

2006 ANNUAL REPORT

PUBLIC SERVICE COMMISSION of Maryland

**William Donald Schaefer Tower
6 St. Paul Street
Baltimore, Maryland 21202-6806
www.psc.state.md.us**



**Robert L. Erlich, Jr.
Governor**

**Michael S. Steele
Lt. Governor**

March 21, 2007

To The Governor and General Assembly of Maryland:

Pursuant to Section 2-122 of the *Public Utility Companies Article*, the Report of the Public Service Commission for the year ending December 31, 2006, is respectfully submitted.

Table of Contents

Membership of the Commission	1
General Work of the Commission / Organizational Structure	1
Division Reports	3
Office of Administration and Operations	3
Office of the Executive Secretary	5
Office of External Relations	7
Hearing Examiner Division	8
Office of the Executive Director	9
Accounting Division	10
Economic and Policy Analysis	11
Energy Resources and Markets Division	13
Staff Counsel Division	15
Transportation Division	16
Telecommunications Division	17
Engineering Division	20
Major Activities and Special Projects	21
Electric Competition Activity	21
Renewable Portfolio Standard Implementation	22
Regulation Modifications	23
Registration of Renewable Energy Credits	23
Registration of Retroactive Renewable Energy Credits	25

MADRI	27
Adequacy Report and Long Range Plans	28
Transmission Planning in PJM	31
Maryland Healthy Air Act	34
PJM's Reliability Pricing Model	36
Regional Greenhouse Gas Initiative	40
Washington Gas Light Leak Issue	44
Electric Universal Service Program	46
Other Issues	47
New Regulations	47
Broadened Ownership Act	49
Homeland Security	52
Major Cases and Decisions	53
Report of the General Counsel	92
Summary of Litigation	93
Proceedings Before the Federal Communications Commission and the Federal Energy Regulatory Commission	100
Reports	111
Receipts and Disbursements	112

MEMBERSHIP OF THE COMMISSION

	Term Expires
Kenneth D. Schisler, Chairman	June 30, 2008
Harold D. Williams, Commissioner	June 30, 2007
Allen M. Freifeld, Commissioner	June 30, 2009
Karen Smith, Commissioner	June 30, 2006
Charles R. Boutin, Commission	June 30, 2010

GENERAL WORK OF THE COMMISSION

In 1910, the Maryland General Assembly established the Public Service Commission (PSC or Commission) to regulate public utilities and transportation companies doing business in Maryland. The jurisdiction and powers of the Commission are found in the Public Utility Companies Article, *Annotated Code of Maryland*.

The Commission regulates gas, electric, steam heating, telephone, water, and sewage disposal companies. Also subject to the jurisdiction of the Commission are certain common carriers such as bus, railroad companies and passenger motor vehicle carriers engaged in the transportation for hire of persons within the State. The PSC's jurisdiction also extends to taxicabs operating in the City of Baltimore, Baltimore County, Cumberland, and Hagerstown.

The categories of regulated public service companies and other regulated or licensed entities are listed below:

- ◆ electric utilities;
- ◆ gas utilities;
- ◆ combination gas and electric utilities;

- ◆ electric suppliers;
- ◆ gas suppliers;
- ◆ telecommunications companies;
- ◆ water, and water and sewerage companies;
- ◆ bay pilots;
- ◆ docking masters;
- ◆ passenger motor vehicle carriers;
- ◆ railroad companies;
- ◆ taxicab companies;
- ◆ hazardous liquid pipelines;
- ◆ and other public service companies.

The Commission is empowered to hear and decide matters relating to: (1) rate adjustments; (2) applications to exercise or abandon franchises; (3) applications to modify the type or scope of service; (4) approval of issuance of securities; (5) promulgation of new rules and regulations; and (6) quality of utility and common carrier service. The Commission has the authority to issue a Certificate of Public Convenience and Necessity in connection with an electric company's application to construct or modify a new generating plant or high-voltage transmission lines.

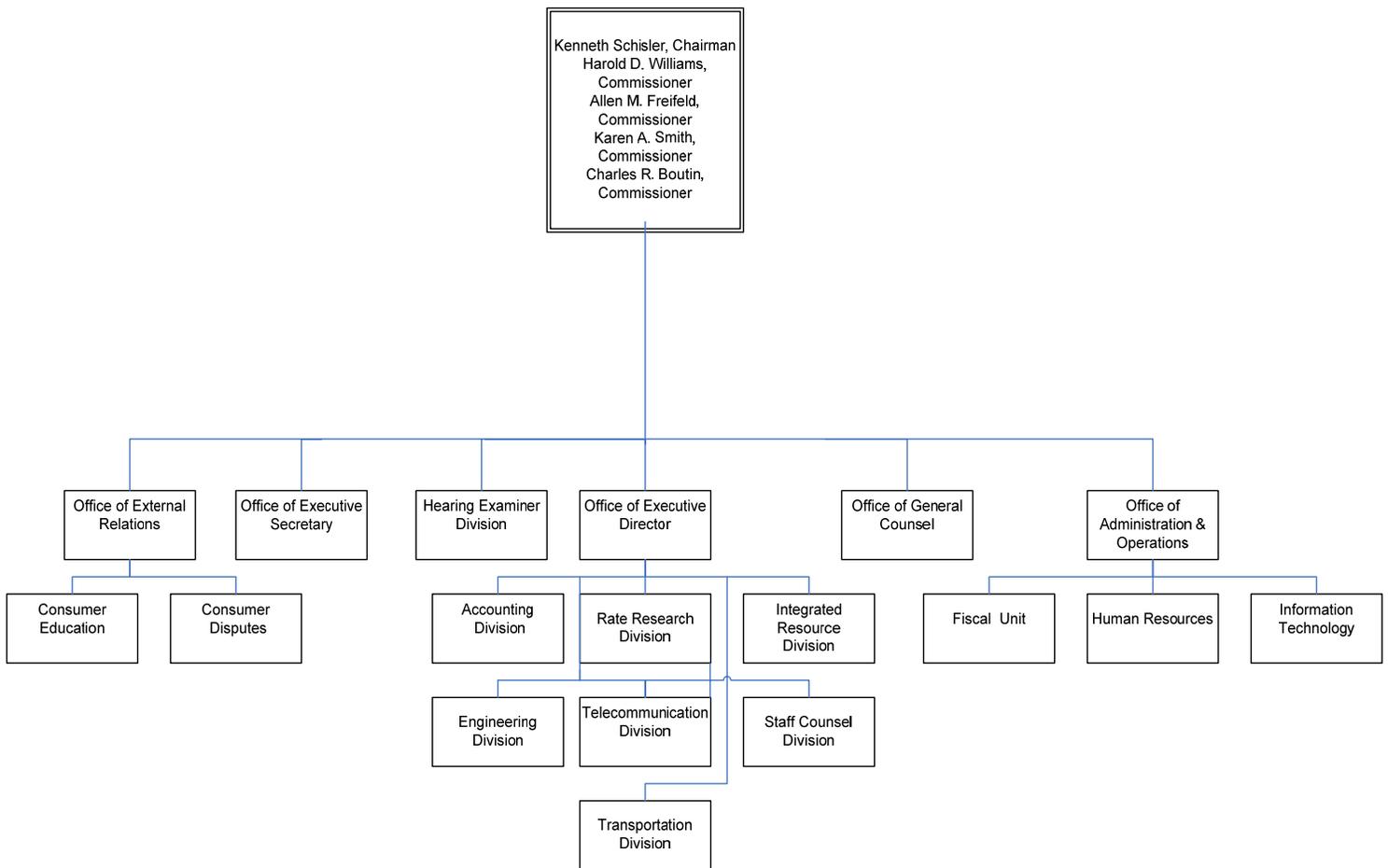
Best known to the public is the Commission's role of setting utility rates. However, the Commission has much broader authority for supervision and regulation of activities of public service companies. In addition to setting rates, the Commission collects and maintains records and reports of public service companies, reviews plans for

service, inspects equipment, audits financial records, handles consumer complaints, promulgates and enforces rules and regulations, defends its decisions on appeal to State courts, and intervenes in relevant cases before federal regulatory commissions and federal courts.

The Commission's jurisdiction is limited to intrastate service. Interstate transportation is regulated in part by the U.S. Department of Transportation; interstate and wholesale activities of gas and electric utilities are regulated by the Federal Energy Regulatory Commission; and interstate telephone service is regulated by the Federal Communications Commission.

Organizational Structure

Maryland Public Service Commission



DIVISION REPORTS

OFFICE OF ADMINISTRATION AND OPERATIONS

The Division of Operations and Administration is responsible for the daily operations of the Commission. This is accomplished through the administration of the Procurement, Operations, Fiscal, Budgeting, Informational Technologies and Personnel Unit. In addition to those responsibilities the Unit also conducts the strategic planning for the Commission; and the director serves as a policy advisor to the Commission.

The accomplishments of the Unit for the 2006 year include various Fiscal function process improvements such as: the development a single screen view for all stake-holder account information. Information Technologies installed a new anti-spam service which dramatically reduced the amount of unsolicited electronic mail; designed and installed a wireless network for senior management; implemented an online filing system; and designed/implemented a new Consumer Electric Choice web site.

Office of the Executive Secretary

The Executive Secretary is responsible for keeping the records of the Public Service Commission (“Commission”), including a record of all proceedings, filed documents, orders, regulations, decisions, dockets and files. The Executive Secretary is a principal policy advisor to the Commission and supervises a team of senior policy advisors.

The Administrative Division consists of three sections: Case Management; Document Management; and Regulation Management. In addition, the Executive

Secretary oversees the procurement of expert consulting services and the Equal Employment Opportunity Program.

Case Management Section

The Case Management Section creates and maintains formal dockets associated with proceedings before the Commission. In maintaining the Commission's formal docket, this Section must ensure the security and integrity of the materials on file, while permitting access by the general public. Included within this security function is the maintenance of highly confidential/proprietary information relating to the conduct of utility regulation, requiring compliance with detailed access procedures. During 2006, this Section established 55 new dockets and processed 2,146 case items.

Document Management Section

The Document Management Section is responsible for the development of Commission's Administrative Meeting Agenda ("Agenda"), the official open meeting action agenda mandated by law. During 2005, this Section scheduled 48 Commission meetings to consider the Agenda and there were 564 items considered at these meetings. This Section also processed 3,748 filings, issuing 3,690 memoranda.

Regulation Management Section

This Section is responsible for providing expert drafting consultation, establishing and managing the Commission's rulemaking docket, and coordinating the adoption process with the Secretary of State's Division of State Documents. During 2006, this Section managed fourteen rulemaking dockets that resulted in final adoption of regulation

changes to COMAR Title 20 – Public Service Commission, and seven rulemaking dockets that remain active.

