Maillog No. 327093

ORDER NO. 92190

Limited Income Mechanisms for Utility Customers	* * *	Administrative Docket PC 59

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ORDER ON LIMITED INCOME MECHANISM

Before: Kumar P. Barve, Chair
Frederick H. Hoover, Jr., Commissioner
Bonnie A. Suchman, Commissioner
Odogwu Obi Linton, Commissioner
Ryan C. McLean, Commissioner

Issue Date: February 12, 2026

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I. INTRODUCTION

In this Order, the Commission provides guidance and direction pertaining to the Public Conference 59 ("PC 59") Work Group's Report on Proposed Limited Income Mechanism for Utility Customers, submitted October 1, 2025.[1] For the reasons detailed below, the Commission approves the general design of the proposed Limited Income Mechanism ("LIM"), recommends guidance on further details, and approves Phase II of the Work Group. The Commission intends that the mechanism can be implemented prior to January 1, 2027.

II. BACKGROUND

Annotated Code of Maryland, Public Utilities Article ("PUA") § 4-309 provides in part that "[s]ubject to the approval of the Commission, a utility company shall adopt a limited-income mechanism to benefit an eligible limited-income customer."[2] In March 2023, the Potomac Edison Company ("Potomac Edison") filed a rate case, in which Potomac Edison included a request for approval for two low-income assistance initiatives.[3] The Commission decided to initiate a broader proceeding to incorporate all of the utilities and other stakeholders to consider LIM proposals in compliance with PUA § 4-309(c)(1), and deferred Potomac Edison's initiatives to the future proceeding.[4]

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[1] Docket Item No. 66.
[2] PUA § 4-309(c)(1).
[3] Maillog No. 301935 at 4, Potomac Edison's Application for Adjustments to its Retail Rates for the Distribution of Electric Energy, Case No. 9695.
[4] Maillog No. 305680 at 1-2 and 28-29 (Order No. 90847).

Subsequently, in November 2023, the Commission initiated PC 59.[5] In its Notice initiating the docket, the Commission directed the utilities, and invited other interested persons, to offer comments on potential LIMs, including eligibility criteria, impacts, and energy affordability.[6] Various utilities and interested persons submitted comments by January 31, 2024 and reply comments by February 29, 2024.[7] The Commission then requested supplemental comments on potential LIMs, as well as on the causes of low-income energy burdens in the State.[8] The Commission held a legislative-style hearing to review these comments on September 5 and 19, 2024.[9]

Following the September 2024 hearing, the Commission directed PC 59 participants to submit a list of issues for Work Group consideration, which the Commission's Staff consolidated into a single list of agenda items.[10] The Commission then

[5] Limited Income Mechanisms for Utility Customers, PC 59, Maillog No. 306172.

[6] *Id*.

[7] Maillog No. 307206: Fuel Fund of Maryland ("FFM"); Maillog Nos. 307367 and 307890: Columbia Gas ("Columbia"); Maillog Nos. 307368 and 307881: Maryland Energy Advocates Coalition ("MEAC"); Maillog No. 307375: American Council for an Energy-Efficient Economy ("ACEEE"); Maillog No. 307381: Maryland Energy Efficiency Advocates ("MEAA"); Maillog Nos. 307390 and 307909: Washington Gas Light ("WGL"); Maillog Nos. 307391 and 307907: Potomac Edison; Maillog No. 307393: Montgomery County; Maillog No. 307399: UGI Utilities ("UGI"); Maillog Nos. 307401 and 307920: Commission Staff ("Staff"); Maillog No. 307403: Southern Maryland Electric Cooperative ("SMECO"); Maillog Nos. 307406 and 307918: Office of People's Counsel ("OPC"); Maillog Nos. 307410 and 307910: Baltimore Gas & Electric ("BGE"), Potomac Electric Power Company ("Pepco"), and Delmarva Power & Light ("Delmarva") (together, the "Joint Maryland Exelon Utilities" or "JMEU"); Maillog No. 307908: NRG Energy; Maillog No. 307919: Coalition for Community Solar Access; and Maillog No. 307922: Oracle Opower.

[8] Maillog Nos. 310257 and 311587 at 2; *see* also, Maillog No. 310902: Civic Works; Maillog No. 311582: Cancer Support Foundation; Maillog No. 311778: Maryland Energy Administration ("MEA"); Maillog No. 311778: MEEA; Maillog No. 311780: FFM; Maillog No. 311782: Howard County Climate Action; Maillog No. 311785: OPC; and Maillog No. 311788: Maryland Department of Human Services Office of Home Energy Programs ("OHEP").

[9] Maillog Nos. 312203 and 312551: Maryland Exelon Utilities Presentation; Maillog No. 312540: Joint Maryland Exelon Utilities Response to Bench Data Request; Maillog No. 312484: MEAC Presentation; Maillog No. 312491: OPC Response to Bench Data Request; and Maillog No. 312472: ACEEE Response to Bench Data Request.

[10] Maillog Nos. 312452 and 313130: Columbia Gas; Maillog No. 313144: Maryland Exelon Utilities; Maillog No. 313145: Potomac Edison; Maillog No. 313157: MEAC; Maillog No. 313159: ACEEE; Maillog No. 313161: OPC; and Maillog No. 313642: Staff.

initiated the PC 59 Work Group on Energy Burdens ("Work Group"), and directed the Work Group to propose a model mechanism for the Commission to consider.[11] The Commission directed the Work Group to file a proposal by August 29, 2025, with an accompanying report identifying factors that contribute to the energy burdens of limited-income customers.[12] The Commission also directed the Work Group to file an interim report by May 1, 2025 and a final report by August 29, 2025.[13] Extensions were granted for the Work Group to submit its interim report by May 8, 2025,[14] and its final report by October 1, 2025.[15]

The Commission held a legislative-style hearing on October 29, 2025 to receive comments on the Work Group's final report.[16] Prior to the hearing, the Commission invited interested persons and Work Group members to submit their comments in writing.[17] The following interested persons offered written comments: FFM, Columbia, the JMEU, ACEEE, UGI, SMECO, MEAC, OPC, and Staff.[18] During the October 29 hearing, the Commission heard verbal comments from the Work Group Leader, Columbia, SMECO, JMEU, the Maryland Department of Housing and Community Development ("DHCD"),

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[11] Docket Item No. 56, Order Initiating Work Group to Develop Limited Income Mechanisms for Utility Customers and Report.
[12] *Id*. at 5.
[13] *Id*.
[14] Docket Item No. 60.
[15] Docket Item No. 65.
[16] Docket Item No. 67.
[17] *Id*.
[18] Maillog No. 323627: FFM; Maillog No. 323644 (Columbia); Maillog No. 323649 (JMEU); Maillog No. 323655 (ACEEE); Maillog No. 323656 (UGI); Maillog No. 323657 (SMECO); Maillog No. 323660 (MEAC); Maillog No. 323661 (OPC); and Maillog No. 323662 (Staff).

MEAC, National Consumer Law Center ("NCLC"), OPC, and Staff.[19,20] During the hearing, the Commission invited hearing participants to provide additional information and supplemental comments related to the proposed Limited Income Mechanism. The Commission received supplemental comments and responses to bench data requests from Columbia, NCLC, SMECO, JMEU, Potomac Edison, and OPC.[21]

III. WORK GROUP REPORT AND RECOMMENDATIONS

The Work Group submitted its final report on October 1, 2025, addressing the Commission's directive to develop and propose a LIM for utility customers in Maryland.[22] The report emphasized that the primary goal of the mechanism is to help ensure eligible customers achieve an energy burden of approximately 6 percent.[23] The Work Group requested the Commission approve its consensus recommendations, decide on non-consensus issues, and provide guidance on cost allocation and acceptable rate impacts.[24] The Report noted that, if approved in a timely manner, the mechanism would be developed and implemented prior to the start of 2027.[25]

The Report included recommendations on the mechanism design, cost recovery, implementation and process, customer education, and future tasks for a Phase II of the

[19] *See* Docket Item No. 79 (listing hearing participants who signed up in advance to deliver remarks; DHCD is not listed on the hearing agenda).
[20] Also on October 29, 2025, the Commission heard comments from a number of interested persons in response to a Petition for a Temporary Moratorium on Service Terminations for Energy Assistance Customers filed on October 28, 2025 by OPC (Docket Item No. 81).
[21] Docket Item No 83 (Columbia); Docket Item No. 84 (NCLC); Docket Item No. 86 (SMECO); Docket Item No. 87 (JMEU); Docket Item No. 92 (Potomac Edison); Docket Item No. 93 (OPC).
[22] Docket Item No. 66.
[23] *Id*. at 2.
[24] *Id*.
[25] *Id*.

