5 million for EUSP low-income weatherization, and \$5.1 million for arrearage retirement. According to OHEP, \$30,250,000 was paid in benefits to those approved for EUSP in Year One.¹⁰ Approximately \$20,500,000 was paid for Bill Assistance, \$8,250,000 was disbursed for Arrearage Retirement, and \$1,500,000 was

⁶ Staff's July 24, 2002 Comments Regarding the July 12, 2002 Universal Service Working Group Report at 10.

⁷ OHEP's Report indicates that 2000 Census data is scheduled for release in December 2002.

⁸ OHEP "Electric Universal Service Program Proposed Operations Plan for FY 2003" at 14.

⁹ *See id.*

¹⁰ *Id.* at 5.

spent on Low-Income Weatherization performed under a Memorandum of Understanding with the Department of Housing and Community Development (DHCD).¹¹

II. PROGRAM OVERSIGHT

As required by the Act, the Commission established the Electric Universal Service Program in January 2000.¹² The program was designed from the input of participants in the Universal Service Working Group (or “USWG”) roundtable and other interested parties.¹³ Since that time, the Commission has and will continue to conduct regular administrative oversight meetings and hearings in order to monitor the progress of the program, gauge its effectiveness and address programmatic flaws and operational difficulties.

The Act designated \$34 million be collected annually for the first three years following the implementation date to fund the EUSP. The Act also provides that collections cannot be made on a per kilowatt-hour basis, and that commercial and industrial (“C&I”) customers shall contribute \$24.4 million each year for three years. Residential customers are required to contribute \$9.6 million annually for three years.

In order to collect the C&I customers' contribution to the Electric Universal Service Program fund, the Commission initially adopted a 23-step fee structure. This fee structure established EUSP charges for C&I customers ranging from \$3 per month for small commercial customers to \$4,500 per month for the largest industrial customers.¹⁴ The Commission determined that this type of fee structure utilizes uniform statewide fees

¹¹ *Id.*

¹² Order No. 75935.

¹³ The USWG participants have continued to faithfully participate in the Commission's proceedings in Case No. 8738 and now in Case No. 8903 pertaining to the Electric Universal Service Program.

¹⁴ *See* Order No. 76049, April 4, 2000.

by customer set, irrespective of a C&I customer's service territory, differentiating charges by customer size while utilizing a reasonable cap on the amount collected from any one customer and, therefore, would comply with the provisions of the Act. C&I EUSP fees are also flat fees charged each month, capped, are the same for similarly situated customers statewide, and are not based on kWh usage, which is proscribed by § 7-512.1(b). Year One C&I EUSP fees were based on 1997 historic consumption data. The allocation formula is updated annually to reflect the prior year's historic data.

The Commission agreed with the USWG recommendation of a uniform statewide monthly fee for collection of residential customer EUSP fees. The residential EUSP monthly charge was determined initially to be \$0.40 per month per residential customer. The Commission ordered this charge be reduced effective January 1, 2002 to \$0.37 per month for residential customers in order to prevent overcollection in Year Two.¹⁵

In Order No. 76933, issued May 11, 2001, the Commission approved implementation of a 24th tier for small C&I customers with annual electric bills of \$250 or less. This tier was added to address an inequity experienced by some residential customers who also have separately metered garages, sheds or swimming pools that are billed under a non-residential C&I tariff.¹⁶

Year Two C&I fees were based on the same 1997 historic data used in Year One. The Commission observed, however, that as experience is gathered it will be necessary to revisit the C&I fee allocation process.¹⁷ Therefore, in the Universal Service Working

¹⁵ Small C&I customers within the 24th C&I tier will also have their monthly EUSP surcharge reduced to \$0.37 per month beginning January 1, 2002.

¹⁶ See *In the Matter of the Electric Universal Service Program*, Case No. 8903, Order No. 76933, 92 Md. PSC 280.

¹⁷ Order No. 76049 at 10.

Group Report filed with the Commission on July 12, 2002, the parties supported maintaining the existing allocation of responsibility for EUSP funding between residential and commercial/industrial customers. The current law requires commercial and industrial customers to pay \$24.4 million and residential customers to pay \$9.6 million. Some working group members recommend the Commission consider revising the 24-step allocation to reflect distribution revenues—not total bundled revenues. The working group also supports maintaining the current 24-step allocation of fees within the commercial/industrial classes.