OFFICE OF EXTERNAL RELATIONS

The Office of External Relations (OER) investigates and responds to consumer complaints relating to gas, electric, water and telephone services. OER Investigators act as mediators in order to resolve disputes between consumers and utility companies based on applicable laws and tariffs. In 2006, the OER investigated 5,950 consumer complaints. Out of those complaints 3,644 involved gas and electric issues, while 1,741 were telecommunication complaints, 40 complaints related to water companies and 525 complaints involved issues outside of the PSC's jurisdiction. The majority of complaints against gas and electric local distributions companies and suppliers concerned billing issues, followed by service quality issues. Most telecommunication disputes involved billing disputes and installation or repair problems, followed by slamming concerns. In addition, OER Staff responded to 15,254 general inquiries and fulfilled 1,226 requests for information concerning the PSC, utilities and suppliers.

In addition, OER is responsible for media relations and responding to information requests from legislators, state and federal regulatory agencies and providing consumer education information. OER responded to 544 specific inquiries from members of the media regarding utility issues in 2006. OER also continued our focus on consumer education, including efforts related to Electric Restructuring. As a result, OER responded to 6,554 inquiries regarding Electric Restructuring and attended numerous community outreach efforts on electric choice and a variety of other issues. Representatives from

OER also participated in several conferences on low-income utility assistance programs and hosted delegations of industry and regulatory groups from several foreign nations. OER Staff members work proactively to provide the public with timely and useful utility related information based on the feedback received from consumers.

Hearing Examiner Division

Under the Public Utility Companies Article, the Hearing Examiner Division constitutes a separate organizational unit reporting directly to the Commission. The Commission's Hearing Examiner Division has five attorney hearing examiners, including the Chief Hearing Examiner. Typically, the Commission delegates to the Hearing Examiner Division proceedings pertaining to the following: applications for construction of power plants and high-voltage transmission lines; rates and other matters for gas, electric and telephone companies; purchased gas and electric fuel rate adjustments; bus, passenger common carrier, water, and sewage disposal company proceedings; plant and equipment depreciation; and consumer as well as other complaints which are not resolved at the administrative level. Also, the Commission has a part-time License Hearing Officer, who hears matters pertaining to certain taxicab permit holders and also matters regarding Baltimore City taxicab drivers. While most Hearing Examiner activity concerns delegated cases from the Commission, the Commission may also conduct its proceedings in three-member panels, which panels may include one Hearing Examiner. As a panel member, a Hearing Examiner participates as a voting member in the hearings and in the panel's final decision. The decision of a three-member panel constitutes the final order of the Commission.

In delegated cases, the Hearing Examiners and Hearing Officer conduct formal proceedings in the matters referred to the Division and file Proposed Orders, which contain findings of fact and conclusions of law. During 2006, 334 cases were delegated by the Commission to the Hearing Examiner Division, 303 relating to transportation matters of which 64 were taxicab-related and referred to the License Hearing Officer for hearing. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of fines or civil penalties against carriers for violations of applicable statutes or regulations. Unless an appeal is noted with the Commission, or the Commission takes action on its own motion, a Proposed Order becomes the final order of the Commission after the specified time period for appeal noted in the Proposed Order, which is between seven and thirty days.

Office of the Executive Director

During 2006 the Technical Staff was reorganized. The Executive Director's Office now has two Assistant Directors to assist in supervising six divisions. The Rate Research and Economics Division was renamed the Economics and Policy Analysis Division. The Telecommunications Division was moved under the supervision of the director of the Economics and Policy Analysis Division. The Integrated Resource Planning Division was renamed the Energy Resources and Markets Division to reflect its focus on wholesale market monitoring. The Engineering, Accounting Investigations, Transportation and Staff Counsel divisions were maintained.

The Executive Director's major supervisory responsibility consist of directing and coordinating the work of the Technical Staff relating to the analysis of utility filings, operations, and the presentation of testimony in Commission proceedings, as well as

supervising the Technical Staff in their regulatory oversight activities. The Executive Director supervises formulation of staff policy positions and serves as the liaison between Staff and the Commission. The Executive Director is also the principal contact between the Staff and other State agencies, Commissions and utilities.

ACCOUNTING INVESTIGATIONS DIVISION

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety accounting, taxation and financial issues. The Division's primary function include developing utility revenue requirements, auditing fuel costs, auditing the application of rates and charges assessed by utilities, monitoring utility earnings, examining the effectiveness of cost allocations, analyzing financial integrity of alternative suppliers seeking licenses to provide service, and assisting other Divisions and state agencies. Historically, the Division has also been responsible for project management of Commission-ordered utility management audits. Division personnel provide expertise and guidance in the form of expert testimony, formal comments on utility filings, independent analyses on specific topics, advisory services and responses to surveys or other communication with the Commission. The Division keeps up to date with the most recent changes in accounting pronouncements and tax law, and must be able to apply its expertise to electric, gas, telecommunications, water, wastewater, maritime pilots and bridges.

During 2006, the Division's responsibilities included providing expert testimony and/or recommendations on audits of utility programs, evaluations of utility base rates, and reviews of utility filings. During 2006, the Division filed expert testimony on the

results of audits conducted on 14 ongoing fuel programs and also provided expert recommendations to the Commission on 55 informal utility filings seeking a variety of rate actions. In addition, Division personnel also participated in the following formal proceedings during 2006:

Allegheny Co. Petition to Review Rates of Frostburg	Case No. 9040
Carpenter's Point	Case No. 9038
Chesapeake Utilities Corporation	Case No. 9062
Choptank Electric Cooperative	Case No. 9082
Merger of Constellation Energy and FPL	Case No. 9054
Merger of Constellation Energy and FPL	Case No. 9069
Cumberland Taxi Association	Case No. 9061
Delmarva Power & Light Company	Case No. 9093
Hill Water Company	Case No. 9053
Potomac Electric Power Company	Case No. 9092
Rawlings Heights Water Company	Case No. 9070
Choptank acquisition of St. Michael's Utilities	Case No. 9071

Economics and Policy Analysis Division

The Economics and Policy Analysis Division conducts economic, financial and policy analyses relevant to the regulation of public utilities and provides recommendations to the Commission. This work includes: retail competition policy and implementation related to restructuring in the gas and electric utility industry, rate of return on equity and capital structure, pricing structure and design, low income customer issues, consumer protections, consumer education, codes of conduct, mergers, and jurisdictional and customer class cost-of-service determination. The Division's analyses and recommendations may appear as expert testimony in formal proceedings, special topical studies requested by the Commission, leadership of or participation in workgroup

processes established by the Commission, or formal comments on other filings made with the Commission.

As part of rate proceedings, the Division's work lies in three main areas: Rate Design, the setting of electricity or gas prices to recover the cost (as annual revenue) of providing service to a specific class (e.g. residential) of customers; Cost of Service Studies, the classification of utility operating costs and plant investments and the allocation of those costs to the customer classes that cause them; and, Cost of Capital, the financial analysis that determines the appropriate return to allow on a utility's plant investment given the returns observed from similar companies in the utility sector.

In addition to traditional Rate-of-Return expertise, the Division maintains technical and analytical professionals whose function is to identify and analyze emerging issues in Maryland's nascent retail energy market. Division analysts research methods of electricity and gas procurement, retail energy market models, energy and natural resource price trends, and other areas that reflect characteristics of electricity and natural gas costs. The Division's analysts prepare and present this information in reports, written and oral testimony, proposed regulations and public presentations.

During 2006, the Division's work included expert testimony and/or policy recommendations in 22 formal and 78 informal proceedings before the Commission, some of which are listed below:

<u>Rates:</u>	<u>Case No.</u>
Choptank Electric Cooperative	9082
Chesapeake Utilities	9062
<u>Restructuring:</u>	
9052	
Type II Standard Offer Service	9056

Baltimore Gas and Electric Co. (Rate Stabilization) Company and Delmarva Power (Rate Stabilization) 9058	Potomac Electric
Optimal Structure	9063
Standard Offer Service	9064
<u>Prudence review:</u>	
Baltimore Gas and Electric Company (Merger)	9054/9069
Choptank Electric Cooperative/Town of St. Michaels (Merger)	9071
Choptank Electric Cooperative (Debt Issuance)	9089

Energy Resources and Markets Division

The Integrated Resources Planning Division was renamed the Energy Resources and Markets Division (ERMD) in 2006. The new name reflects the responsibilities of the Division. The Division is responsible for monitoring developments in the energy markets as they affect Maryland, and promoting Commission policies that accomplish more robust and competitive energy markets, including at PJM Interconnection, LLC. But because energy supply in Maryland is purchased through competitive auctions the Division does not “plan” what is the best mix of energy supplies and method of delivery.

ERMD (and its predecessor) was established in March 1993 to provide economic analysis of the long-range plans for reliably meeting Maryland customers’ electricity and natural gas energy demands. Division members have analytical and/or oversight responsibilities on a wide range of subjects including: regional power supply and transmission planning; applications for construction of major electric facilities; oversight of the Standard Offer Service (SOS) competitive solicitations; developments in the wholesale energy markets focusing on prices and availability; air emission compliance plans and emission monitoring as it affects the availability of power supplies; Maryland’s renewable portfolio standard; load management and conservation programs; and certification of natural gas and electricity suppliers.

During 2006 ERMD was directly responsible or involved in several significant initiatives including:

- Preparing the “Ten-Year Plan (2006-2015) of Electric Companies in Maryland;”
- Preparing the “Electric Supply Adequacy Report of 2007;”
- Monitoring wholesale electricity prices in Maryland, including spot prices as measured by locational marginal prices;
- Participating in the PJM planning processes to put in place a new long-term transmission planning protocol addressing both reliability and market efficiency.
- Active participation in several PJM committees and working groups including the Transmission Expansion Advisory Committee (TEAC), the Markets and Reliability Committee (MRC), the Planning Committee, the Market Implementation Committee, the Members Committee, the Demand Response Working Group, and the Regional Planning Process Working Group.
- Implementing the Maryland Renewable Portfolio Standard (RPS). Year 2006 was the first compliance year for the Maryland RPS, and results will be available for inclusion in next year’s Annual Report.
- Monitoring the SOS procurement processes to ensure they were conducted according to codified procedures consistent with the Maryland restructuring law. ERMD continued to work with electricity and natural gas suppliers to bring retail choice to the residential and small commercial markets.
- Provide testimony in Commission regulatory proceedings, including Case 9063 on the optimal structure of the electric industry in Maryland.

- Supporting the Wind Energy Technical Advisory Group with the Director of ERMD serving as the Commission's representative on the panel. Draft regulations to minimize the effect of wind facilities on birds and avian species were prepared and submitted to the Commission. Comments were received and the Commission held a hearing on the proposed regulations.
- Monitoring, and where appropriate, participating in initiatives of the PJM, the Federal Energy Regulatory Commission, and the Organization of PJM States (OPSI).
- Participating in National Association of Regulatory Commission activities, the Electricity Committee. The Director of ERMD is a member of the Electricity Staff Subcommittee, and is the Chair of the MACRUC Staff Energy Committee.

Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation of Staff's position in all matters pending before the Commission. In performing its duties, the Staff Counsel Division evaluates public service company applications for identification of issues, legal sufficiency, and compliance with the Public Utility Companies Article of the Annotated Code of Maryland, the Code of Maryland Regulations and utility tariffs. The Staff Counsel Division serves as a final reviewer of technical staff's testimony, reports, and comments before submission to the Executive Director. In addition, the attorneys (1) draft and coordinate the promulgation and issuance of regulations; (2) review and comment on items handled administratively; (3) provide legal services to each division within the Office of Executive Director; and (4) handle inquiries from utilities, legislators, regulators, and consumers.

During 2006, Staff attorneys were involved in a wide variety of matters involving all public service companies regulated by the Commission. The Staff Counsel Division's work included matters involving the rates charged by public service companies and the safety, reliability, and quality of utility services. Additional matters addressed were the licensing of competitive suppliers, the development of retail utility markets, and consumer protection measures.

TRANSPORTATION DIVISION

The Transportation Division enforces the laws and regulations of the Public Service Commission pertaining to the safety, rates, and service of transportation companies operating in intrastate commerce in Maryland. The Commission's jurisdiction extends to most intrastate for-hire passenger carriers by motor vehicle or waterborne vessel, intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland and Hagerstown. The Commission is also responsible for licensing drivers of taxicabs in Baltimore City, Cumberland and Hagerstown, and other passenger-for-hire vehicles that carry 15 or fewer passengers. The Transportation Division monitors the safety of vehicles operated, limits of liability insurance, schedules of operation, rates, and service provided for all regulated carriers except railroads (only entry, exit, service and rates are regulated for railroads that provide intrastate service). If problems arise in any of these areas which cannot be resolved at the staff level, the Division requests the institution of proceedings by the Commission which may result in the suspension or revocation of operating authority or permits, or the institution of fines.

During 2006, the Transportation Division focused on two major challenges: strengthening its inspection program; and improving internal efficiency. Improvements to the inspection program included filling two vacant full-time inspector positions and developing plans to introduce ruggedized mobile computers for data entry of inspection reports in the field. These inspection reports will also be transmitted to the Federal Motor Carrier Safety Administration's Safety and Fitness Electronic Records (SAFER) System that offers company safety data and related services to industry and the public over the Internet.

Administratively, the Division successfully completed several projects designed to streamline processes through automation, electronic filings by the industry over the Internet, and better intra-agency communication among the Commission's internal databases. In addition, the Division has provided more information to the public on the Commission's website which offers informational brochures relating to the Division's application and citation processes, as well as current listings of regulated companies, drivers and vehicles.

Telecommunications Division

The Telecommunications Division assists the Commission in regulating the delivery of wholesale and retail telecommunications services in the state of Maryland. As such, the Division reviews applications for authority to provide services from local and intrastate toll service providers, reviews tariff filings from such providers and assists the Office of External Relations in addressing consumer complaints. In addition, the Telecommunications Division participates as a party in contested cases before the Commission, facilitates the migration of customers between telecommunications carriers

and develops policy recommendations on a wide range of issues for the Commission's consideration.

The Commission's Telecommunications Staff also takes an active role in mediating any disputes occurring between the dominant incumbent local exchange carrier (ILEC) in Maryland and competitive local exchange carriers (CLECs), arising from utility payment failure notification by Verizon, Maryland. In addition to the desire to encourage the continued prevalence of competition in the state, another critical Staff objective is again, the prevention of customers being left without service.

Commission Staff has the responsibility for the certification of all payphone providers in the state. In 2006, 215 companies were certified to provide payphone service in Maryland, with a total of 22,958 payphones. The Staff also rewrote the section of COMAR governing the regulation of payphones in its entirety.

During 2006, the Telecommunications Division reviewed 296 tariff filings, rate revisions, new service offerings and related matters. The Commission authorized 12 new local exchange carriers and 19 additional long distance carriers. The current total for each category is 244 local exchange carriers and 375 long distance carriers. Neither category is mutually exclusive due to some carriers supplying both local and long distance services.

Based on data compiled by the Federal Communications Commission (FCC) as of 2004, the percentage of households with telephone service in Maryland was 93.4%. As of June 2006, the competitive local exchange carrier (CLEC) share of switched access lines in Maryland was 16 %. To put this figure in perspective, the corresponding figure in June of 2000 was 3% with CLEC share reaching a high of 18% in Maryland in 2004.

On July 31, 2006, the Commission issued Order No. 80958, which implemented the terms of the FCC's Triennial Review Order (TRO). These terms are reflected in changes to Verizon's interconnection agreements with various carriers. Verizon and the CLECs had 28 areas of disagreement over the terms required by the TRO. The Telecommunications staff disseminated summaries of the parties' positions on each of the issues, along with recommendations to the Commission about how each issue was best resolved.

Staff also prepared written comments to the Maryland Legislature supporting the adoption of SB-693/HB-1562. These bills were the result of extensive negotiations between the PSC Staff and Verizon to resolve certain outstanding issues remaining from Case Nos. 8745, 8918, and 8937. The proposed bills, which were ultimately passed by the Legislature and signed into law by the Governor, expand the eligibility for the Tel Life program and add new service options that were previously unavailable.

Case No. 8916 was instituted by the Commission to establish a comprehensive set of service quality measurements and standards for Verizon MD's provision of wholesale services to CLECs. By setting parity and objective standards and requiring monitoring of metrics related to Verizon's performance in the delivery of services, the Performance Assurance Plan (PAP) ensures that Verizon will continue to provide CLECs and CLEC customers with the quality of service to which they are entitled under applicable law.

On November 21, 2006, Verizon submitted to the Commission an amended PAP. The purpose of the amended PAP was to incorporate changes suggested by the FCC's Triennial Review Order and previously adopted by the New York Public Service

Commission. The Commission Staff is currently reviewing the document and associated changes.

Finally, the Commission and its Staff have been working with Verizon Maryland in the possible reclassification of services into the competitive category of the Price Cap Plan.

ENGINEERING DIVISION

The Commission's Engineering Division monitors the operations of public service companies. Engineers perform plant inspections and check the operation of utilities for safety, efficiency, reliability and quality of service. Its primary areas of responsibility include: a) Electric Generation and Transmission, b) Metering, c) Electric, Water and Sewer Distribution and d) Natural Gas and Hazardous Liquid Pipeline Safety Programs. In addition, the Division supports the Maryland Emergency Management Agency (MEMA) during exercises and actual emergencies involving the loss of utility service.

Three of the most significant accomplishments in 2006 demonstrate the breadth of the work of the division. The division established a working relationship with the Regional Greenhouse Gas Initiative (RGGI) staff working group on the impact of the import of electricity into the region on the RGGI program goals. The division researched and processed recommendations on applications from MIRANT and Constellation for CPCNs for modifications to the emission control systems to the Dickerson, Morgantown, Chalk Point, Brandon Shores, Wagner, and C. P. Crane Power Plants to meet Healthy Air Act requirements. Finally, the division participated in the deliberations of the Liquefied Natural Gas Force authorized by SB 996.

Major Activities and Special Projects

Electric Competition Activity – Case No. 8738

By letter dated September 13, 2000, the Commission ordered the four major investor-owned utilities in the State, Allegheny Power Company (APS), Baltimore Gas & Electric Company (“BGE”), Delmarva Power & Light (“Delmarva”), and Potomac Electric Power Company (“PEPCO”), to file Monthly Electric Customer Choice Reports. The reports were to show the number of customers served by suppliers, the total number of utility distribution customers, the total megawatts of peak demand served by suppliers, the peak load obligation for all distribution accounts, and the number of electric suppliers serving customers. These data were to be collected for both residential and non-residential customers.

At the end of December 2005, electric suppliers in the state served 39,527 commercial, industrial and residential customers. Through December 2006, this number increased to 101,499. Of these, 44,396 were residential and 57,103 were non-residential accounts. PEPCO had the highest number of residential (25,661) accounts served by suppliers. BGE had the highest number (33,914) of commercial accounts served by suppliers. The total statewide number of distribution service accounts eligible for electric choice was 2,177,314 of which 1,949,642 were residential and 227,672 were non-residential. Overall, as of December 2006, 2.3% of residential accounts and 25.1% of non-residential accounts were enrolled with an electric supplier.

The overall demand in megawatts (MWs) of peak load obligation served by all electric suppliers was 5,054 MWs at the end of December 2006. Of this amount, 179

MWs were residential and 4,876 MWs were non-residential. BGE had the highest peak-load served by suppliers (2,541 MWs). The total statewide peak load obligation eligible for choice was 13,251 MWs of which 6,425 MWs were residential and 6,827 MWs were non-residential. Statewide at the end of December 2006, electric suppliers served 2.8% of eligible residential peak load and 71.4% of eligible non-residential peak load.

As of December 2006, AP had 3 suppliers serving residential customers, 11 suppliers serving Small C&I, 13 suppliers serving Mid-Sized C&I, and 11 suppliers serving Large C&I. BGE had 11 suppliers serving residential customers, 17 suppliers serving Small C&I, 17 suppliers serving Mid-Sized C&I, and 15 suppliers serving Large C&I. Delmarva had 9 suppliers serving residential customers, 16 suppliers serving Small C&I, 13 suppliers serving Mid-Sized C&I, and 12 suppliers serving Large C&I. PEPCO had 7 suppliers serving residential customers, 14 suppliers serving Small C&I, 18 suppliers serving Mid-Sized C&I, and 14 suppliers serving Large C&I.

Renewable Portfolio Standard Implementation-Year 2006 Accomplishments

Under PUC Article § 7-701 et seq. (RPS Legislation) electricity suppliers are required to meet a Renewable Energy Portfolio Standard. One requirement of the legislation is that the Commission establish a RPS Program. A system must also be in place to implement the RPS and facilitate the trading of Renewable Energy Credits that represent the attributes associated with the generation of electricity using renewable resources.

Creating a diversity of renewable energy supplies to serve Maryland is the objective of the RPS. The RPS program does this by recognizing the environmental

benefits associated with renewable energy. This recognition is explicitly made through the creation, sale and transfer of Renewable Energy Credits (RECs). The development of renewable energy sources is also promoted by requiring electricity suppliers to pay a financial penalty for failing to acquire sufficient RECs to satisfy the RPS.