Work Group; notes on the symmetry of the mechanism and the cost recovery design, data collection issues; and various appendices, including a report on cost drivers for Maryland's low-income customers' energy bills.[26]

1. Mechanism Design and Eligibility

The mechanism proposed by the Work Group will be available to all residential utility customers who are certified by the OHEP as eligible, and is in keeping with the Commission's directive for the model mechanism's standard for eligibility.[27] This proposed eligibility includes residential utility customers categorized by OHEP as Poverty Level 6 or lower, which is effectively 200 percent of the federal Poverty Limit ("FPL") or lower.[28] This eligibility determination satisfies the Commission's directive for ease of administration because utilities are already aware of customers who are eligible for Maryland energy assistance through OHEP.[29] However the report notes that tying eligibility to OHEP's classification means some customers could be left out, as approximately 0.5 percent of customers receiving benefits through the Maryland Energy Assistance Program ("MEAP") do not receive Electric Universal Service Program ("EUSP") benefits, so they may not show up in the utility's system. This also means that, at this time, the proposed LIM does not extend to master meter customers who lack a

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[26] *Id*. at 1.
[27] Maillog No. 306172 at 2: Limited Income Mechanisms for Utility Customers, PC 59.
[28] Docket Item No. 66 at 7-8. Customers identified as Poverty Level 7 OHEP customers are excluded as their household incomes are above 200 percent of the FPL. *Id*.
[29] *Id*. at 8.

unique utility account.[30] Because of the aforementioned issues, the Report recommends the Work Group be extended into a Phase II to determine possible solutions.[31]

2. General Mechanism Structure

The proposed mechanism employs a tiered discount structure that groups customers by OHEP Poverty Level group identification and heating source.[32] The proposed mechanism also employs an averaging approach, under which the average discount or credit a customer within a Poverty Level group would need to receive annually to achieve the target energy burden, is calculated by averaging customer bills, OHEP benefits received, and income for each customer group.[33] The discount or credit is calculated by subtracting the Target Energy Burden Threshold (Average Income multiplied by the Energy Burden Percentage) from the Applicable Bill Net of OHEP Assistance, reflected in the equations:

$$[Average\ Income] \times [Energy\ Burden\ Percentage] = [Target\ Energy\ Burden\ Threshold]$$

$$[\text{Average } Applicable\ Utility\ Charges] - [\text{Average } Existing\ OHEP\ Assistance] = [Applicable\ Bill\ Net\ of\ OHEP\ Assistance]$$

$$[Applicable\ Bill\ Net\ of\ OHEP\ Assistance] - [Target\ Energy\ Burden\ Threshold] = [Discount\ Needed]$$ [34]

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[30] *Id*. at 8-9.
[31] *Id*. at 9.
[32] *Id.* at 9-10.
[33] *Id*. at 10.
[34] Docket Item No. 66 at 10. The report includes some discussion of potential inaccuracies as a result of the averaging approach, but no parties expressed a need to address those potential inaccuracies at this time. *Id*. at 11.

Because the customer's heating source will determine the size of the LIM benefit, there will be a variance in how benefits for dual fuel customers (gas and electric) are dispersed, versus how the benefits will be dispersed by customers who use a single fuel (gas only). For example, if the energy burden goal is set at 6 percent, then the benefit would be split for a dual fuel customer, resulting in a 3 percent energy burden calculation for the electric utility and 3 percent for the gas utility. For electric heating customers, the entire 6 percent example goal would be applied to their electric utility bills.[35]

3. Consensus Issues

The Report details additional aspects of the proposed LIM where the Work Group arrived at consensus. First, the Work Group agreed that the Commission should determine the appropriate energy burden on a year-to-year basis after accounting for anticipated annual program costs, reconciliation of costs, and cost allocation. The annual determination of an acceptable energy burden should be arrived at after considering bill impacts to non-participating customers, also on a year-to-year basis. The Commission should require the LIM to be a separate line item for transparency and to elevate the visibility of the mechanism. The Work Group agreed that whether a participating customer is shopping for retail energy supply should have no impact on the size of a participating customer's credit or discount. The Work Group also agreed that the final amount of benefits should be determined after considering OHEP grants (EUSP, MEAP, and supplemental benefits); and, the calculation of benefits should not take into account private funds (such as Fuel Fund) and arrearages.[36]

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[35] *Id*. at 10.
[36] *Id*. at 12-14.

The Report details an important issue for which the Work Group achieved consensus: data needs to support program implementation. The Report states the data necessary to implement the LIM can originate from OHEP or the utilities. In fact, OHEP already provides access to information on OHEP-eligible customers, a participating customer's benefit level, OHEP benefits provided, and usage. One remaining data point that OHEP will need to provide is a customer's heating source, which OHEP reports it can do by early 2026. Moreover, income data can be aggregated by OHEP so that the utilities can calculate final credit levels. The Report also notes that there are certain data "quirks" to be aware of. For example, Poverty and Benefit Level 1 customers are recorded as having zero income, but OHEP only records the last 30 days of income. This could result in some customers receiving a higher benefit than intended, if their income rises after approval. In addition to some other potential issues, the averaging method agreed upon could introduce some errors. OHEP and Staff are willing to work with all the parties to monitor the data and introduce methods to correct any potential errors.[37]

The Work Group also agreed that the size of the credit or discount received by a participating customer should account for OHEP-provided grants (EUSP, MEAP, and supplemental benefits) but not for private funds (like Fuel Fund Maryland) or customer arrearages. The Work Group also agreed there should be no requirement for LIM participants to enroll in EmPOWER or similar programs, but customer engagement and enrollment in the LIM should be an opportunity for education and marketing on energy savings programs.[38]

[37] *Id*. at 16-17.
[38] *Id*. at 17-18.

4. Non-Consensus Issues

The Report also details aspects of the mechanism where the Work Group did not reach consensus. For example, the group did not find consensus on whether the calculation of the LIM benefit should be restricted to distribution costs, or if it should also include supply costs; nor whether the mechanism benefit should cover riders, taxes, fees, surcharges, *etc*. However, the Work Group agreed these considerations should be secondary to the main question: what is an acceptable energy burden goal, constrained by acceptable bill impacts to non-benefitting customers?[39]

On that question, the Work Group discussed possible costs to non-participants and what an acceptable range could be. Some Work Group members argued for a cost of approximately $2.00 per month for residential customers, while others argued for a cost of approximately $4.00 per month. Generally, the Work Group agreed that they were concerned about pushback from non-participants, which could threaten the longevity of the program.[40]

Additionally, the Work Group did not find consensus on whether to apply the LIM benefit as a flat bill credit to participating customers, or as a percent-of-rate discount. A flat bill credit is the method supported by Staff and SMECO. Under this method, all participating customers in the same benefit level group within a utility will receive the same credit, regardless of how much or how little energy they use. However, the Staff does propose that the flat bill credit should be higher in winter heating and summer cooling months and lower in shoulder months, to reflect general usage variations. Staff and

[39] Docket Item No. 66 at 12-15.
[40] *Id*. at 14.