Experience from Year Two Electric Universal Service Fund (EUSF) reports from the Office of the Comptroller indicated that revenue received from the Electric Universal Service fees was exceeding projected levels. At year-end, the Comptroller’s report indicated that a total of \$34,770,302 had been received into the EUSF. Including an additional \$2 million that was rolled over from Year 1, there was \$36,770,302 in Electric Universal Service revenues for disbursement in Year 2.

In comments filed in July , August and November 2002 the Maryland Retailers Association and the Building Owners and Managers Association of Metropolitan Baltimore, Inc. (“MRA/BOMA”) , urged that, in order to simplify the process of reducing the Universal Service charge for customers when there are unexpended funds in the EUSP at the end of a fiscal year, “such funds [should be] reflected as a proportionate reduction in each of the existing 24 steps for the 2003 [and future] program year[s].”¹⁸

The parties continue to recommend that the basic collection methodology for Year

¹⁸ See MRA/BOMA Comments at 3.

Three not be altered despite the original expectation that a substantial reconciliation might be necessary. The Commission agrees and will order that this policy remain in effect.

III. PROGRAM ADMINISTRATION

A. General

Pursuant to § 7-512.1(a)(2), the Department of Human Resources is responsible for the administration of the Electric Universal Service Program. The program is being administered through DHR's Office of Home Energy Programs. On September 18, 2002, OHEP submitted its proposed plan for FY 2002 to the Commission providing information regarding lessons learned from Year One and proposed changes to its implementation of the EUSP. A copy of OHEP's report is attached as Appendix A. On October 24, 2002, the Commission directed that all parties and interested persons in Case No. 8903 submit comments and reply comments addressing OHEP's Year Three proposed plan. The Commission further directed that parties and interested persons address the issues identified in House Bill 1130 (2002 Laws of Maryland Chapter 263) and any other unresolved issues that may appropriately be addressed by the Commission at this time.

Various utilities, including the Baltimore Gas and Electric Company ("BGE"), the Potomac Electric Power Company and Delmarva Power & Light Company ("Pepco/Delmarva"), the Potomac Edison Company ("PE") d/b/a Allegheny Power, filed comments. Additionally, the Office of People's Counsel ("OPC"), the Maryland Industrial Group and Commission Staff also filed comments on November 12, 2002 and reply comments on November 22, 2002.

The report by OHEP and the comments of the parties indicate that the EUSP is operational and providing benefits to low-income customers. However, OHEP has proposed significant alterations to the EUSP "Mission Statement," the components of Oversight and Administrative responsibility, and Program Goals.

The Mission Statement included in the OHEP Year Three plan read as follows: "To help low-income electric customers reduce and manage their utility costs by creating affordable payments and to encourage regular (timely) monthly payments in order to maintain their electric service." "To help low-income electric customers reduce and manage their utility costs. The Mission Statement proposed by OHEP for Year Three reads: *"To provide direct financial assistance to low income families through the payment of benefits (grants) to electric utility providers."*

Staff, OPC and BGE all noted that the modification proposed by OHEP would abandon at least two of the fundamental purposes for which the EUSP was established, *i.e.*, to make low-income electric customer bills affordable and to encourage regular, prompt and complete bill payments to keep low-income electric customers on service.¹⁹ The Maryland Industrial Group and United States Gypsum Company ("MIG"), noted that "[t]he elimination of these purposes evidences a significant shift in policy away from the EUSP program goals established in the first two years of the program."²⁰ The parties noted that the Mission Statement, as originally adopted, expressed the pronouncement of the legislature and that OHEP should adhere to that purpose until changed.

In reply comments, OHEP stated that it had "selectively and carefully revised

¹⁹ See Staff Comments at 7.

²⁰ MIG Comments at 1.

items that it saw either as vague, ambiguous or inclusive of too many variables [in OHEP's view] making it beyond the scope of EUSP to control."²¹ According to OHEP, "[t]he removal of the specific language is not intended to affect the way EUSP is administered . . ." In OHEP's view, the mission statement and program goals, as it proposed, established a much broader and more comprehensive effort to assist low-income customers in their ability to pay their electric bills than is set forth in the Act.