Regulation Modifications

Proposed changes to the Maryland RPS were filed on June 22, 2006 and were conducted over the course of Rulemaking 25. One of the intentions of the proposed amendments was to establish regulations pertaining to the Maryland Renewable Energy Fund and its uses. The addition of an alternative procedure to be used by generators or suppliers seeking RECs, which otherwise would not be able to secure certification of generation from their Regional Transmission Organization (RTO), was another objective of the proposed regulations. A third aim of the updates being offered was in regard to the availability of an additional disclosure for the sale of renewable products. Finally, Rulemaking 25 brought forward the due date for supplier annual compliance forms from June 1, 2007 to April 1, 2007 and to April 1 for all subsequent years.

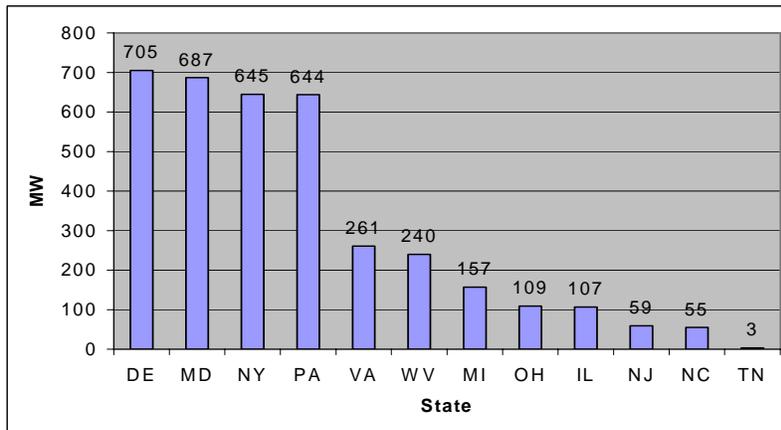
Registration of Renewable Energy Facilities

Facilities eligible for the Maryland RPS must operate in PJM or PJM adjacent states. Included in this footprint are the states of Maryland, Pennsylvania, New Jersey, Delaware, Virginia, West Virginia, New York, North Carolina, Tennessee, Kentucky, Ohio, Indiana, Illinois, Michigan, Wisconsin, Iowa, and the District of Columbia. In addition to being located in this area, facilities must generate at least 1 MWh of

electricity. This is due to the fact that a REC is credited to 1 MWh of electricity generation. Fractions of RECs are not counted. Eligible fuel sources for Tier 1¹ REC creation are listed in PUC Article § 7-701 (l) and PUC Article § 7-701 (m) for Tier 2² REC creation.

Chart 1 shows the amount of rated capacity that is currently registered with the Maryland RPS program and the geographical allocation of the RECs that are being created. The majority of the facilities currently registered are found in the Mid-Atlantic region. Based upon the Renewable Energy Facilities that have been certified by the Commission, Delaware, Maryland, Pennsylvania, and New York are the largest source of RECs.

Chart 1: MD RPS Certified Rated Capacity by State (as of 12/31/2006)



¹ Tier 1 renewable fuel sources include electricity derived from solar power, wind power, qualifying biomass, methane from the anaerobic decomposition of organic material in a landfill or wastewater treatment plant, geothermal power, ocean power, a fuel cell utilizing a Tier 1 renewable energy resource, and hydroelectric power with a rated capacity that is less than 30 megawatts.

² Tier 2 renewable fuel sources include hydroelectric power other than pump storage generation, waste-to-energy and the incineration of poultry litter, if the Maryland Energy Administration and Maryland Department of Agriculture determine that there is a sufficient quantity of poultry litter available for the economic viability of any existing and operating entity that is sited on the Delmarva Peninsula and that as of July, 1, 2004, processes and pasteurizes chicken litter as fertilizer.

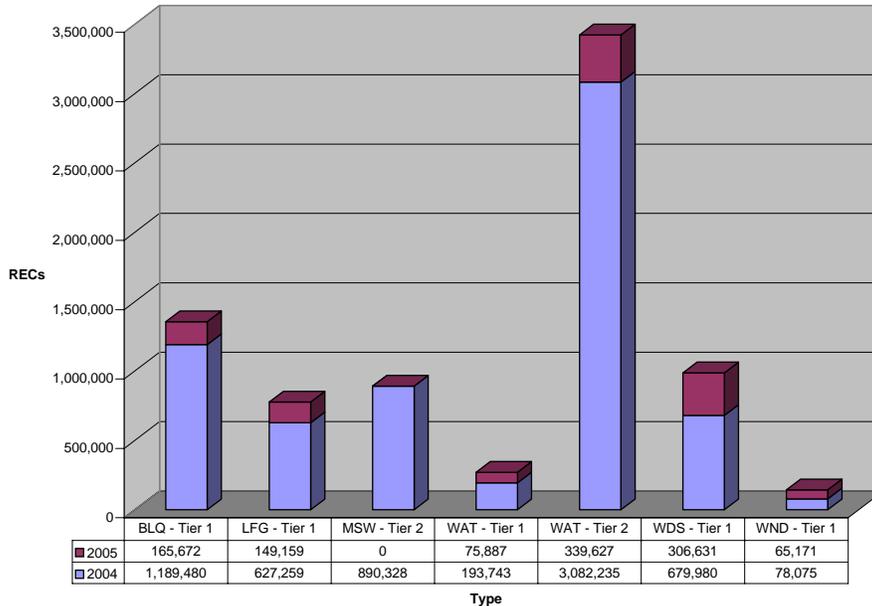
Registration of Retroactive Renewable Energy Credits

The deadline for filing applications requesting credit for 2004 and 2005 Retroactive RECs passed on May 29, 2006. Facilities certified by the Commission as generating electricity from a Commission approved Tier 1 or Tier 2 renewable resource over the period spanning January 1, 2004 to November 24, 2005 were eligible to receive Retroactive RECs. In order to receive credit for these RECs “retroactively” the supplier or generator needed to submit to the Commission an application for either 2004 or 2005 retroactive RECs.

Significant response to the availability of 2004 and 2005 Retroactive RECs occurred over the course of 2006. On March 8, 2006 the Commission issued the first retroactive RECs, and the last retroactive RECs were awarded on September 13, 2006. Chart 2 shows the number of retroactive RECs that were awarded by the Commission by fuel source, tier, and year of generation.

- The Commission awarded a total 6,741,000 retroactive RECs that were generated during the year 2004. Of these 6,741,000 retroactive RECs, 2,768,537 are considered Tier 1 RECs and 3,972,563 are considered Tier 2 RECs. These 2004 retroactive RECs were given a generation date of December 31, 2004 and can be banked for a period of three years, so they can be used for compliance year 2007.
- The figure for 2005 retroactive RECs certified by the Commission is 1,102,147. Of these 1,102,147 retroactive RECs, 762,520 came from Tier 1 renewable resources and 339,627 originated from Tier 2 certified facilities.

Chart 2: 2004 and 2005 MD Retroactive RECs by fuel source and Tier



Mid-Atlantic Distributed Resources Initiative (MADRI)

The public utility commissions of Delaware, District of Columbia, Maryland, New Jersey, and Pennsylvania, along with the U.S. Department of Energy, PJM Interconnection, and the U.S. Environmental Protection Agency have established the Mid-Atlantic Distributed Resources Initiative (MADRI) to develop regional policies and market-enabling activities to support distributed generation and demand response in the Mid-Atlantic region. MADRI does not intend to dictate specific policy results among the Mid-Atlantic commissions. MADRI is structured to provide a significant technical “head-start” for the commissions on demand response and distributed generation issues by providing model rules or policies for commission consideration with extensive technical

and policy support. MADRI's efforts took on even greater importance as a means of assisting commissions with the policy reviews of advanced metering and pricing, net metering and distributed generation interconnection standards required by the federal Energy Policy Act of 2005.

During 2006, MADRI's efforts focused on the following issues:

- Advanced Metering. Advanced metering and its supporting data management infrastructure (often called advanced metering infrastructure – “AMI”) has the potential to facilitate more economic and innovative electric services, including demand response, as well as to improve a variety of other traditional distribution utility functions such as outage detection and service restoration. During 2006, MADRI continued to study AMI applications such as time differentiated electric pricing and demand control devices such as smart thermostats that might be controlled by advanced meters.

- Business case. Business case analysis is an ongoing project to develop an analysis tool to bridge the gap between the policy theory and practice of distributed resources to provide commissions greater assurance that their distributed resources policies will have the intended results based on the specific circumstances of different customers or utilities. To better understand demand response benefits, and in particular benefits from a regional perspective, the MADRI state commissions and PJM initiated a study to estimate the benefits of a specified reduction in demand for at least one utility zone in each of the MADRI states. The results of this study will be final in 2007.

- Regulatory framework for distribution companies. This project is examining distributed resource incentives, regulatory disincentives that may currently exist and distribution and generation price structures with the intent of developing a new framework for electric distribution company regulation that balances traditional regulatory objectives with the facilitation of distributed resources. During 2006, MADRI focused on alternative pricing approaches for standard offer service and the removal of utility disincentives for demand response or conservation programs.

- Environmental regulation. Because distributed resources can both contribute to environmental quality and run afoul of existing environmental regulation it is important that environmental, energy and utility regulators all have a clear understanding of their respective roles and regulatory frameworks. This project brings commission participants together with state and federal environmental regulators so that all participants have a clear understanding of the potential environmental benefits or difficulties with particular distributed resources proposals. The use of standby generation to provide demand response during a reliability emergency was a major focus during 2006.

MADRI provided detailed briefings on AMI issues and interconnection standards to the member commissions during 2006. Briefings on other MADRI work products will be conducted for the participating commissions during 2007.

2007 Supply Adequacy Report

Section 7-505(e)(1) of the Public Utilities Company (PUC) Article requires the Commission to “assess the amount of electricity generated in Maryland as well as the

amount of electricity imported from other states in order to determine whether a sufficient supply of electricity is available to the customers in the State.” The report on supply adequacy was prepared in the final quarter of 2006, and filed with the General Assembly in January 2007. The Electric Supply Adequacy Report of 2007 is the final report as required by the statute.

The report covers issues that the Commission considers timely for an understanding of the electric power generation and transmission industry in Maryland. The report presents the state of the electric power industry in Maryland. The report also discusses several regional issues that affect Maryland. In addition, the report covers several federal and national energy topics that affect Maryland. The report is posted on the Commission website under “Reports,” under the “Document Room webpage.”³

The key findings of the report were that reliability is uncertain in Maryland for several reasons including:

- Maryland’s peak load is significantly higher than available in state capacity;
- Only a modest amount of new generating capacity is planned for Maryland;
- Most forecasts show that electricity demand, inclusive of conservation, will continue to increase at a slow to moderate pace;
- Maryland imports over 25 percent of its electricity needs, almost exclusively from states to the west;
- Additional transmission capacity is needed to maintain, and increase access to these western electricity supply resources;

³ http://www.psc.state.md.us/psc/Reports/2007SupplyAdequacyReport_01172007.pdf

- Siting additional transmission capacity may take more time than the regional transmission organization, PJM, is allowing;
- Several other states and the District of Columbia are in a situation similar to Maryland, and will be competing with Maryland for electric supply resources;
- Over the next several years generating reserves in PJM are forecast to decline, further limiting the potential resources available to serve Maryland;
- Recently enacted environmental legislation and joining the Regional Greenhouse Gas Initiative may over time reduce output from existing in state fossil-fueled power plants.