SMECO argue this method is administratively simpler than the alternative, percent-of-rate discount method.[41]

All of the other parties participating in the Work Group support the percent-of-rate discount method. Under this method, a negative rider or credit would be applied to participants' bills as a $/kWh or $/therm credit. The amount of credit would be the same for participating customers within a single benefit group in the utility but would differ across benefit level groups. The parties supporting this method argue the resulting benefit would be more tailored to a participating customers' usage. However, they also agree this method could lead to greater volatility in cost recovery, from year to year. The utilities agree that the costs to set up their billing systems to support either method would be approximately the same.[42]

The report contains information about the potential costs to the utilities to implement the LIM. Utility costs range from approximately $40,000 to $3.8 million, depending on the company. For example, BGE estimates it will incur costs of approximately $3.8 million; Pepco and Delmarva estimate costs near $2.67 million (+/- 50 percent); Columbia estimates the program will cost approximately $1.76 million; Potomac Edison estimates $350,000; SMECO anticipates an up-front cost of approximately $50,000, followed by an annual cost of approximately $25,000. Washington Gas estimates a cost of approximately $40,000 - $50,000. In sum, the annual cost to administer the program is approximately $8.68 million.[43]

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[41] *Id*. at 15.
[42] *Id*.
[43] *Id*. at 18. *See also*, *id*. at 19 of the Report for more detail about the utilities' steps and work that will incur the estimated costs.

5. Cost Estimates

The Report also contains detailed estimates of the potential costs associated with the bill credits or discounts proposed for participating limited-income customers. The Report outlines estimated costs by utility and offers a range of estimated costs depending on an energy burden goal of 3 percent, 6 percent, or 9 percent. Additionally, the costs will vary depending on whether a credit mechanism is applied to only the distribution portion of a participating customer's bill, or if the credit mechanism is also applied to the supply portion of the bill. Moreover, the costs also vary depending on whether supplemental OHEP benefits are included as well as the availability of MEAP funding.[44]

6. Mechanism Applied to Customer Need

The Report notes that the averaging approach outlined earlier means that a customer receiving a benefit under the LIM will not experience the *exact* energy burden the Commission identifies as the goal. The Report includes tables and charts to illustrate potential outcomes, and notes the analyses include some assumptions for simplicity, like assuming OHEP benefits are not applied to arrears. For example, under a scenario analysis, if the energy burden goal is set at 6 percent, then approximately half of OHEP customers have a need for credits to bring their energy burden to 6 percent; approximately $79 million would be provided to those customers, and approximately $55 million in OHEP grants would be in excess of what is needed for the remaining customers to have a 6 percent

[44] *Id*. at 19-21.

energy burden (assuming no OHEP funds are applied to arrears, which is not a correct assumption).[45]

The report also includes scenario analyses applying credits under a fixed credit approach versus a percent-of-rate approach, using 2025 fiscal year data. Under this type of analysis, the application of the mechanism reduces the number of customers with an energy burden higher than 6 percent by approximately 23,000 to 25,000. The mechanism addresses approximately 40 percent to 60 percent of the financial needs of customers with an energy burden higher than 6 percent. And, approximately 25 percent to 50 percent of funds are provided to accounts in excess of what is needed for the accounts to be brought down to a 6 percent energy burden. The Report notes that a potential refinement could take the form of applying the mechanism to certain usage levels, however this idea has not been discussed by the Work Group.[46]

7. Funding the Mechanism

The Report discusses the issue of how to pay for the proposed LIM. The Strategic Energy Investment Fund ("SEIF") emerged as the leading candidate for funding in discussions of the Work Group. The Work Group discussed the fact that the Next Generation Energy Act of 2025 ("NGEA") refunds $200 million from the SEIF to customers who are subject to the Renewable Portfolio Standard goals in the State,[47] and suggested that any future refund could be targeted to limited-income customers via the mechanism, instead of to all ratepayers. Another approach would be recommending that

[45] Docket Item No. 66 at 21-22.
[46] *Id*. at 22-23.
[47] 2025 MD Laws, Ch. 625; (SB 937/HB 1035).

the General Assembly appropriate taxpayer funds, which could be applied to the LIM, or they could simply be used to augment OHEP program funding, which would essentially achieve the same outcome. The Work Group discouraged relying on fees and penalties as a funding stream for the LIM, due to unstable revenue streams. As part of its discussions, the Work Group also discussed the possibility of utilizing utility shareholder funds to pay for the mechanism, however, the JMEU and Potomac Edison did not support that option. Moreover, it is not clear whether the Commission has the authority to obligate the utilities to make shareholder dollars available to help pay for the mechanism.[48]

8. Cost Recovery

The Report notes that, without legislative modifications to the SEIF or other legislative appropriations, the funding for the proposed LIM must come from ratepayers. The Work Group found consensus that program costs should be recovered from all rate classes through a fixed-rate rider on the distribution portion of non-participating customer bills. Customers who are eligible for the mechanism (OHEP customers) would not be required to pay the rider. The rider would cover the cost to administer the program, the projected costs for the next year, and a reconciliation of costs from the previous year. And, the Work Group recommended the Commission adopt a "soft cap" to the final rider to protect non-participants and ensure longevity of the program.[49]

The Report details options the Work Group discussed when it came to allocating program costs between Residential and Commercial & Industrial ("C&I") customer classes. The Work Group did not reach consensus on allocation. One option would allocate

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[48] Docket Item No. 66 at 24-27.
[49] *Id*. at 27-28.

25 percent of program costs to Residential customers, and 75 percent of costs to C&I customers. Advocates of this option (OPC, MEAC, NCLC, and JMEU) argue it mirrors the EUSP ratepayer allocation and note that the statute allows for recovery not strictly in line with cost-causation. They also point to how the mechanism may support societal non-energy benefits that accrue to C&I customers. Another segment of the Work Group supports the opposite cost allocation, with 75 percent of costs paid by Residential customers and 25 percent of costs paid by C&I customers. Advocates of this option (Columbia and WGL) argue it aligns more closely with the principles of cost-causation, but they note it does not recognize accrual of societal non-energy benefits to C&I customers. Finally, another segment of the Work Group proposes to let each utility propose a cost allocation to the Commission based on its costs and unique customer base. This option is supported by Potomac Edison, SMECO, WGL, and Staff.[50]

9. Surcharge Cap

While the Work Group did not find consensus on how to allocate program costs, they did agree that the Commission should consider establishing cost caps for non-participating customers. However, the Work Group did not come to consensus on how much a cap should be. As noted above, the Work Group discussed options such as a cap of $2.00 or $4.00 per month for Residential customers. And, while there was consensus that a cap should be instituted for C&I customers, the Report did not suggest any dollar

[50] *Id*. at 28-30.

amounts. The utilities urge some flexibility for any cost caps to avoid stranded costs because of reconciliation for differences between estimated and actual costs.[51]

10. Estimated Residential Bill Impacts

The Report contains considerable detail to illustrate potential bill impacts for Residential customers paying for the LIM. Several detailed tables outline scenarios for reaching 3 percent, 6 percent, or 9 percent energy burden goals, with variations for whether the benefit is applied to supply and distribution portions of a participating customer's bill, distribution only, and whether supplemental benefits are included. Estimated bill impacts vary across different service territories, across different energy burden goals, and across different cost allocation scenarios. Illustrated potential bill impacts tended to be the lowest for WGL Residential customers, and highest for Delmarva Residential customers. By way of example of a very low bill impact, under a scenario in which the mechanism is applied only to the distribution portion of participating limited-income customers' bills and OHEP supplemental benefits are included in the customer need calculation, WGL Residential customers may see no added costs to their bills. However, WGL customers may see some bill impact under other scenarios. Under certain scenarios illustrating a larger bill impact, Delmarva Residential customers could see estimated bill impacts as high as several dollars. For example, if the mechanism is applied to both distribution and supply portions of limited-income customers' bills and supplemental benefits are not included, where

[51] *Id*. at 30-31.

residential customers pay 75 percent of the costs and the energy burden goal is 6 percent, a Delmarva Residential customer could see a bill impact of approximately $6.76.[52]