Pepco/Delmarva noted, however, that "[c]ustomers and local administering agencies are now familiar with the Program [as it is] and changes now could result in increased confusion and delay[s] in assistance, perhaps akin to the program delays in the first year."²² Pepco/Delmarva emphasized the importance that the program be allowed to operate consistently. This consistency, noted Pepco/Delmarva, "will benefit all of the stakeholders, most importantly the customers that receive the benefits of the Program."²³

Secondly, Staff noted that OHEP has eliminated its responsibility to encourage customers to pursue self-sufficiency and its responsibility to promote conservation by EUSP participants.²⁴ Further, OHEP appears to have eliminated its responsibility to collect and analyze data to determine "need" as prescribed by the Act. Additionally, Staff noted that OHEP appears to have dropped the one-stop approach for applicant access to low-income customer assistance.²⁵ OHEP has also removed the responsibility stated in its Year One and Year Two plans to "determine the EUSP program payment options, including bill assistance, arrearage retirement, participant contribution amounts and

²¹ OHEP's Reply Comments at 1.

²² Pepco/Delmarva Reply Comments at 1.

²³ *Id.* at 2.

²⁴ *Id.*

²⁵ *Id.* at 7-8.

counseling/fiscal management options consistent with the annual budget for operation of each program component.” As OPC noted in its comments, the modified mission statement and the disconnection between the affordability goal and the encouragement of customers to make prompt, regular and complete bill payments tracks OHEP” proposal to modify the program design by eliminating the budget-billing/monthly credit component.

The Commission agrees that the program Mission Statement and the program design are integrally tied together. If OHEP disagrees, it may, through DHR, seek a statutory change in this regard. However, the Commission agrees that the original mission, as provided for in the Act, must prevail and must continue to be pursued until it is satisfied. At a minimum, OHEP should address its concerns regarding the mission in the context of the EUSP Working Group before pursuing such changes.

B. Commission Fund Allocation

While OHEP's intentions in this regard may be laudable, the mission and goals of the program must conform to the Act. Any interest OHEP has in expanding the program goals or altering the mission must first be subjected to legislative scrutiny and consideration. Thus, the Commission agrees with Staff and OPC that the "Mission Statement," as set forth in the OHEP EUSP plan presented in prior years should be restored. OHEP will be directed to restore the mission statement to that established for Years One and Two.

As prescribed by the Act, the Commission established three EUSP components: arrearage retirement; bill assistance; and low-income weatherization. For Year Three, OHEP has recommended the funding amounts for the program components as follows: bill assistance, \$26.4 million; low-income weatherization, \$3.5 million; arrearage

retirement, \$500,000. OHEP has also requested an allocation \$3.4 for administrative costs, which includes \$3.06 million for OHEP and the Local Administering Agencies and \$340,000 for Commission oversight.²⁶ Under existing Commission Orders, DHR is permitted flexibility to shift up to \$750,000 in funds among program components.²⁷

1. Bill Assistance

The average Year Two customer benefit under the bill assistance component was \$287 per household, based on a participation level of 57,585 households.²⁸ OHEP projects that the average bill payment assistance benefit of \$377 per EUSP customer for Year Three to serve approximately 72,000 households without the need for supplemental payments.²⁹ OHEP administers the bill assistance component as a function of the participant's previous-year electric usage. During a July 27, 2000 status conference, the Commission clarified that bill assistance funds should be administered in accordance with the utilities long-standing budget-billing methodology. In Order No. 76595, issued November 30, 2000, the Commission further directed that all agencies providing bill assistance modify their educational material to describe the budget-billing requirement.

The budget-billing methodology was to be used to ensure that customers would receive EUSP benefits throughout the year. Lump sum grants from LIHEAP (the Low-Income Home Energy Assistance Program) are often exhausted in short order by customer payment practices. However, there was some indication of customer resistance

²⁶ OHEP Report at 13.

²⁷ Order No. 76049.

²⁸ OHEP Report at 7. Supplemental bill assistance payments in the average amount of \$77 per household were disbursed to EUSP customers in June 2002 to reduce the level of unexpended funds during the program year.