Ten-Year Plan (2006-2015) of Electric Companies in Maryland

In December 2006, the Commission completed its Ten-Year Plan (2006-2015) of electric companies operating in Maryland. The Ten-Year Plan is submitted annually by the Commission to the Secretary of the Department of Natural Resources in compliance with Section 7-201 of the Public Utility Companies Article (PUC Article), Annotated Code of Maryland. It is a compilation of information on the long-range plans of Maryland's electric companies. The report also includes summaries of the major events that have or may affect the electric utility industry in Maryland during the next ten years. The report is posted on the Commission website under "Reports," under the "Document Room webpage."⁴ The report includes:

⁴ <http://www.psc.state.md.us/psc/Reports/2006-10YrPlan.pdf>

- Section I, an introduction to the report summarizing its purpose and contents;
- Section II addresses the status of competition in Maryland’s electric and gas markets at the retail level;
- Section III provides information on distribution reliability in Maryland, including utility procedures for periodic inspection and maintenance of system equipment and responses to major storms and blackouts.
- Section IV presents data and information on generation (including Certificates of Public Convenience and Necessity and CPCN exemptions) and transmission activity in Maryland and PJM;
- Section V provides a summary of utility efforts to implement conservation and demand management programs, and to promote and utilize renewable resources and co-generation;
- Section VI presents information on national energy issues that have an impact on Maryland. Important topics include the implementation of the Energy Policy Act of 2005.
- The Appendix contains a compilation of data provided by Maryland’s electric companies, including the number of customers, sales by customer class, typical utility bills, and forecasted peak demand and electricity sales by utility.

Transmission Planning in PJM

Planning the enhancement and expansion of transmission capability on a regional basis is one of the primary functions of an RTO such as PJM. PJM implements this

function pursuant to the Regional Transmission Planning Protocol (RTEPP) set forth in Schedule 6 of the PJM Operating Agreement.

PJM annually develops an RTEPP to meet system enhancement requirements for firm transmission service, load growth, interconnection requests and other system enhancement drivers. To establish a starting point for development, PJM performs a “baseline” analysis of system adequacy and security. The baseline is used for conducting feasibility studies for all proposed generation and transmission projects. Subsequent System Impact Studies for those projects provide recommendations that become part of the Regional Transmission Expansion Plan (RTEP) Report.

As a regional planning effort, RTEPP determines the best way to integrate projects to provide for the operational, economic, and reliability requirements of the grid. The RTEPP applies reliability criteria over a five-year horizon to identify transmission constraints and other reliability concerns. Since transmission line projects require a long lead-time, this planning horizon is being extended to fifteen years. The Reliability Planning Process Working Group (RPPWG) was started last year to prepare the next RTEP to cover a full fifteen-year planning horizon.

RTEP integrates many bulk power system factors including:

- Transmission owner-identified project proposals;
- Long-term firm transmission service requests;
- Generation interconnection requests;
- Generation retirements;
- Load-serving entity capacity plans;
- Transmission enhancements to alleviate persistent congestion;

- Distributed generation and self-generation developments;
- Demand response and energy efficiency; and
- Proposed merchant transmission projects.

The RTEPP has recently undergone significant changes to address, more comprehensively, the reliability and transmission congestion issues associated with its much larger footprint. While previously the RTEPP concentrated on generation interconnections, its focus is now on ensuring reliability throughout the expanded footprint and ensuring that essential transmission infrastructure is built to support system integration and more robust wholesale power markets.

Major changes to the RTEPP include:

- Expanding the planning horizon from five to fifteen years;
- Conducting reliability analysis to include scenarios that address load growth, loop flow, and generation addition uncertainties;
- Adding a market efficiency-planning component to determine whether there are net economic benefits in building a transmission facility or accelerating the in service date of a project that is needed for reliability. Until now economic analysis was limited to a historical review of congestion that could not be physically hedged. The new market efficiency analysis will look at both gross and unhedgeable transmission congestion, and other economic measures and on a forward looking basis to assess the potential benefits of transmission additions; and,
- Conducting sensitivity analyses on the market efficiency analysis to test for uncertainties in fuel prices, load growth, capacity additions and retirements, and environmental costs associated with emission controls.

The Transmission Expansion Advisory Committee (TEAC) is the primary forum for stakeholders to discuss the RTEPP results. It has met several times this year, most recently October 30, 2006. The MPSC is an active participant in the RTEPP and regularly attends the TEAC meetings.

Maryland Healthy Air Act (HAA)

The Healthy Air Act (HAA) was enacted by the 2006 General Assembly and signed by the Governor. The HHA established a series of emissions limits that six coal-fired Maryland power plants must achieve to reduce the release of sulfur dioxide (SO₂), oxides of nitrogen (NO_x), and mercury. The HHA also contained a provision that exempts the R. Paul Smith facility from the HAA provisions under certain circumstances and face less stringent restrictions if it is ultimately determined that the plant is needed to maintain system reliability. The legislation also requires that the Governor include the State as a full participant in the Regional Greenhouse Gas Initiative (RGGI) by June 30, 2007.

The Healthy Air Act lists the specific power plants that are required to reduce emissions and the maximum amount of NO_x and SO₂ emissions each plant is allowed to release into the atmosphere. There is a phased in cap for NO_x emissions that requires specific reductions for each of the six affected power plants by 2009 and further reductions by 2012. There is also a phase in for SO₂ and mercury emissions that requires specific reductions for each of the six power plants by 2010 and further reductions by 2013.

The technologies required to meet the HHA emission limits for NO_x, SO₂ and mercury require the installation of the best available technology on the specified power plants. The size of the additional equipment will increase the footprint of each power plant and additional transportation facilities are required to import and export the materials required for operation of the capture and sequestration of the by products of the emission reduction processes. The size and costs of the equipment needed to control SO₂ and mercury are particularly large. The size requirements alone raise questions as to whether all of Maryland's coal-fired generating stations will have the physical room to install the necessary equipment.

Constellation's Charles P. Crane station has insufficient space for the "scrubber" technology necessary to meet the SO₂ and mercury emission limits of the HAA. The HAA allows Constellation to average its SO₂ emissions across all of its in-State generating plants. Thus, Constellation can over control its SO₂ emissions at its other plants and meet its overall SO₂ emissions limits. However, the HAA's mercury provisions are plant specific, so Constellation cannot over control mercury at other facilities and not achieve the mercury emission limits at Crane without consequences.

The cost of NO_x, SO₂ and mercury mitigation for the coal-fired Maryland power plants that have the available property is estimated to be in the range of \$2 to \$3 billion in capital improvements and in excess of \$500 million per year in additional operating costs. Absent plant closures, though, the HAA should not affect the reliability of electric supply.

Table 1: New Environmental Upgrades Planned for Existing Generation Plants

Company and Plant	Case No.	Requested In-Service Date	Description of Upgrades
Constellation (Brandon Shores)	9075	Jan. 2010	Reduce emissions of sulfur dioxide and particulate matter. Install air quality control systems (AQCS), including wet flue gas desulfurization systems (FGD), and associated enhancements.
Mirant (Chalk Point)	9079	Jan. 2009	Reduce emissions of nitrogen oxide. Install air pollution control technology that includes a Selective Catalytic Reduction (SCR) system and associated equipment
Constellation (Herbert A. Wagner)	9083	Jan. 2009	Install systems to reduce emissions of nitrogen oxide and mercury.
Constellation (Charles P. Crane)	9084	Jan. 2009	Install systems to reduce emissions of nitrogen oxide and mercury. (Note: Staff is aware this plant is not a candidate for FGD due to space constraints.)
Mirant (Morgantown)	9085	Nov. 2009	Reduce emissions of sulfur dioxide and mercury. Install a flue gas desulfurization (FGD) system and associated equipment.
Mirant (Chalk Point)	9086	Jan. 2010	Reduce emissions of sulfur dioxide and mercury. Install a flue gas desulfurization (FGD) system and associated equipment.
Mirant (Dickerson)	9087	Jan. 2010	Reduce emissions of sulfur dioxide. Install wet flue gas desulfurization (FGD) system and associated enhancements.

Sections 7-205 and 7-206 of the PUC Article require persons modifying generating stations under certain circumstances to obtain a certificate of public convenience and necessity from the Commission. See Table 1 above for more information on the CPCNs filed by affected Maryland coal plants to comply with the HAA.

PJM’s Reliability Pricing Model (RPM)

The PJM market structure has included a generation capacity market construct as a means to ensure long-term adequacy of supply and adequate availability of generation to meet demand. The current generation capacity product is constructed as a single

product, which is applicable across the entire PJM market footprint and across all operational conditions.

However, recent operational trends have implied that the single capacity product assumption may not completely support the intent of the original design. In the Commission's opinion, the current PJM capacity market construct could be improved to correct the following:

- A lack of consistency between the current resource adequacy model and other aspects of the PJM planning process;
- The current capacity product does not differentiate by location, generation type, and generation characteristics;
- Insufficient information is being provided to drive behavior;
- Limited forward certainty; and,
- Vulnerability to market power.

On August 31, 2005, PJM filed its RPM proposal with the FERC for approval to “address current serious inadequacies” in existing capacity rules. In this filing, PJM proposed to replace its current capacity construct with RPM on June 1, 2006, and requested that FERC issue its final order on the filing no later than January 31, 2006.

The Commission filed comments with FERC on RPM on October 19, 2005. In its comments, the Commission said, “The Maryland Commission views RPM as a means to an end: a transitional mechanism to secure resource adequacy where it is needed now and to serve as a bridge toward mature electricity markets that do not require regulatory intervention to ensure resource adequacy. Although the MDPSC generally supports

moving forward with a next-generation capacity market design, several questions require more in-depth exploration.”

In an order issued April 20, 2006, FERC found PJM’s existing capacity market to be unjust and unreasonable and established further proceedings to determine a just and reasonable replacement for the existing market structure. FERC also encouraged the parties to the case to continue to seek a negotiated resolution.

Over the course of year 2006, FERC has managed settlement discussions between all the affected parties including PJM, state commissions, and PJM members, under the auspices of Administrative Law Judge Lawrence Brenner:

- Over 150 individuals representing more than 65 parties engaged in the settlement discussions;
- The final settlement gained broad support across diverse stakeholder interests (the Maryland PSC abstained in the final vote on the settlement); and,
- The new capacity market construct will be implemented on June 1, 2007.