11. Implementation and Process

The Work Group recommends targeting the beginning of the 2026-2027 winter heating season as the start date for implementing the LIM. Most utilities report needing 9 to 12 months for system updates. To meet the start date goal, OHEP will provide 12 months of data to the utilities through June 30, 2026. The Report further recommends that the participant bill credit and the cost recovery surcharge be updated annually thereafter for a January 1 implementation date, following tariff filings by utilities in the previous fall or early winter. The tariff filings will include an update for the credit mechanism and the cost recovery surcharge. The utilities agree to alert the Commission in advance if it looks like there could be a large reconciliation. The Work Group recommends the formation of an implementation subgroup to work on tariffs, reconciliation, and other details.[53]

12. Customer Education

In the Report, the Work Group emphasizes the importance of educating customers who are eligible for the LIM about ways to become registered with OHEP. They point to many avenues for outreach, such as digital media, flyers at community events, *etc*. Many group members urge community-based outreach, utilizing the expertise and relationships the community-based organizations have with residents across the State. When it comes to customer education, the utilities are concerned about bill inserts because they are expensive

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[52] *Id*. at 31-35.
[53] Docket Item No. 66 at 36-37.

but are eager to engage other methods of outreach. The Work Group supports a proposal for the utilities to submit detailed marketing plans and materials to the Work Group in June 2026 and file with the Commission in fall 2026.[54]

13. Phase II of the Work Group

The Report notes that various technical and implementation issues will need to be addressed if the Commission approves a LIM. Accordingly, the Work Group requests to continue to meet. A Phase II of the Work Group would include discussion of topics like how the LIM could be made available to residents in master-metered buildings, continued discussion of customer education and outreach methods, and more.[55]

14. Symmetry of Limited Income Mechanism and Cost Recovery Design

The Report notes that there was general agreement in the Work Group for the LIM to be uniform across the utilities to the extent possible. However, the utilities also request some flexibility to implement the mechanism in a way that makes the most sense for their systems and their customer bases, which no parties oppose, as all proposals require Commission review and approval.[56]

15. Data and Reporting

The Report is responsive to the Commission's direction for the Work Group to "consider issues of data ownership, management, and transparency… [and] propose

[54] *Id*. at 38-39.
[55] *Id.* at 39.
[56] *Id*. at 39-40.

reporting metrics to track compliance and evaluate the effectiveness of the mechanism,"[57] For example, the Work Group proposes that data collection be added to the existing PC 53 excel templates reported to the Commission, to allow for tracking of most metrics on a monthly basis, and at the zip code level. (PC 53 calls for COVID-19 monthly data reporting, including information such as accounts in arrears and customers with medical certification on file.) Essential data points to be tracked monthly include:

(a) the number of participating households by zip code;
(b) the number of participants by qualification level by zip code;
(c) the average monthly usage for participating customers by zip code;
(d) the total $ for monthly credits disbursed by zip code; and
(e) the limited-income credit recipients whose service is disconnected each month by zip code.

Additionally, DHCD will track and report on LIM participants who apply for and participate in an energy audit. DHCD will include this information in its semi-annual EmPOWER reports.

As a point of non-consensus on data collection and reporting, OPC requests reporting on the average bill of participating customers before and after the discount is applied, tracked monthly by zip code. The Report notes the utilities are reluctant to provide this data monthly due to programming costs, but the companies seem amenable to providing the information annually.

[57] Maillog No. 306172 at 5: Limited Income Mechanisms for Utility Customers, PC 59.

IV. COMMENTS

Following submission of the Report, the Commission scheduled a legislative-style hearing for October 29, 2025.[58] Prior to the hearing, the Commission invited interested persons and Work Group members to submit their comments in writing.[59] The Commission received written comments from a number of interested persons, including FFM, Columbia, JMEU, ACEEE, UGI, SMECO, MEAC, OPC, and Staff.[60]

1. Fuel Fund of Maryland

In brief comments, FFM focused on community engagement, and recommended the establishment of a program like the FFM in each utility service territory. FFM recommended that every Maryland utility establish a Fuel Fund program in its service territory, arguing that a statewide Fuel Fund framework would expand access by layering utility programs with dedicated utility funds, promote accountability through customer engagement, enable the utilities to replicate the FFM framework for maximum impact, and simplify assistance statewide.[61]

2. Columbia Gas

In its October 24, 2025 comments, Columbia discussed its active participation in the Work Group and outlined its current assistance programs. While Columbia supports many aspects of the statewide LIM proposed by the group, the company expressed that the

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58 Docket Item No. 67.
59 *Id*.
60 Maillog No. 323627 (FFM); Maillog No. 323644 (Columbia); Maillog No. 323649 (JMEU); Maillog No. 323655 (ACEEE); Maillog No. 323656 (UGI); Maillog No. 323657 (SMECO); Maillog No. 323660 (MEAC); Maillog No. 323661 (OPC); and Maillog No. 323662 (Staff).
61 Maillog No. 323627.

envisioned mechanism would be very expensive and provide limited benefits to its customers. Because of this, Columbia requested to be exempt from implementing a new LIM as outlined in the Report and have its current suite of assistance programs recognized as complying with the law.[62]

Columbia's comments outlined in some detail its current assistance programs. For example, the company offers payment plans to all residential customers. MEAP recipients can receive up to 24-month payment plans. MEAP recipients also are offered budget billing through the Universal Service Protection Program. The company also informs customers with past due balances about the Gas Arrearage Retirement Assistance program ("GARA"), administered by OHEP, that provides up to $2,000 toward arrears. Columbia also maintains a hardship fund called HeatShare that provides up to $500 for customers at or below 200 percent of the FPL, targeted to the winter heating season. Finally, Columbia offers the WarmWise Low Income Usage Reduction Program to MEAP and HeatShare recipients, which offers measures like weatherization and furnace or boiler replacement.[63]

Columbia, while in support of much of the LIM proposal, expressed concern that the potential costs to customers may exceed the benefits to those eligible for the LIM. The company estimates a one-time programming cost of $1.76 million, while the highest potential benefits outlined in the Report would result in only $1.46 million to its eligible customers. A small number of Columbia's customers would even be eligible for assistance under the proposed LIM. The company estimates the proposed mechanism's credits or discounts would cost $3.22 million in the first year (benefits plus programming costs), but

[62] Maillog No. 323655 at 3, 6-9, and 13.
[63] *Id*. at 4-6.

would only provide meaningful benefits to 286 customers to assist them to reach a 6 percent energy burden goal. Other customers eligible for assistance already have their needs met, and many have burdensome arrearages that would not be covered by the proposed program.[64]

Columbia argued that its current suite of assistance programs is designed to benefit limited-income customers and meets the requirements of PUA § 4-309 and seeks an exemption from implementing a new statewide LIM given that its customer base is small, and in concern about the costs of the proposed LIM to non-participant customers.[65]

In addition to arguing for an exemption from the proposed mechanism, Columbia offered comments on the program as outlined in the Report. First, the company argued that a new LIM should apply only to distribution charges, as the inclusion of supply charges could lead to large fluctuations in program costs. The company asserted the program should be funded only by Residential ratepayers to align with cost-causation principles, and that utility shareholders should not be required to contribute. The company argued program costs should be recovered through a fully reconcilable, fixed-rate surcharge that appears on an individual line item on bills. The surcharge should cover administrative costs as well as costs of bill credits. Columbia suggested a timing sequence similar to STRIDE, to plan for forward-looking surcharges and then allow for a backward-looking reconciliation. In terms of a "soft cap" on costs to non-participant customers, the company recommended further discussion to develop an appropriate surcharge mechanism to avoid stranded costs

[64] *Id*. at 6-8.
[65] *Id*. at 8-9.

and regulatory lag. However, Columbia expressed support for a cap on benefits a customer can receive via the LIM.[66]

3. Joint Maryland Exelon Utilities

In its comments on the Report, JMEU expressed strong support for the proposed LIM and urged implementation as soon as operationally feasible while managing other information technology needs. While supportive of the program overall, the JMEU comments addressed several issues that did not achieve consensus in the Work Group.[67]

JMEU supports the percent-of-rate discount method of applying the benefit for eligible customers, arguing this method aligns benefits with customer usage, reduces potential for carryover credits, is applicable year-round, and has similar operational costs to a flat credit method.[68]

JMEU also supports collection of 25 percent of program costs from Residential customers and 75 percent of program costs from C&I customers. The companies noted that, under this cost allocation, Delmarva customers would experience the highest residential bill impact of all customers in the State. However, if a 6 percent energy burden goal is kept, then a 25 percent Residential allocation would keep Delmarva Residential customer bill impacts to below approximately $2.00 per month (compared to below $1.00 per month for other utilities). The companies argued that a 75 percent Residential allocation would raise Delmarva's Residential customers' bill impact to over $4 per month (compared to under $2 for other utilities).[69]

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[66] *Id*. at 9-12.
[67] Maillog No. 323649 at 2.
[68] *Id*. at 3.
[69] *Id*. at 3-4.

