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BILL NO.:	**House Bill 1528** **Electric Universal Service Program – Funds – Arrearage Prevention**
COMMITTEE:	**Economic Matters**
HEARING DATE:	**March 1, 2018**
SPONSORS:	**Delegate Clippinger**
POSITION:	**Informational**

In 2017 the General Assembly modified the Electric Universal Service Program (EUSP) law to require the Department of Human Services (DHS)) to spend any excess and unexpended bill assistance and arrearage funds that were collected from ratepayers from fiscal 2010 through 2017. Acts 2017, c. 777. Unexpended funds have built up over time. This was due to difficulties in setting surcharges for the residential, commercial and industrial customers that accurately collected the statutory amount of $37 million from ratepayers in each fiscal year.

The 2017 law requires DHS to use those funds for bill assistance, arrearage retirement, targeted and enhanced low-income residential weatherization or an arrearage management program. Uncodified sections of the law limit the expenditure of these funds to fiscal year 2019. If any of the funds remain unspent by the end of fiscal year 2019, the Public Service Commission must establish a rate credit and return the remaining unexpended funds to customers. The credits would be allocated to customer classes (residential, commercial and industrial) in the proportion that they contributed to the EUSP fund. The Fiscal Note for House Bill 1528 states that the DHS estimates $15.3 million of unexpended funds remain available for distribution in FY 2019 (Note, p. 2).

House Bill 1528 further modifies the Electric Universal Service Program ("EUSP") law to include "an arrearage prevention program for low-income customers" as an additional category for the use of these unexpended funds. The program is intended "to prevent or reduce arrearages for low-income customers who have participated in a low-income residential weatherization program." (page 6, lines 7-8). The program activities are designed to support installation of rooftop solar for low-income customers as a means to prevent or reduce arrearages. DHS, in consultation with the Commission, will select up to two public or private entities to administer the program, with at least one entity primarily serving customers in a major urban area of the state. The Bill lists certain criteria for program recipients, including demonstrated efforts to secure private investment and provide employment to unemployed and underemployed individuals. The program provides a one-time only grant to program recipients due to the time restrictions on the use of these unexpended funds.

While House Bill 1528 permits the use of the unexpended funds for support of solar installation activities as an arrearage prevention tool, it does not require the funds to be used in that manner. Further, the Commission has oversight responsibility for the EUSP program, including the use of the unexpended funds.

The Office of People's Counsel fully supports initiatives to address the issue of bill affordability for low-income customers, and has proposed program alternatives to the Commission to address bill affordability and arrearage reduction. Most recently, the People's Counsel served on DHS/OHEP's Advisory Group in 2016 to develop a Supplemental Targeted Energy Program (STEP), to provide a more holistic approach to address bill affordability.[1] However, as DHS/OHEP noted in its Proposed Operations Plan for Fiscal Year 2018,[2] filed with the Commission in June 2017, the ability of OHEP to move forward with that innovative STEP program could be compromised by a decline in revenue funding. (OHEP Plan, p. 29).

OPC does note that there are concerns about the funds available for EUSP in FY 2019. The OHEP non-federal budget allowance for FY 2019, under consideration now, is for $60.9 million. This amount is about $12 million below the FY 2018 appropriation, and reflects a substantial reduction in SEIF/RGGI funds available for FY 2019. For FY 2019, OHEP may face significant restrictions in meeting the direct bill assistance and arrearage assistance needs of low-income households, never mind the STEP program, without using the unexpended funds available in FY 2019 for direct assistance in

[1] See "Report on Proposed Program Changes – Office of Home Energy Programs,"("Report") submitted to the Joint Chairs of the Senate Budget and Taxation and the House Appropriations Committees on December 1, 2016.
[2] *OHEP's EUSP Proposed Operations Plan for Fiscal Year 2018* (ML# 215607) (June 9, 2017).

customers. This reduction in SEIF/RGGI funds, without an additional funding source such as the unexpended funds, could have a serious impact on the average benefit amounts for Bill Assistance, with an impact on over 100,000 low-income households served by the EUSP program.