

STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL

Paula M. Carmody, People's Counsel

6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.state.md.us

BILL NO.: House Bill 893

COMMITTEE: Economic Matters

HEARING DATE: March 12, 2015

SPONSOR: Delegate M. Washington

POSITION: Support (with Sponsor amendments)

The Office of People's Counsel (OPC) supports House Bill 893, with the amendments to be introduced by the bill sponsor at today's hearing. As amended, House Bill 893 establishes a utility payment posting priority for bill payments by electric customers who are in arrears on their electric bills. The Bill simply requires that the electric company apply any bill payments made by a customer "to the outstanding balance and then to the payment of the security deposit." (Amendment 2). This change could provide some benefit to residential utility customers; therefore, OPC supports House Bill 893.

Under current Public Service Commission regulations, an electric or gas utility can request a security deposit from an applicant for utility service or an existing customer who is deemed a credit risk. Specifically, the utility can require a security deposit if an existing customer's circumstances have "materially changed," or if the customer has had 2 or more late or missed payments in one year, had service disconnected or is more than 2 months past due on an account.

In any given month, a number of residential customers fall behind in their utility payments, and security deposit requirements can be imposed on the customer. The deposit is capped at 2/12 of the customer's estimated annual electric bill (for a combined gas and electric company, it would be 2/12 of the total electric and gas bill). Even for the

typical residential customer, this can translate into hundreds of dollars (e.g., 2/12 of a \$2000 annual bill - \$333). A customer in arrears would then owe the current bill, the arrearage, late fees and the security deposit. Currently, if a customer makes payments to catch up, the payments are applied to the security deposit first.

Commission regulations provide certain restrictions, based on weather, health and safety, on service terminations due to past-due bills. The regulations also permit, but do not require, a utility to negotiate a reasonable alternate payment plan, which can include payments on a security deposit. However, the imposition of a security deposit when a customer is struggling to pay the past-due amount can make it more difficult to catch up and avoid service terminations. While income eligible customers may participate in energy assistance programs through DHR's Office of Home Energy Programs (OHEP), the assistance cannot be used for security deposit payments. The same restriction applies to Fuel Fund crisis assistance. A switch in payment priority, with the arrears paid first, may provide some benefit in particular to customers who are attempting to work out payment arrangements, including the application of energy assistance and other crisis funds, with payments on the security deposit made later.

OPC does note that the bill applies to electric companies only, but that the Commission's regulations apply equally to electric and gas companies. To avoid confusion, it would be helpful to have a uniform rule applied to both types of companies.