JMEU discussed the non-consensus issue of data reporting on the average bill of participating customers, before and after the limited-income discount is applied. To accommodate OPC's request for this data every month, JMEU asserted it would require substantial manual work to supply the information. Accordingly, the companies support only annual reporting on this data set.[70]

4. American Counsel for an Energy-Efficient Economy

ACEEE's comments expressed praise for the Report and asserted that implementing a low-income discount rate is an important step toward a cleaner, more equitable, and affordable energy system in the State. ACEEE outlined its support for the Work Group recommendations on eligibility and enrollment, namely that OHEP-eligible customers under 200 percent of FPL be eligible. ACEEE agreed that participation in the limited-income discount should not be predicated on participation in other energy assistance programs; however, the organization supports continued coordination with OHEP. The organization supports an energy burden goal that is not higher than 6 percent. ACEEE recommends a tiered percentage rate discount approach to the discount, rather than a flat credit, as the percentage-of-rate method is more closely aligned with energy burden levels within each income tier. The organization supports allocation of 25 percent of program costs to Residential customers, 75 percent to C&I customers, aligning with EUSP and noting the duty of all customer classes to contribute to the broad societal benefits expected as a result of relieving energy burden. Finally, ACEEE expressed support for a Phase II of the Work Group and the proceeding, and highlighted the need for

[70] *Id*. at 4.

complementary programs such as expanded investment in low-income EmPOWER programs, community solar enrollment, access to high-efficiency appliances for limited-income customers, seasonal heat pump rates, *etc*.[71]

5. UGI Utilities, Inc.

In its October 24, 2025 comments, UGI renewed its request, raised earlier in this Public Conference, for the Commission not to adopt a one-size-fits-all approach. The company argued that adoption of the proposed LIM would place a significant cost burden on UGI's 600 Maryland customers, 455 of whom are Residential heating customers, without achieving the benefits anticipated for the participating customers of larger utilities. The company described its existing program called Operation Share, which provides grants for arrearage assistance. UGI argued Operation Share could meet the requirements of PUA § 4-309, and argued that it does not have enough low-income customers to justify the system costs and personnel framework to implement the proposed LIM. The company believes the best approach is to be allowed to leverage Operation Share and to adapt it as necessary, and requests flexibility in cost recovery through incremental inclusion of related costs as part of existing Residential tariff rates.[72]

[71] *Id*. at 2.
[72] Maillog No. 323656

6. SMECO

SMECO's comments express support for a LIM but urge simplicity to control costs and ensure transparency. First, the cooperative believes program eligibility determination should rest entirely with OHEP, and the utilities should just be implementers. Second, SMECO also added detail to its support for a flat bill credit, over a percentage of rate discount, arguing it is more easily understood by customers and does not require extensive system modifications. Further, the cooperative asserted a "discount" could discourage energy conservation, as the amount of the discount would grow with usage. With regard to cost recovery, SMECO supports a fixed-surcharge mechanism that appears as a line item on bills. SMECO argued for flexibility on cost allocation, asserting a uniform cost allocation between Residential and C&I customers across all utilities would be inappropriate, as different service territories have different customer bases. For SMECO, an appropriate allocation is 75 percent Residential and 25 percent C&I. Finally, with regard to data, the cooperative argued collection, storage, and maintenance should lie with OHEP. SMECO has limited resources, and so is opposed to OPC's request to have utilities file monthly reports on the average bills of participants before and after the discount.[73]

7. Maryland Energy Advocates Coalition

MEAC supports the LIM outlined in the Report and emphasizes its potential for protecting vulnerable Maryland residents, keeping energy burdens reasonable, and reducing service terminations. MEAC asserts this is especially true for subsidized housing

[73] Maillog No. 323657.

residents, who may be at risk of losing their housing if they do not stay up to date on their utility bills. The coalition highlights a variety of data about energy vulnerability in Maryland, providing concrete information about the scope of need for assistance like the proposed mechanism.[74]

MEAC supports various aspects of the LIM as outlined in the Report, such as the eligibility and enrollment requirements and use of a tiered discount structure based on household poverty levels. The coalition argues that the mechanism's benefit should apply to both supply and distribution costs, as well as riders and taxes, because the cost as outlined in the Report is reasonable. The group argues for establishing a goal of 6 percent or lower energy burden for participating customers and argues this is reasonable given Maryland's higher than average housing costs and increasing energy costs. MEAC supports a percent-of rate discount instead of a flat bill credit, because the percent-of-rate approach aligns benefits better with individual household energy usage.[75]

MEAC asserts cost projections outlined in the Report, which use a 6 percent energy burden as a goal and include both supply and distribution charges are within an acceptable range. To fund the program, the group encourages the Commission to ask the legislature and State agencies to consider funding sources other than ratepayer dollars. MEAC also notes that the legislation authorizing the LIM requires consideration of utility shareholders as a source of funding, and MEAC encourages the Commission to consider this funding option. The coalition supports cost allocation of 25 percent to Residential customers and 75 percent to C&I customers, in line with how EUSP is funded. Recognizing that all

[74] Maillog No. 323660 at 2-4.
[75] *Id*. at 4-5.

Residential customers will be impacted, MEAC asserts that the societal benefits stemming from the costs of implementing the mechanism are worth the cost.[76]

MEAC's comments discuss how the LIM might be coordinated with other energy and assistance programs. MEAC emphasizes the proposed mechanism is designed to seamlessly work with OHEP's existing programs. MEAC also noted the Work Group spent quite a bit of time discussing how to coordinate with DHCD's Low-Income EmPOWER programs; on this issue, MEAC agrees that participation in DHCD's EmPOWER program should not be a prerequisite to obtaining the LIM at this time. MEAC is hopeful for increased participation for LMI customers in community solar programs, especially as utility-consolidated billing is implemented. MEAC's comments also detail a concept the group has been developing with OHEP and others, called the "OHEP Solar Grant," where utility payments to community solar projects for projected LMI load could be used to supplement funding for energy assistance awards.[77]

MEAC supports a Phase II of the Work Group to work through implementation issues, evaluate the opportunity for residents of master-metered buildings to participate in the LIM, and more. Additionally, MEAC's comments describe a phenomenon illustrated by OHEP's data, noting that there is a small number of LMI accounts across the State with extremely high usage. MEAC requests a new, informal Work Group facilitated by the PSC to develop outreach to these customers, determine why usage is so high, and help customers enroll in various available programs.[78]

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[76] *Id*. at 6-7.
[77] *Id*. at 7-9.
[78] *Id*. at 9-11.