Changes to the reliability pricing model that occurred during settlement discussion included: (1) addition of explicit performance metric for generators to deliver energy during peak period hours; (2) a revised demand curve with generally lower capacity reference prices; (3) addition of a fixed resource requirement (opt-out) alternative; (4) inclusion of various market power mitigation provisions; (5) addition of cost of new entry reference price adjustment based on empirical data from actual capacity market activity; and (6) additional integration with the PJM RTEPP. On December 21, 2006 FERC approved the RPM settlement agreement.

When fully transitioned, PJM plans to hold a centralized auction three years in advance of a given June 1 to May 31 planning year, with several incremental auctions held to fine-tune the process. PJM proposed to hold four consecutive capacity auctions for the 2007/2008 to 2010/2011 Planning Years, each auction separated by a period of several weeks, in order to effect the transition and set up the initial three-year planning horizon. These transitional auctions are scheduled to commence in the first half of 2007. Additionally, the entire PJM footprint would not be transitioned at once; instead, regions will be layered in over time. PJM filed plans to add the LDAs as follows:

- 2007/2008 Planning Year: PJM Mid-Atlantic Region plus the Allegheny Power System; and an area comprising the PJM West and South Regions (ComEd, AEP, Dayton P&L, Duquesne, Allegheny Power, and Dominion).
- 2008/2009 and 2009/2010 Planning Years: PJM Mid-Atlantic Region plus the APS zone; an area consisting of the zones of ComEd, AEP, Dayton, Dominion, and Duquesne; the eastern PJM region consisting of the zones of Public Service Electric & Gas, Jersey Central Power & Light, Philadelphia Electric Company, Atlantic City Electric Company, Delmarva Power & Light Company, and Rockland Electric Company; and the region consisting of the Pepco and BGE zones.

On November 8, 2006 PJM held its first RPM Stakeholder Implementation meeting, during which a Settlement Agreement Overview and RPM Implementation timetable were presented. Additional RPM Stakeholder Implementation meetings were scheduled for December 18, 2006, and January 10, 2007. PJM is expected to conduct its initial series of capacity auctions in the Spring of 2007 in order for RPM to be in place for the 2007/2008 Planning Year that commences on June 1, 2007.

The Regional Greenhouse Gas Initiative (RGGI)

In April 2003, New York Governor George E. Pataki initiated the Regional Greenhouse Gas Initiative (RGGI, pronounced “Reggie”) process by sending a letter to the governors of the Northeast and Mid-Atlantic States. He invited them to pursue “a course of cooperation” and work together “to develop a strategy that will help the region lead the nation in the effort to fight global climate change.” Many scientists believe carbon dioxide (CO₂) emissions to be a major contributor to the climate change phenomenon known as global warming.

Since 2003, seven Northeast and Mid-Atlantic States’ representatives have been working to develop the program, which relies on a flexible, market-based approach to curb power plant emissions, while also promoting greater energy efficiency and energy independence. The states who are currently full participants in RGGI are Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York and Vermont. The program’s main goal is to develop a multi-state cap-and-trade program covering greenhouse gas (GHG) emissions. The initiative will initially be aimed at developing a program to reduce CO₂ emissions from power plants in participating states, while maintaining energy affordability and reliability and accommodating, where feasible, the diversity in policies and programs in individual states. After the cap-and-trade program for power plants is implemented, the states may consider expanding the program to other kinds of sources.

In December 2005, the governors from these seven states entered into a memorandum of understanding (MOU) specifying the general framework of the program. On March 23, 2006, the states released draft model regulations that outlined proposed specific requirements for the program. An amended model set of regulations referred to

as the “Model Rule” was released on August 15, 2006. Each state will use the model rule as a starting point for obtaining legislative or regulatory approval of the program. Pending the completion of this process, the RGGI program will take effect on January 1, 2009.

Maryland’s Healthy Air Act (HAA) requires Maryland to become a full participant in RGGI by June 30, 2007. By design, the RGGI program will be expandable and flexible, permitting other states to join in the initiative when they deem it appropriate. States and other political jurisdictions currently in observer roles to the RGGI process are: the District of Columbia, Massachusetts, Pennsylvania, Rhode Island, the Eastern Canadian Provinces, and New Brunswick. Under RGGI, the participating states will launch a regional cap-and-trade system that utilizes emissions credits or allowances to limit the total amount of CO₂ emissions. Beginning in 2009, emissions of CO₂ from power plants in the region would be capped at current levels —approximately 121 million tons annually — with this cap remaining in place until 2015. This 121 million-ton figure is based on the current seven members of RGGI (not including Maryland). Overall RGGI totals will be revised incrementally as additional Member States become participants in RGGI. The current initial annual emissions budget for the 2009-2014 periods is as follows:

Table 1: Annual Emissions Budget (2009 –2014)

State	Carbon Dioxide Allowances (2009 – 2014)
Connecticut	10,695,036 tons
Delaware	7,559,787 tons
Maine	5,948,902 tons
New Hampshire	8,620,460 tons

New Jersey	22,892,730 tons
New York	64,310,805 tons
Vermont	1,225,830 tons
Total	121,257,573 tons

Source: The Regional Greenhouse Gas Initiative: Memorandum of Understanding.
<http://www.rggi.org>

The CO₂ emissions total in Table 1 is for in state power generation only. Maryland is an importer of power from out-of-state sources and CO₂ totals do not provide an adjustment for power generated from outside the State. Of the states committed to being part of RGGI, Maryland shares its status of being a significant importer with New Jersey and, to a lesser extent, with Delaware.

The number of allowances granted to RGGI states is the product of negotiations. To date, the negotiations have used as a starting point the emissions from in state generation only, as noted above. The Commission has been and continues to recommend that the State negotiate a going-in level of allowances sufficient to cover not just in-State generation but also the substantial portion of electricity supply that the State currently imports.

The goal of the RGGI program, after determining each state's starting point, is to begin reducing emissions incrementally over a four-year period to achieve a 10 percent reduction by 2019. Compared to the emissions increases the region would see without the program, RGGI will result in an approximate 35 percent reduction by 2020.

Under the cap-and-trade program, the states will issue one allowance, or permit, for each ton of CO₂ emissions allowed by the cap. Each fossil-fueled plant will be required to have enough allowances to cover its reported emissions. The plants may buy or sell allowances, but an individual plant's emissions cannot exceed the amount of

allowances it possesses. The total amount of the allowances will be equal to the emissions cap for the seven-state region. Fossil-fueled electric generating units with a capacity of 25 MW or more will be included under RGGI.

The RGGI states have agreed that at least 25 percent of a state's allowances are to be dedicated to strategic energy or consumer benefit purposes, such as energy efficiency, new clean energy technologies and ratepayer rebates. A power plant also could purchase these allowances for its own use. The funds generated from these sales are to be used for beneficial energy programs.

The RGGI program allows power plants to utilize “offsets”— greenhouse gas emission reduction projects from outside the electricity sector — to account for up to 3.3 percent of their overall emissions. Offset projects provide generators with additional flexibility to meet their compliance obligations. A power plant owner/operator will be allowed to select the lowest cost emission reductions and apply them to a portion of the plant's emissions requirement. Examples of offset projects include natural gas end-use efficiency, landfill gas recovery, reforestation, and methane capture from farming facilities. Under the model regulations and the MOU amendment, offset credits may come from anywhere in the United States, but offset projects from outside of the participating states must take place under the regulatory watch of a cooperating agency in that state. States or other United States jurisdictions not participating in RGGI will need to enter into a MOU with the RGGI state agencies and agree to take on certain administrative obligations to ensure the credibility of the offset projects.

The model regulations and the MOU amendment also streamline and simplify the so-called “safety valve” provisions of RGGI program, which are designed to ensure that

the cost of allowances remains affordable. Under the program, if the average annual price of an emission allowance were to rise above \$7, sources will be permitted to use offsets for up to 5 percent of a plant's reported emissions. If the average price rises above \$10, then sources will be permitted to use offsets for up to 10 percent of a plant's reported emissions and offsets from international trading programs will be allowed. By allowing offsets to account for a greater percentage of emissions, the program hopes to keep energy prices reasonable while also achieving real reductions in climate changing emissions.

Washington Gas Light Leak Issue

In early March, 2005, Washington Gas Light (WGL) approached staff with data showing an abnormal increase in winter heating season grade 2 gas leaks occurring in its Southeast Station territory that primarily serves Prince Georges County. Analysis of the data disclosed that the leaks were consistently occurring at the mechanical coupling that join the steel distribution and service lines used to build out the system from the mid 1950s to mid 1970s. Staff prepared a report for consideration by the Commission. The Commission issued a Notice of Inquiry.

WGL has repaired the initially identified grade 2 leaks in the affected area and is repairing newly identified grade 2 leaks on an accelerated basis. Also, WGL is replacing the mechanically coupled steel distribution system with plastic pipe and inserting plastic pipe in the service lines to reduce the number of gas leaks to as low a level as practical. WGL has maintained an enhanced frequency of leak surveys. WGL as of December 1, 2006, has replaced 144 miles of gas main out of the 275 miles scheduled for replacement

and 17,746 services out of the 30,000 services scheduled for replacement in the affected area

Two contracted research reports commissioned by WGL were filed with the Commission that determined the cause of the leaks and identified potential solutions to prevent occurrence of the abnormal leak rates in other parts of the WGL service territory. The studies indicated that a change in the composition of the gas, that WGL is receiving in the affected area, is the leading cause of the increase in leaks in that area. The gas that WGL receives, in the affected area, is re-gasified liquefied natural gas from Dominion's Cove Point LNG terminal. When natural gas is liquefied, certain components are stripped out as part of the liquefaction process, hexane being one of them. As a result of the studies, WGL has constructed a hexane injection facility, to inject hexane into its system in order to replace the missing hexane in the gas coming from Cove Point. The studies indicate that it is this loss of hexane in the gas stream that is causing the seals in the mechanical couplings to shrink. It is WGL's intention to inject hexane at its Gardner Road gate station for the duration of the '06 and '07 heating season to see if the hexane will rehabilitate the seals sufficiently to maintain their sealing force and to reduce the leak rate in the affected area back to historical levels. The results of this project should be available by the end of spring.

Electric Universal Service Program – Case No. 8903

The Electric Universal Service Program (EUSP) was authorized as part of the Electric Customer Choice Act of 1999 to assist low-income electric customers with arrearage retirement, bill assistance and weatherization. The Legislature directed the

Commission to establish and oversee the program and the Department of Human Resources (DHR) to administer it.

Electric rate payers provide funding for the EUSP which has been set by law at \$37 million per year. Residential, commercial and industrial electricity customers contribute through a universal service charge collected by electric companies.

