

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1047
Rules

(Senators Lam and Guzzone)

Public Service Commission - Recapture and Redirection of Funds

This emergency bill requires the Public Service Commission (PSC) to recapture and redirect the money granted to the quasi-endowment Energy Assistance Fund (EAF) administered by the Fuel Fund of Maryland (FFM) to a different entity. This includes recapturing any money expended without PSC approval from the fund's principal. PSC must select either a State agency or a nonprofit organization as the new entity to administer the funds, subject to the same terms and conditions and in accordance with the policies established in the PSC order under which the money was originally granted. If the entity is a nonprofit organization, it must present proof to PSC that it spends at least 50% of its annual revenue on energy assistance programs.

Fiscal Summary

State Effect: Nonbudgeted revenues may increase beginning as early as FY 2019 to the extent that PSC selects a State entity to administer the funds recaptured and redirected from FFM, depending on how long that process takes. Under this option, nonbudgeted revenues further increase from interest earnings on the funds transferred, and nonbudgeted expenditures increase to provide energy assistance to eligible customers. Assuming an interest rate of 2.0% on \$5.0 million in principal, interest earnings/energy assistance expenditures are \$100,000 annually, likely beginning no earlier than FY 2020. This analysis assumes that PSC would only select a State entity that can administer the funds with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: FFM is a nonprofit organization that provides educational and financial assistance to low-income customers served by Baltimore Gas and Electric Company. FFM received \$14.9 million from the funds made available under the Exelon/Constellation merger in 2012, \$5.0 million of which was for the purpose of establishing the quasi-endowment EAF. FFM was required to maintain a principal balance of at least 90%, or \$4.5 million.

In December 2018, FFM sought *retroactive* PSC approval relating to its unauthorized withdrawal of approximately \$1.2 million from EAF. FFM also requested approval to spend the remaining EAF balance, which totaled more than \$3.7 million at the time, for bill assistance. In January 2019, PSC denied those requests and ordered FFM to provide PSC with a plan for replenishing EAF to the required minimum balance, or an explanation for its inability to do so, within 60 days. In its February 21 response, FFM proposed a replenishment plan based on the cyclical flow of its revenues and expenses, in which it will generally apply 10% of each prior month's revenue toward the replenishment of EAF each month, beginning with March 2019. Under the plan, EAF's balance is expected to be restored within three years.

PSC accepted the plan proposed by FFM on March 7, 2019, finding that the plan is sustainable and will allow FFM to continue to serve its mission while also complying with PSC's requirements. The acceptance is subject to the condition that FFM file an annual compliance report regarding EAF's balance and the efforts being made to restore the fund. The first annual report is due to PSC on May 1, 2019, with follow-up reports due every May 1 until the \$4.5 million balance is fully restored. PSC also ordered that FFM not make additional disbursements from EAF without prior approval.

Energy Assistance

The Office of Home Energy Programs in the Department of Human Services administers two energy assistance programs for residential customers using local administering agencies, including local departments of social services, in each county and Baltimore City. These programs are (1) the Maryland Energy Assistance Program, funded by the federal Low-Income Home Energy Assistance Program, which provides bill payment assistance, crisis assistance, and furnace repair/replacement for a variety of heating sources and (2) the Electric Universal Service Program, funded from a ratepayer surcharge and an allocation of revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions, which provides both bill payment and arrearage assistance to electric customers.

Small Business Effect: FFM and any other potential nongovernmental recipients of funds under the bill are nonprofit organizations, which are not considered small businesses for the purposes of fiscal and policy notes. However, EAF represents most of FFM's assets, according to a recent [form](#) filed with the Internal Revenue Service.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Fuel Fund of Maryland; Department of Legislative Services

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an/lgc

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