8. Office of People's Counsel

OPC's comments on the Report acknowledge that this proceeding presents a challenge: on one hand, the Commission must implement the LIM by utilizing ratepayer funding; however, on the other hand, this means the Commission must make rates more affordable for some by raising rates for all. In recognition of the need to meet the goals of PUA § 4-309 while mitigation bill impacts to customers ineligible for the LIM, OPC recommends the Commission adopt a percent-of-bill discount structure rather than a flat rate discount; allocate 25 percent of the total costs of the mechanism to Residential customers and 75 percent of the costs to C&I customers; structure the mechanism to provide an energy burden goal of 6 percent for eligible customers, inclusive of supply and distribution costs; and require each utility to include, as part of their annual rider adjustments, specific information about the impact of the mechanism, at which point the Commission should open a formal comment period and schedule a legislative-style hearing upon the request of any stakeholder. OPC also recommends deferring a decision on a surcharge cap, as implementing a cap prior to determining the discount or cost-allocation structure would be premature.[79]

In terms of cost allocation, OPC argues that ratepayer-funded initiatives are inherently regressive because the per-kilowatt hour or per-therm rate is the same for all residential customers, forcing low-income households to dedicate a higher portion of their income to energy costs compared to higher-income counterparts. Additionally, OPC argues that higher bills resulting from regressive mechanisms have a fundamentally different

[79] Maillog No. 323661 at 2, and 18-19.

impact on Residential customers than on C&I customers. Accordingly, OPC argues their proposed cost allocation - 25 percent of costs allocated to Residential customers and 75 percent of costs allocated to C&I customers - is consistent with the cost allocation for the ratepayer-funded portion of the EUSP. OPC supports this approach because it minimizes the unique burdens placed on Residential customers by regressive funding measures. Allocating three-quarters of the cost to C&I classes acknowledges the shared societal benefits that accrue to those classes when the residential energy burden is alleviated. OPC asserts the Commission has considered non-energy and societal benefits in ratemaking before and should do so here.[80]

In terms of the structure of the proposed LIM and the level of energy burden that should be achieved, OPC supports formalizing a 6 percent energy burden goal. Formalizing this goal and structuring a discount or credit mechanism to decrease monthly utility bills for 25,000 OHEP benefit recipients to about 6 percent of their monthly gross incomes is estimated to cost up to $132,497,013 annually. Meeting the 6 percent energy burden goal would result in monthly residential bill impacts ranging from $0.03 to $2.25, based on average usage for non-participating customers. OPC notes the proposed surcharge is volumetric, so higher usage customers will pay a higher surcharge. OPC also argues that the LIM should include supply and distribution costs to maximize affordability for participating customers. OPC supports a percent-of-bill discount for customers receiving the LIM instead of a flat bill credit proposed by some other parties. Under a percent-of-bill discount, monthly bill reductions will be more closely tailored to a customer's usage. While OPC cites monthly surcharge estimates from the Report, OPC recommends deferring a

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[80] *Id*. at 7-12.

decision on capping the monthly surcharge until the Commission determines cost allocation and the target energy burden. Adopting a cap before those determinations would limit the total benefit funds available to eligible limited-income customers.[81]

Finally, OPC requests various reports and notifications related to the LIM. OPC requests that the utilities report on the annual average and median surcharges projected to be paid, and paid by each customer class in the previous year, to fund the mechanism, in addition to their monthly reports in PC 53. Additionally, OPC requests this information be included in the utilities' annual rider adjustment filings. OPC requests this annual reporting because, if benefit amounts are to be reduced in the future, limited-income customers must be provided with appropriate notice, as budgeting is crucial for them. The Commission should also require utilities to notify customers when they begin receiving benefits that the amounts may be adjusted over time.[82]

9. Technical Staff

In its comments, Staff focused on areas of non-consensus within the Report and offered recommendations. The Staff encouraged the Commission to treat any established energy burden target as a policy goal and not a directive, which would allow for adjustments in the future based on cost considerations and bill impacts. Staff further recommends establishing a bill impact cap to inform the establishment of an energy burden goal. By way of example, the Commission could adopt a 6 percent energy burden target on the condition that the corresponding residential surcharge is no more than $2.00 per month.

[81] *Id*. at 12-17.
[82] *Id*. at 17-18.

This combined framework would ensure assistance to customers in need while not placing an undue burden on Residential customers who are not eligible for the mechanism.[83]

Staff generally is not concerned about the inclusion of supply costs in the LIM in addition to distribution costs. However, the Staff reiterates the overall cost and the bill impact for non-participating ratepayers is the most important factor. Including supply costs increases the cost to non-participating ratepayers. Staff also addresses the fact that, if the mechanism is funded through distribution rates, C&I customers could be supporting residential LMI customers' supply charges through distribution rates, thereby assisting with bills but receiving little direct benefit in return.[84]

While Staff acknowledges that PUA § 4-309 allows the cost of the mechanism to be collected from all ratepayers, the Staff disagrees with parties who recommend using the cost allocation structure of the EUSP program, which allocates 75 percent of its $37 million in costs to C&I customers. Staff cautions against overburdening C&I customers by over-allocating costs to them, and recommends the Commission postpone its decision on cost allocation until other decisions have been made–namely a target energy burden and the acceptable level of surcharges to fund the program. Staff also notes that prescribing a single allocation method may not be suitable for all utilities due to their different customer bases.[85]

Staff recommends establishing a maximum bill impact of approximately $2.00 per month for non-participating residential ratepayers. This cap is intended to be sufficient to fund the mechanism while being fair to non-participating ratepayers. Staff also agrees with

[83] Maillog No. 323662 at 1-2.
[84] *Id.* at 3-4.
[85] *Id*. at 5.

the Work Group's general consensus that utilities should be made whole for administration costs and that a "soft" cost cap should be implemented, particularly in the initial year. A soft cap means that if costs exceed the budget, the utility could collect the increased costs via the surcharge on non-participating customers. However, Staff urges caution on increasing the budget year over year.[86]

For application of the benefit to eligible customers' bills, Staff supports a flat monthly credit instead of a percentage discount for several reasons. First, Staff believes a flat credit is easy for the customer to calculate and understand, appearing as a clear line item on the bill. A flat credit also should function as a better incentive to conserve energy. A flat credit greatly reduces concerns regarding reconciliations or substantial cost overruns, as the budgeted amount primarily only varies widely if there is a large swing in the number of eligible customers. Finally, a flat bill credit provides better cost stability for the program, whereas under a percentage of rate discount, increased usage or an increase in eligible customers could cause overall program costs to fluctuate widely.[87]

V. <u>SUPPLEMENTAL COMMENTS</u>

During the October 29 hearing, the Commission heard verbal comments from the Work Group Leader, Columbia, SMECO, JMEU, DHCD, MEAC, National Consumer Law Center ("NCLC"), OPC, and Staff.[88] During the hearing, the Commission asked for additional information on a few points raised during discussion of the LIM, particularly

[86] *Id*. at 6-7.
[87] *Id*. at 7-9.
[88] *See* Docket Item No. 79 (listing hearing participants who signed up in advance to deliver remarks; DHCD is not listed on the hearing agenda). Also on October 29, 2025, the Commission heard comments from a number of interested persons in response to a Petition for a Temporary Moratorium on Service Terminations for Energy Assistance Customers filed on October 28, 2025 by OPC (Docket Item No. 81).

whether there would be any cost differences to the utilities to implement a flat bill credit versus a percent of rate credit. The Commission also asked several parties for additional information on various types of assistance programs. Responses were requested by November 13, 2025.