Families with incomes at or below 175 percent of the Federal poverty guidelines with electric bill responsibility are eligible. The 2000 Census indicates that there are about 278,000 low-income households in Maryland, though all do not have electric bill responsibility. The EUSP operates on a fiscal year basis. In FY 2006, DHR's Office of Home Energy Programs ("OHEP") received a total of a 93,186 EUSP applications, and disbursed funds to 83,853. This represents a 5.5% (4,818 applications) increase in applications processed over the previous year and an increase of 6.6% or 5,185 in customers receiving bill assistance.

OHEP uses a Commission approved benefits matrix based on customer income and electrical usage to cover on average 50 percent of customers' annual electric bills. Implementation of restructured benefit levels enabled more households with a lower income to receive a higher benefit. The average bill payment assistance benefit amount was \$410 verses \$362 for FY 2005.

In addition, although not EUSP funded a program was developed by the Governor's Office to address the hardships caused by the significant increase in fuel costs. Project Heat Up funds were used for all fuel types with benefits going to households over 150 percent of the Federal Poverty Guidelines ("FPL") and up to 175 percent of the FPL. Over 3,600 households received assistance totaling \$694,159.

Other Issues

New and Amended Regulations

The Commission conducted proceedings involving amendments to the Code of Maryland Regulations Title 20 regarding (a) Electric and Gas Companies – Affiliate Regulations; (b) Service Supplied by Electric Companies – Engineering; (c) Applications Concerning the Construction or Modification of Generating Stations and Overhead Transmission Lines – Exemptions; (d) Control and Operation of Taxicabs in Baltimore City and Baltimore County – Violations and Penalties; (e) Control and Operation of Taxicabs in the City of Cumberland and the City of Hagerstown – Violations and Penalties; (f) Transportation – Violations and Penalties; and (g) Wind-Powered Generating Facilities.

COMAR 20.40 Electric and Gas Companies – Affiliate Regulations

This new subtitle addresses the relationships and transactions between regulated gas and electric companies and their unregulated affiliates and ensures ratepayers do not subsidize unregulated activities. The subtitle also requires annual “ring fencing” reports by electric and gas companies be filed with the Commission to ensure that affiliate activities do not affect the financial viability of regulated companies. With adoption of the Affiliate Regulations, the Promotional Practices regulations were repealed.

COMAR 20.50.02 Service Supplied by Electric Companies - Engineering

This chapter was amended to add a new regulation to update the references to engineering standards applicable to electric companies. Prior to this amendment the Commission through a notice required all electric utilities in 2002 to use the current version of the National Electric Safety Code for establishing the minimum clearance of electric lines which cross water surfaces suitable for sailboating.

COMAR 20.79.01.03 Applications Concerning the Construction or Modification of Generating Stations and Overhead Transmission Lines - Exemptions

This chapter was amended to remove the list of criteria for exemptions listed in COMAR and instead reference the appropriate statute Public Utility Companies Article §7-207.1.

COMAR 20.90.02.21 Control and Operation of Taxicabs in Baltimore City and Baltimore County – Violations and Penalties; COMAR 20.90.03.18 Control and Operation of Taxicabs in the City of Cumberland and the City of Hagerstown – Violations and Penalties; COMAR 20.95.01.06 Transportation – Violations and Penalties

The regulations for taxicabs and passenger-for-hire vehicles regulated by the Commission were revised to require the owner or operator of the taxicab or vehicle to request a hearing prior to the date listed on the citation.

Wind-Powered Generating Facilities

Section 3 of the Renewable Energy Portfolio Standard legislation was enacted in 2004 and required the Commission to appoint a Technical Advisory Group to develop recommendations on siting, operational, and monitoring criteria for wind-powered generating facilities relating to avian and bat issues. During 2005 and 2006 the Technical Advisory Group, composed of biologists, representatives of environmental groups, and persons with expertise and experience in the wind-energy and electric power industry, developed recommendations for these criteria. The intent was to minimize the impact on birds and bats from the construction and operation of wind-powered energy stations. An administrative docket was established and comments were solicited from the public concerning the Technical Advisory Group's recommendations. In December 2006 proposed regulations, which would implement these recommendations were approved by the Commission for publication.

Review of Title 20 Pursuant to the Regulatory Review and Evaluation Act

In 2006 the Public Service Commission conducted its octennial review of Title 20 in accordance with Sections 10-130 through 10-139 of the State Government Article. This review checks whether existing regulations continue to accomplish the purposes for which they were adopted and identifies ambiguous, obsolete, or duplicative provisions. A docket was established for the submission of comments from stakeholders and a public comment hearing was held.

COMAR 20.45.06 Service Supplied by Telephone Companies- Pay Phone Service

This chapter was revised to repeal obsolete text and replace it with new text establishing registration, annual reporting and pay phone service operational requirements as well as penalties for pay phone service providers. The registration, annual reporting and pay phone operational requirements were formally administered by

the Commission pursuant to prior Commission orders. This revision codifies pre-existing requirements and updates the requirements to account for recent developments in the pay phone industry.

Broadened Ownership Act

In compliance with §2-106 of Article 83A of the *Annotated Code of Maryland*, entitled the "Broadened Ownership Act," the Commission engaged in communications with the largest gas, electric, and telephone companies in the State in an effort to assure their awareness of this law. The law establishes the need to institute programs and campaigns to encourage the public and employees to purchase stocks and bonds in these companies, thus benefiting the community, the economy, the companies, and the general welfare of the State.

The following major utility companies submitted reports outlining various efforts to encourage public and employee participation in the stock purchase program:

(a) Pepco Holdings, Inc. ("PHI") continues to encourage broadened ownership of the Company's capital stock particularly among Maryland residents. PHI is the parent company of Potomac Electric Power Company and Delmarva Power & Light Company. As of September 30, 2006, there are more than 191 million shares of PHI common stock outstanding and are held by over 69,000 shareholders. With respect to ownership of PHI stock by Maryland residents, PHI's records show that 12,509 shareholder accounts, representing 7.6 million shares, are registered directly to Maryland residents.

(b) NiSource, Inc. (Parent) owns all of the common stock of the Columbia Energy Group, which in turn owns all of the common stock of Columbia Gas of Maryland, Inc. The Parent has five plans, which encourage broadened stock ownership.

The Employee Stock Purchase Plan (“ESPP”) encourages broadened stock ownership by employees. The Parent maintains the NiSource Inc. Retirement Savings Plan, the Northern Indiana Public Service Company Bargaining Unit Tax Deferred Savings Plan, and the Bay State Gas Company Operating Employee Savings Plan collectively referred to as the Tax Deferred Savings Plans. In addition, the Automatic Dividend Reinvestment and Stock Purchase Plan broadens capital ownership by all stockholders.

On July 31, 2006, the Parent had 272,799,710 shares of its common stock outstanding, of which 6.5 million or about 2.4% were held by employees in the ESPP Plan and the Tax Deferred Savings Plans. As of July 31, 2006, the Parent had approximately 829 registered stockholders with Maryland addresses, holding approximately 269,650 shares of Parent common stock.

(c) As of September 30, 2006, 25,614 Maryland residents representing 60.47% of Constellation Energy Group, Inc. (Parent Company of Baltimore Gas and Electric Company) total common shareholders owned 12,235,159 or 6.76% of the outstanding shares of common stock. In addition, Company employees (many of whom are Maryland residents) own additional shares of common stock through the Company's Employee Savings Plan.

Constellation Energy Group, Inc. established an Employee Savings Plan to provide employees with a convenient way to save toward retirement and to increase their ownership interest in the Company. Under this Plan, employees may save up to 50% of their income and invest such savings in either Company common stock, an Interest Income Fund, 21 mutual funds, or a combination of all 22 investment options. As of September 30, 2006, 6,360,127 shares of common stock were held in the Employee

Savings Plan for current and former employees, including approximately 462,403 shares allocated during the current reporting period.

(d) The Potomac Edison Company is a wholly-owned subsidiary of Allegheny Energy, Inc. (“AE”). In 2006, AE continued its Employee Stock Ownership and Savings Plan. Approximately 83% of AE's employees are currently contributing to the Plan and 4,919 participants have AE stock as part of their account balance within the Plan. As of December 31, 2005, 1,814 Maryland residents held 804,463 shares of AE stock as stockholders of record, which represents approximately 6.95% of all AE registered stockholders and 0.49% of all shares.

(e) Washington Gas Light Company (“WGL”), provides the following information from the Investor Relations Department regarding its efforts to broaden ownership of the Company’s capital stock, particularly among residents of Maryland and Company employees. Currently, approximately 26.2% of registered shareholders reside in Maryland, and represent 5.4% of the Company's outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2006, 136 employees were actively participating in the Company's Dividend Reinvestment and Common Stock Purchase Plan, and approximately 1,233 employees (both active and retired) owned shares through its 401K Savings Plan.

(f) Verizon Maryland, Inc. is a wholly owned subsidiary of The Verizon Corporation. Public stockholder ownership in the Maryland Company is obtained through the purchase of Verizon Capital Stock. The Verizon Savings Plan and the Verizon Savings and Security Plan enable employees to purchase Verizon stock.

Employees are eligible to participate in the plans after one year of service. As of September 30, 2006, there were 28,406 Maryland residents who held Verizon stock.

Homeland Security

Commission staff continues to devote resources to Critical Infrastructure issues. During first quarter 2006 Commission staff worked with all regulated utilities to develop Pandemic Flu continuity of operations plans. This effort was reinforced by participation in the PJM Interconnection seminar/workshop “Pandemic Planning for a Resilient Electric System” held in the fall.

Commission staff also worked with the Maryland Energy Administration to update the State Energy Emergency Plan to bring it into conformance with the latest NASEO Energy Assurance Guidelines. In addition Commission staff worked with Maryland Emergency Management Agency’s Private Sector Work Group of the Maryland Anti-Terrorism Advisory Council and the Maryland Office of Homeland Security to plan and facilitate the Critical Infrastructure Interdependencies Workshop held October 10, 2006.

Commission staff continued the series of workshops conducted with the State Fire Marshal in 2005 to increase first responder awareness of proper precautions to take when responding to gas and hazardous pipeline incidents with emphasis on two new Federal Pipeline Safety Regulations. The Commission continues to support the National Association of Regulatory Utility Commissioners (NARUC) Committee on Critical Infrastructure as well maintaining a dialogue with appropriate regional and federal agencies.

MAJOR CASES AND DECISIONS

A. Gas and Electric Utilities

1. The Matter of the Potomac Electric Power Company's Proposed: (a) Stranded Cost Quantification Mechanism; (b) Price Protection Mechanism; and (c) Unbundled Rates – Case No. 8796

This case, involving Potomac Electric Power Company's (Pepco) Divestiture Sharing Plan, was last discussed in the 2004 Annual Report. A pending issue involves whether Pepco should return unused deferred income taxes and tax credit reserves to ratepayers following its sale of the generating assets that created the reserve amounts. On November 21, 2003 the Hearing Examiner issued a Proposed Order directing Pepco to do so, which was appealed by Pepco. On December 27, 2005, the Internal Revenue Service issued a Notice of Proposed Rulemaking concerning application of normalization accounting rules to deferred income tax balances and accumulated deferred investment tax credits. This matter remains pending on appeal to the Commission.