²⁹ OHEP Report at 12.

to the budget-billing requirement in Year One.³⁰ Utilities have reported that a number of customers declined bill payment assistance benefits because of the budget-billing requirement. Some utilities have been able to apply even monthly EUSP credits to customer bills, thus ensuring that EUSP benefits are received throughout the year, while other utilities cannot. The latter are required to hold customers to the budget-billing requirement. OHEP is examining ways in which applicants could be educated as to the advantages of budget billing.³¹

OHEP also has proposed "new-initiatives" to address "extraordinary circumstances" in addition to programmatic bill assistance.³² In cases involving "extraordinary circumstances," such as major medical emergencies and severe losses due to major natural disasters, OHEP proposes granting waivers of the income guidelines.³³ Other parties, including Staff, oppose OHEP's proposal. Staff, in particular, noted that other energy assistance resources, such as the Maryland Energy Assistance Program ("MEAP"), the Maryland Fuel Fund and private charities can and should continue to manage their energy assistance activities to provide the "crisis" component as needed to provide stabilizing assistance to customers facing extraordinary circumstances.³⁴

OPC, on the other hand, notes that it supports the MEAP waiver provision utilized by OHEP and that it has worked with OHEP and the local agencies in cases of "extraordinary circumstances."³⁵ However, OPC points out that the EUSP goals are

³⁰ *Id.* at 10.

³¹ *Id.* at 7.

³² OHEP Report at 18.

³³ *Id.*

³⁴ Staff Comments at 16.

³⁵ OPC Comments at 14.

prescribed by the Act and that, at present, the waiver proposal contemplated by OHEP is not permissible. OPC recommends that the Act be amended to permit assistance to electric customers "who meet low-income requirements equivalent to those of federal energy assistance programs administered by [DHR]."³⁶ The Commission finds that at this time the EUSP is not sufficiently developed to support OHEP's proposed changes.

2. Low-Income Weatherization

Of the three EUSP components, low-income weatherization has continued to lag far behind in implementation. In Year One this was largely due to differing views relating to the definition of "weatherization."

During Year One, OHEP entered into a Memorandum of Understanding with the Department of Housing and Community Development ("DHCD") for Year One low-income weatherization services. DHCD performed services using Department of Energy guidelines for 697 households at an average cost of \$2,152.³⁷ During fiscal year 2002, OHEP published an Invitation For Bid (IFB) in order to competitively contract out weatherization services. OHEP anticipated having the weatherization program up and running by February 2002. However, that plan was not realized and no weatherization funds were utilized during Year Two.³⁸ In its Year Three plan, OHEP continues to recommend that EUSP weatherization funding be set at \$3.5 million. OHEP indicates that as of July 12, 2002, 17,328 households had requested weatherization assistance.³⁹

³⁶ *Id.*

³⁷ Office of Home Energy Programs ("OHEP") - its Response to the Staff Data Request regarding OHEP's Report on Year 01 of the Electric Universal Service Program, Case No. 8903.

³⁸ On December 4, 2002, Staff communicated to the Commission that OHEP's weatherization contract for Year Three has a successful bidder, Maryland Energy Conservation, Inc.

³⁹ OHEP Report at 12.

As noted above, \$3.5 million in EUSP has been carried over from fiscal year 2002 to fiscal year 2003. OHEP proposes to utilize these funds during Year Three to perform weatherization for some 17,000 applicants indicated to have applied for assistance during fiscal year 2003. Additionally, OHEP requests that \$3.5 million in fiscal year 2003 funds also be made available for weatherization for new Year Three applicants.

In its comments, BGE supported the proposed annual funding levels for each of the three EUSP benefit components, as recommended by OHEP. However, BGE was concerned that OHEP proposed a carry-over of weatherization funds from Year Three, along with an additional \$3.5 million fiscal year 2002 allocation, would create a \$7 million weatherization fund.⁴⁰ According to BGE, there was ample study among the Universal Service Working Group participants to support \$3.5 million as the appropriate weatherization budget but not enough for \$7 million.⁴¹ BGE recommended that the excess \$3.5 million of fiscal years 2003 funds for weatherization be used for customer assistance.⁴²

AP also strongly urged the Commission not to approve the allocation of \$7 million in weatherization funding for Year Three.⁴³ AP submits that OHEP's statistics do not support OHEP's proposal, noting the fiscal year 2001 funds referenced by OHEP were not expended in accordance with EUSP guidelines.⁴⁴ AP urges that if the weatherization carry over from Year Two to Year Three is permitted, along with new

⁴⁰ BGE Comments at 2.