1. Columbia Gas

In its supplemental comments, Columbia responded to Commission requests for information about its arrearage forgiveness program and requested permission to implement its Arrearage Management Program ("AMP") as an alternative to implementation of the LIM. In its supplemental comments, the company reiterated that implementation of the Work Group proposal for a LIM would only benefit 268 of its residential customers, while placing a financial burden of over $3 million on ratepayers who would not benefit and would not be the best solution for its customers in need of assistance. The company's 296 customers who face termination are experiencing high arrearages, which are not addressed by the proposed mechanism. Accordingly, Columbia proposes to implement its AMP, which was originally implemented under PC 53 to respond to the Covid crisis, as a permanent program.[89]

Under a permanent AMP, forgiven arrearages would be collected from all customers through a revenue-neutral rider. All other arrearages would be collected in base rates as part of uncollectibles, per usual practice. Customers must be eligible for and obtain MEAP assistance to participate in AMP and must also obtain GARA support, if eligible. Once enrolled, the duration will be 12 months. Accordingly, one-twelfth of the customer's

[89] Docket Item No. 83 at 3.

arrearage balance will be forgiven for each month a full, on-time payment is made. Columbia will screen all AMP participants for its WarmWise Low-Income Usage Reduction Program (the company's weatherization and furnace/boiler replacement program) and make appropriate referrals. Columbia has 445 active MEAP recipients in arrears, totaling $176,615. The Company estimates some customers currently without service or newly eligible may apply to participate. Columbia proposes an initial maximum budget of $300,000 for this program, which includes costs for the AMP Program benefits plus "minimal" programming costs to add a line item to bills. The company proposes posting arrearage assistance credits to participants' bills manually. Program promotion would be done via multiple channels.[90]

2. National Consumer Law Center

In response to Commission requests for additional information during the October 29, 2025 hearing, NCLC offered responses on a number of topics in its November 6, 2025 filing. Specifically, NCLC offered examples of low-income tiered discount programs in other states, with information about cost allocation across rate classes. Examples included programs from Massachusetts, Illinois, New Hampshire, and Ohio, with each program representing a different way to structure cost allocation across rate classes.[91]

3. SMECO

In response to requests for additional information about its costs to change systems for a percent-of-rate discount versus a flat discount, SMECO reiterated that its cost for

[90] *Id.* at 3-5.
[91] Docket Item No. 84, Data Request 3.

system programming will be approximately $50,000, plus approximately $25,000 for annual maintenance. This cost is associated with SMECO's preference to issue a flat bill credit. However, SMECO also stated it does not believe the cost to implement a LIM based on a percentage-of-rate discount would be materially higher.[92]

4. Joint Maryland Exelon Utilities

In response to requests for additional information from the Commission during the October 29, 2025 hearing, the JMEU reiterated in supplemental comments the information in the PC 59 Report about its costs to reconfigure their billing systems to implement a LIM. The companies report that their estimated costs stay the same, regardless of whether a discount is applied as a fixed bill credit or as a percentage-of-rate credit. BGE's costs are approximately $3.8 million (+/- 50 percent), while PHI's costs are approximately $2.67 million (+/- 50 percent).[93]

5. Potomac Edison

Potomac Edison also responded to a bench data request regarding the costs to update systems to handle a flat bill credit versus a percent-of-rate credit. In supplemental comments, Potomac Edison confirmed the estimated costs for system changes to implement the LIM as outlined in the Report and confirmed there would not be a material change in costs to implement a flat credit versus a percent of rate credit. The company's estimated system costs are $350,000.

[92] Docket Item No. 85 at 1.
[93] Docket Item No. 87 at 1.

6. Office of the People's Counsel

OPC's supplemental comments focused on cost recovery options for a LIM. First, OPC recommended the Commission direct the Work Group to assess the feasibility of allocating a higher proportion of costs to high-usage, high-income customers. OPC also noted the regressive nature of many funding structures for programs intended to encourage electrification or meet climate goals, which often recover costs from, but do not provide a corresponding benefit to, LMI customers. OPC requested the Commission direct the Work Group to explore whether various programs like DRIVE Act, EmPOWER, community solar, energy storage, *etc*., could utilize the LIM, and thereby render these programs more equitable. OPC also requested direction to the Work Group to explore the costs and feasibility of adopting a statewide arrearage management program as a complement to the LIM.[94]

VI. <u>DISCUSSION AND COMMISSION DECISIONS</u>

1. General Program

The Work Group has proposed a tiered discount mechanism that would categorize customers based on OHEP's poverty level identification standards, as well as the customer's heating source, where customers in poverty levels 6 and below would be eligible to participate in the LIM year-round. As proposed, the mechanism would consist of calculating the annual average credit to determine the target energy burden, by averaging customer bills, OHEP benefits received, and income for each customer group. Additionally, the discount portion of the mechanism would be calculated by subtracting

[94] Docket Item No. 93 at 1-6.

the Target Energy Burden Threshold (calculated by multiplying the Average Income by the Energy Burden Percentage) from the Applicable Bill Net of OHEP Assistance, as discussed above. The calculations would incorporate and differentiate the heating source: specifically, for customers using gas and electric, their energy burden goal would be split evenly for each source, and for electric customers, their entire energy burden goal would be applied to their electric utility bills. Customers eligible for a credit would receive it as a rider or surcharge.

The Commission hereby approves the general tiered mechanism and associated calculations as proposed by the Work Group, as it will employ reasonable and objective methods for calculating bills and providing for manageable payment. The Commission understands the reasoning for initial focus on customers who are signed up for OHEP benefits; however, the Commission is concerned that this program will not reach customers in need who happen not to be enrolled with OHEP. The Commission encourages the Work Group to include in its future work plan an effort to find solutions to ensure the LIM reaches more customers in need.

2. Flat Bill Credit vs. Percentage of Rate Discount

The Work Group has recommended two methods of handling LIM-related billing. The flat bill credit, recommended by SMECO and Staff, permits the provision of the same credit to all customers in a benefit group, regardless of energy usage. This method is described as simple to administer, with minimal annual reconciliation; however, there is the potential for over-compensating high usage customers and under-compensating low usage customers. Staff has recommended that the credit be adjusted seasonally.

The remaining Work Group stakeholders recommended the percent-of-rate discount, where the utility applies a negative rider or credit to the bill based on customer usage, such as $/kWh or $/therm. This method is considered a more effective way to tailor the benefit to a customer's bill and would minimize carry-over credits. However, the discount could also lead to increased volatility in cost recovery. Work Group stakeholders did not report a significant difference in set-up costs for implementing either method.

The Commission hereby approves the recommended percent-of-rate discount mechanism for all utilities except SMECO. For SMECO, the Commission approves the use of the flat bill credit. Allowing for the use of both methods in this manner helps ensure the reasonable and efficient administration of the LIM based on the needs of the utilities.

3. Data Needs Relating to LIM Implementation

For purposes of calculating a customer's benefit under the LIM, the necessary data would be obtained from OHEP or the utilities, as OHEP possesses information on customers eligible for OHEP programs, customer benefit levels, benefits provided and usage. OHEP will be able to program its systems to provide data on heating sources this year, and income data can be aggregated by OHEP so that utilities can calculate final credit levels.

However, the Work Group is aware of OHEP data gathering and retention issues, such as the agency recording their Level 1 customers as zero income, and OHEP recording only the last 30 days of income. Such issues could result in some customers receiving more assistance than they qualify for from OHEP. OHEP proposes to resolve the data issues by working with the stakeholders to address the data set.

Other data issues include outlier usage information in the data sets, prompting the need for utilities to conduct quality control examination of usage data for accuracy and to correct for anomalies, and the potential for errors with the averaging method discussed above. Staff is amenable to conducting regular quality control data examinations.

The Commission approves the consensus plan for data collection, correction, and sharing for purposes of implementing the LIM.

4. Data for Tracking and Reporting

The Work Group has agreed on a recommendation that data collection be added to the existing PC 53 monthly reports to the Commission.[95] The Work Group also proposes that essential data points be tracked monthly via zip code, including the number of participating households, participants by qualification level, average monthly usage for participants, total dollar amount of monthly credits disbursed, and limited-income credit recipients whose service is disconnected.

Meanwhile, DHCD will track and report on LIM participants who apply for and participate in an energy audit, and DHCD will include this information in its semi-annual EmPOWER reports.

OPC has requested that the Commission direct the utilities to include, with each of their annual surcharge filings, the annual average and median surcharges projected to be paid by each customer class for the LIM, and that the information be reported for the preceding year. OPC also requests that the utilities provide information regarding the

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[95] PC 53 requires COVID-19 monthly data reporting, including information such as account arrearages and customer medical certifications on file.

average bill of participating customers before and after the discount is applied, tracked monthly by zip code. However, the utilities are reluctant to provide such data monthly due to programming costs. The utilities are more amenable to providing this data annually.

The Commission hereby approves the proposed data track of LIM participation and receipt of OHEP benefits, as well as the inclusion of that data in the PC 53 monthly reports as described above. The Commission, in recognition of consensus between OPC and DHCD, also accepts the recommendation that DHCD include the above-proposed information in its semi-annual EmPOWER Maryland reports on LIM participants who apply for and participate in an energy audit.

Furthermore, the Commission hereby directs the utilities to report, on a quarterly basis, the average bill of LIM participants, before and after the discount is applied. The Commission further directs the utilities to include in their annual surcharge filings the annual average and median surcharges projected to be paid by each customer class for the LIM and include information on these data points for the preceding year.

5. Cost Allocation Across Rate Classes

The Work Group proposed three cost allocation proposals. The first, preferred by OPC, MEAC, NCLC and the JMEU, propose a 25 percent Residential and 75 percent C&I allocation. This proposal would adhere to the precedent set by the EUSP statute and promote the inclusion of societal/non-energy benefits, such as reduced uncollectible costs, in the allocation, accruing to C&I classes. The second proposal, supported by Columbia and Washington Gas, calls for a 75 percent Residential and 25 percent C&I allocation, and would follow strict cost causation with the Residential class as the primary beneficiary.

The third proposal, supported by Potomac Edison, SMECO, Washington Gas, and Staff, is for the utilities to allocate the cost at their discretion, in accordance with their customer base, to ensure costs are appropriately balanced in unique utility territories, such as those with smaller C&I bases. The Commission directs the utilities to propose their cost allocations when they bring their final proposals or tariffs to the Commission for approval. The Commission needs additional information in the record pertaining to the companies' proposed cost allocation methods and wants to hear from a variety of potentially affected parties to ensure they have adequate notice and opportunity to comment. The Commission directs the Work Group to ensure that the utility companies communicate to commercial and industrial customers to ensure they have an opportunity to learn about and discuss proposed cost allocation methods in the Work Group setting, as well.

6. Determination of Target Energy Burden

OPC, ACEE, and MEAC recommend that the Commission approve a 6 percent energy burden goal for limited-income customers, in keeping with the Commission's direction to the Work Group to create a LIM to help customers achieve an energy burden not to exceed six percent. The PC 59 report analyzes costs associated with creating three, six and nine percent energy burdens for participants. The Work Group acknowledges that energy burden related costs fluctuate, and notes that in addition to setting a firm six percent goal, the Commission could wait for future filings to re-examine goals and costs closer to the LIM implementation. The Commission will not set a concrete energy burden goal at this time. The Commission reminds the utilities and other Work Group participants that the Commission's goal is to help limited-income customers achieve an energy burden of approximately six percent. However, the Commission also recognizes that a LIM will not guarantee a strict six percent energy burden for any customer, and the Commission will need to consistently balance the energy burden with the costs of the program, and that balance may result in deviation from the 6 percent burden. Therefore, the Commission will revisit the target energy burden goal when the utilities file their updated proposals or tariffs. The updated proposals and tariffs should be developed with the six percent energy burden goal in mind.

7. LIM application to participant bill costs

The Work Group did not reach a consensus on specific application of the LIM, either to distribution costs only or to distribution plus supply costs and recommends that the Work Group wait to see cost information. OPC and MEAC recommend that the LIM be applied to supply and distribution charges, while Columbia recommends that the mechanism be applied to distribution charges only.[96] The Commission hereby approves the application of the LIM to supply and distribution costs, in keeping with the Commission's direction to the Work Group to craft a LIM that would help limited-income customers achieve a 6 percent energy burden. However, the Commission does recognize that it should balance this 6 percent energy burden goal by minimizing the costs to non-LIM participants. The Work Group should remain mindful of the goal and the needed balance when considering and proposing any further filings and tariffs.

[96] It should be noted that Columbia also requests to be exempt from the LIM program.

8. Guidance Requested on a "Soft Cap"

The Work Group agrees that utilities should establish cost caps for non-LIM Residential and C&I customers, amounting to $2-$4 per month for residential customers, but did reach a consensus on the specific amount. The Work Group did not provide a recommended amount for C&I customers. The stakeholders further agree that establishing a "soft cap," or gauging the bill impact for non-participant customers, will drive future considerations regarding the appropriate amount of benefits to participating customers. Staff recommends a $2 per month cap on residential customer costs that would align with STRIDE program requirements. The Commission defers a decision regarding the cost cap until the final bill impact estimates are completed and reviewed in the utility companies' final proposals and/or tariffs.

9. Alternative Plans for Columbia Gas and UGI

Columbia and UGI utilities request "flexibility" in implementing a program that complies with a LIM required by statute, as their companies are substantially smaller with fewer customers who require assistance. Columbia notes that its customers would better benefit from an enhanced version of the utility's current Arrearage Management Program. The company proposes to operate its program on a permanent basis to satisfy the LIM requirement. The utility's AMP would include forgiveness of one-twelfth of a customer's arrearage for every month of payment made under a payment plan; and referral to Columbia' weatherization and boiler/furnace replacement program. Columbia explains that the utility's program would be more cost-effective than implementing a credit/discount program such as the LIM that the Work Group is creating.

UGI makes similar arguments and requests to designate its Operation Share program as its LIM. UGI explains that Operation Share gathers donations through employees, fundraisers, and citizens, and distributes the funds to customers in need of assistance. The utility argues that the cost to implement the LIM as proposed would impose significant costs on its customers and as a result would help very few.

The Commission declines to exempt Columbia and UGI from the LIM requirement at this time, but directs Columbia and UGI to, within the next 60 days, file for Commission approval, detailed program descriptions that explain how their alternative programs would achieve the outcomes similar to those sought via the LIM, with actionable plans. The companies are not required to take steps to update their systems and coding at this time.

10. Phase II of the Work Group

The Work Group has recommended that, once the LIM is approved, the Work Group continue meeting to address the following: (a) technical issues, such as finalizing tariff language, reconciliation methods, and other implementation details; (b) investigation of inclusion of customers in master-metered apartments; (c) development of customer education plans and marketing materials; (d) consideration of a higher surcharge on high-income/high-usage customers to contribute to a higher portion of LIM costs;[97] (e) addressing solutions for limited-income residents who register extremely high energy usage;[98] and (f) additional issues that may arise. The Commission notes OPC agreed to conduct research and develop a proposal related to the inclusion of customers in master-

[97] As requested by OPC.
[98] As requested by MEAC.

metered apartments. The Commission finds that the Work Group's continuation would be useful and valuable and hereby approves a Phase II of the PC 59 Work Group to discuss the above-referenced and other applicable issues, with the exception of the high-income/high-usage surcharge, which will not be explored at this time.

The Commission directs the Work Group leader to file a work plan for this first round of implementation of the LIM within 30 days of issuance of this Order. The Commission directs the Work Group to focus on issues related to immediate program implementation needs first, such as items (a) and (c), while other issues not necessary for program implementation, such as (b), and (e), can be handled at a future time. The work plan shall contain a schedule that includes proposed dates for filing proposed marketing materials in Summer 2026 and proposed tariffs in Fall 2026 such that the mechanism can be implemented prior to January 1, 2027.

11. Energy audit requirement

While the Work Group does not recommend an energy audit requirement for LIM recipients, the stakeholders request that audits and other programs be strongly marketed. The Commission agrees and recognizes that the more limited-income residents who participate in EmPOWER Maryland programs, the better. Therefore, the Commission hereby directs the Work Group to continue devising strategies to encourage LIM participants to obtain an energy audit and enroll in EmPOWER. The Commission will revisit this issue as the program progresses closer to implementation.

IT IS, **THEREFORE**, this 12th day of February, in the year Two Thousand Twenty-Six, by the Public Service Commission of Maryland, **ORDERED**:

(1) that the Commission accepts all consensus items outlined in the report, unless otherwise stated in this Order.

(2) that the Commission approves the proposed actions as described in discussion items 1 through 11 above;

(3) that the PC 59 Work Group shall continue as a Phase II as described in this Order; and

(4) that the utilities and Staff take all actions as directed by the Commission in this order.

/s/ Kumar P. Barve

/s/ Frederick H. Hoover, Jr.

/s/ Bonnie A. Suchman

/s/ Odogwu Obi Linton

/s/ Ryan C. McLean
Commissioners