⁴¹ *Id.*

⁴² *Id.*

⁴³ AP Comments at 2.

⁴⁴ *Id.*

Year Three funds, then funds remaining in Year Three for weatherization should be credited back to customers by reducing EUSP customer charges.⁴⁵

OPC and Staff also commented that \$3.5 million continues to be the appropriate level for weatherization funding. Staff, however, urged that the \$3.5 million unexpended during Year Two be utilized during Year Three and that no new funds be authorized for weatherization during Year Three. Staff recommends that the unexpended fiscal year 2003 weatherization funds be allocated during Year Three for additional billing assistance rather than for additional weatherization. Staff and OPC also urged the Commission to require regular status reports with respect to this component of the program.

The Commission welcomes the prospect that the weatherization component may actually be implemented during Year Three with great anticipation. However, the Commission does not support OHEP's plan to utilize retained fiscal year 2002 weatherization funds for the fiscal year 2003 program. Therefore, the Commission will recommend that unexpended Year Two weatherization funds be allocated from fiscal year 2003 to be utilized to meet or reduce the waiting list for weatherization established in fiscal year 2002. Further, as Staff and OPC suggested, the Commission shall require that OHEP provide regular, monthly, status reports regarding the efforts of the weatherization component during fiscal year 2003.

3. Retiring Arrearages

In addition to low-income weatherization, arrearage retirement issues have played a predominant role among the concerns raised by the parties with regard to EUSP

⁴⁵ *Id.* at 3.

administration. During Year One, DHR twice requested -- and the Commission twice approved -- increases in amount of funds available to the arrearage retirement component.

According to OHEP, the average Year Two arrearage payment was \$415. Based on current trends, OHEP expects the need for arrearage payment to decline. For Year Three, OHEP recommends an average payment of \$400 for 1,250 households.⁴⁶

However, OHEP notes that “anecdotal evidence” indicates that some EUSP recipients have accumulated arrears or had service terminated subsequent to receipt of EUSP assistance.

In its comments, BGE supports amendment of the Act to allow for the payment of arrears incurred after the initial implementation date.⁴⁷ According to BGE, such an amendment would be in the public interest and will encourage new, first time customers to enroll in the program. BGE suggests also that such a policy would be equitable “[for] those customers who may not have heard about the EUSP due to a lack of outreach, and as such, missed the opportunity to have old arrearages retired.”⁴⁸ MIG opposes any application of EUSP program funds to pay off post-July 2001 arrears and argues that such an effort would violate the Act and should be rejected.⁴⁹

IV. ADDITIONAL COMMISSION RECOMMENDATIONS

As noted in this report, based upon certain provisions of OHEP’s Year Three Plan and the comments and reply comments of the parties in Case No. 8903, the Commission is rendering various decisions and prescribe other recommendations. In addition to the

⁴⁶ OHEP Report at 11.

⁴⁷ BGE Comments at 3.

⁴⁸ *Id.*

⁴⁹ MIG Comments at 2.

directives noted above, the Commission will direct the Universal Service Working Group reconvene forthwith to address the following issues: whether a need exists for a permanent funding plan for the EUSP; whether levels of poverty, other than 150 percent of the federal poverty level, should be considered in determining the need for EUSP assistance; whether additional outreach efforts should be considered and implemented with respect to the EUSP; whether improved accountability measures could be developed and implemented that would promote greater uniformity and similarity in EUSP administration among participants or potential participants in the various portions of the State; whether OHEP should procure a consultant to prepare and issue an RFP (Request for Proposals) for the administration of the weatherization component of EUSP; and whether other measures, including the requirement of an independent auditor for the EUSP should be considered.

V. CONCLUSION

The Commission concludes that the Electric Universal Service Program is appropriately structured and funded. Further, the Commission recommends continuation of the \$34 million total funding level for Year Three. However, the Commission remains greatly concerned over various aspects of the program, including OHEP's guidelines, weatherization measures, data verification, overall program management, and DHR/OHEP's commitment to the program, as it has been legislatively formulated. The Commission continues, to actively invest significant Commissioner and Staff time, energy and resources in EUSP oversight. As part of its this responsibility, the Commission continues to utilize DHR's reports and the comments of other parties in

order to continue to fulfill its oversight responsibilities and render decisions to advance the provision of services to low-income electric customers as contemplated by the Act.