2. The Petition of People's Counsel for a Reduction in the Rates and Charges of Baltimore Gas and Electric Company – Case No. 8804

This case, also noted in the 2005 Annual Report, was consolidated in 1998 with Case No. 8794, BGE's electric restructuring and stranded cost recovery proceeding, and revisions to BGE's Competitive Transition Charge (CTC) have been reviewed in this docket. On July 15, 2005, the Commission delegated to the Hearing Examiner Division the question as to whether the settlement filed in Case Nos. 8794/8804 allowed for a final true-up of CTC dollar amounts from Schedule P options G and GL customers that did not elect the lump sum payment options. A Proposed Order of Hearing Examiner filed on

October 6, 2005 found that the settlement did allow for a final true-up. An appeal was filed on November 4, 2005 by the Maryland Industrial Group (MIG).

On December 14, 2005, a settlement agreement between Baltimore Gas and Electric Company (BGE) and MIG was filed. The agreement set the terms for payment over time by the various classes of customers covered by the true-up requirement. MIG withdrew its appeal, and on January 25, 2006 by Order No. 80527, the Commission accepted the settlement as being in the public interest. On May 4, 2006, BGE filed its revised residential rates reflecting the expiration of the CTC.

On June 30, 2006, the Commission directed BGE in this docket to include in its annual report the status of its decommissioning reserve and directed BGE to file with the Commission copies of its Financial Assurance Report that it files with the Nuclear Regulatory Commission.

3. The Matter of the Electric Universal Service Program – Case No. 8903

This case, noted in prior Annual Reports, concerns the Electric Universal Service Program (EUSP), which was authorized as part of the Electric Customer Choice Act of 1999 to assist low-income electric customers with arrearage retirement, bill assistance and weatherization. The Legislature directed the Commission to establish and oversee the program and the Department of Human Resources (DHR) to administer it.

Electric ratepayers provide funding for the EUSP, which was previously set at \$34 million per year. Residential, commercial and industrial electricity customers contribute through a Universal Service Charge collected by electric companies. Additional funds were supplied to meet an increased demand in calendar year 2006. The additional funds allowed families up to 175 percent of poverty income level to be eligible

for energy assistance benefits in the 2005-2006 winter heating season, as the top level of eligibility for benefits was previously 150 percent.

On May 31, 2006 the Office of Home Energy Programs (OHEP) filed its Proposed Operations Plan for FY 2007. The Commission directed the EUSP Working Group to report by August 15, 2006 as to its recommendations concerning the participation by retail suppliers in the EUSP. After comments and hearing, on August 9, 2006 the Commission found that OHEP's Proposed Operations Plan for FY 2007 was acceptable, and it adopted the Commission Staff's revised EUSP tariff for collection of EUSP funds from commercial and industrial customers.

On October 11, 2006 the EUSP Working Group filed its report on statutory issues. The Commission received numerous comments from interested parties on the EUSP Working Group's report. This matter continues in calendar year 2007.

4. The Commission's Inquiry into the Competitive Selection of Electricity Supplier/Standard Offer Service – Case No. 8908

This case, initiated in 2001 and noted in prior Annual Reports, concerns issues regarding competitive selection of electricity supplier/standard offer service and default service plans. On August 25, 2006 the Commission's Technical Staff filed a Report on the 2006 Standard Offer Service (SOS) Procurement Improvement Process (Report). In Order No. 81102 filed November 8, 2006 in Case No. 9064, the Commission noted its approval of the Report in this case.

5. The Application of Catoctin Power, LLC for a Certificate of Public Convenience and Necessity to Construct A Nominal 600 MW Generating Facility in Frederick County, Maryland – Case No. 8997

This case, noted in prior Annual Reports, concerns an application by Catoctin Power, LLC for a Certificate of Public Convenience and Necessity (CPCN) to construct a nominal 600 MW generating facility in Frederick County, MD. As noted in the 2005 Annual Report, the CPCN was granted by Order No. 79923 issued on April 25, 2005, with various conditions included.

On October 16, 2006, Catoctin Power filed a motion to amend the CPCN, which proposed revisions were reviewed by the State's Power Plant Research Program and further revised. The revisions extend deadlines for certain CPCN conditions, and also incorporate new environmental standards promulgated since the grant of the CPCN in April 2005. On October 25, 2006, the proposed motion for amendment was preliminarily approved pending notice to the public for receipt of comments and subject to revision. No comments were received opposing the amendments by the December 20, 2006 close of comment period.

6. The Application of Synergics Wind Energy, LLC. for a Certificate of Public Convenience and Necessity to Construct a 40 MW Wind Power Facility in Garrett County, Maryland – Case No. 9008

As noted in previous Annual Reports, on June 30, 2004 Synergics Wind Energy LLC (Synergics) filed an application for a Certificate of Public Convenience and Necessity (CPCN) to build and operate a wind power generating facility along a portion of the ridgeline of Backbone Mountain in Garrett County, Maryland. The initial application proposed a 40 megawatt facility consisting of 24 wind turbines. In December

2004 implementation of a procedural schedule was delayed at Synergics request to allow completion of several studies requested by the Power Plant Research Program.

Adjudicatory and public hearings were held in Garrett County in September 2005. During the course of the hearings, Synergics modified the project and proposed a 17 turbine configuration to accommodate environmental concerns. Following the close of the hearing, the parties filed post-hearing briefs and a Proposed Order of Hearing Examiner was issued on October 30, 2006 which would grant the Synergics application for a CPCN. The Proposed Order has been appealed to the Commission, and the appeal remains pending.

7. The Application of The Potomac Edison Company d/b/a Allegheny Power for a Certificate of Public Convenience and Necessity to Construct an Overhead 230 kV Transmission Line in Frederick County, Maryland -- Case No. 9018

As reported in prior Annual Reports, this application for a Certificate of Public Convenience and Necessity (CPCN) to construct a transmission line was filed in 2004. In January 2006, a public comment hearing was held, and numerous oral and written public comments were filed. Extensive briefing took place, and a Proposed Order of Hearing Examiner was filed on April 26, 2006. The Proposed Order denied the application for a CPCN as not being in the public interest.

On May 24, 2006 Allegheny Power (AP) noted an appeal of the Proposed Order. By Order No. 80969 issued on August 3, 2006, the Commission found that AP failed to meet its burden of proof as to the route and need for the proposed transmission line and therefore upheld the finding of the Proposed Order, dismissing the appeal and denying the application for the line proposed by the Company. The Order further noted that growth in the Urbana area will require upgrading of electric service in the near future.

8. The Application of Mirant Mid-Atlantic, LLC for Approval to Modify the Morgantown Generating Station – Case No. 9031

As noted in prior Annual Reports, on November 4, 2004, Mirant Mid-Atlantic, LLC (Mirant) filed its application to construct a coal unloading facility at its Morgantown Generating Station in Charles County, Maryland. On August 17, 2005, following litigation noted in the 2005 Annual Report, the Hearing Examiner issued a Proposed Order granting Mirant a Certificate of Public Convenience and Necessity for construction of the barge unloading facility. The Proposed Order became Commission Order No. 80270 on September 19, 2005. On December 15, 2006, Mirant and the Power Plant Research Program of the Maryland Department of Natural Resources filed a Joint Motion to Amend the Certificate. An evening public hearing on the motion was scheduled for early 2007.

9. The Matter of the Inquiry Into Natural Gas Leaks From the Washington Gas Light Company Distribution System – Case No. 9035

This case, noted in the 2005 Annual Report, was instituted in April 2005 as an inquiry into natural gas leaks on Washington Gas Light Company's (WGL) Maryland Distribution System. The Company was directed to file documents showing its plans to find and repair the gas leaks, as well as file monthly reports. WGL has indicated in various reports and in proceedings before the Federal Energy Regulatory Commission that it believes increased supplies of liquefied natural gas (LNG) in its system have produced the increased leaks it has experienced, and the Company has injected hexane into its gas supply as a proposed remedial measure. In April 2006, the Office of People's Counsel filed a motion requesting an independent expert be retained to review the system leak data, and also requesting an evidentiary hearing be held.

On June 27, 2006, this matter was delegated to the Hearing Examiner Division, with the efficacy of the hexane injections to be considered in the course of the proceeding. Also, prospective hexane costs are to be recorded in an account for future regulatory disposition following conclusion of the evidentiary proceeding. The parties have pre-filed testimony, and hearing is scheduled in February 2007.

10. The Application of Baltimore Gas and Electric Company for Revision in its Gas Base Rates -- Case No. 9036

As noted in the 2005 Annual Report, by Order No. 80460 issued on December 21, 2005, the Commission found that a revenue increase of \$35,645,000 in Baltimore Gas and Electric Company's gas base rates would result in just and reasonable rates. On January 20, 2006 ISG Sparrows Point, LLC filed a motion for rehearing. The motion alleged that the Order was contrary to the weight of the evidence with respect to failure of the rates being based on costs of facilities actually used to serve this customer, and further alleging an error in the Commission's failure to address its proposal to reduce liquid natural gas and propane costs recovered by the rates of delivery service customers.

In other action in this docket, on March 3, 2006 the Commission staff filed a proposed regulation to be considered in a rulemaking docket as to the implementation of the requirements of Public Utility Companies Article § 4-208, which statute concerns audit requirements of a utility's Cost Allocation Manual (CAM). On October 25, 2006 Staff filed proposed procedures for audit of CAMs and affiliate transactions. The CAM Audit Plan remains under review.

11. The Matter of Default Service for Type II Standard Offer Service Customers – Case No. 9037

As noted in the 2005 Annual Report, this case involves the design of Standard Offer Service (SOS) for Type II customers, who are non-residential customers not eligible for Type I SOS, with capacity peak load from 25 kW to 600 kW, depending on the utility service territory. The Commission received a number of proposals, including a non-unanimous "Type II Settlement" signed by numerous parties, a proposal from the Mid-Atlantic Power Supply Association, a joint proposal from Washington Gas Energy Services, Inc. and Ohms Energy, LLC, and a separate proposal from Reliant Energy, Inc.

By Order No. 80272 issued on September 20, 2005, the Commission adopted the Type II Settlement with modifications regarding smaller Type II customers and implementation of the Settlement for one year rather than two years. The four investor-owned electric utilities agreed to provide the Type II SOS in their respective service territories according to the terms of the Order, with certain modifications requested by Delmarva Power and Light Company and Allegheny Power, which were accepted by Order No. 80342 issued October 12, 2005.

By Order No. 80858 issued June 16, 2006 the Commission postponed procurement for non-summer service for Type II-A Standard Offer Service (*i.e.*, medium-sized commercial and industrial customers) because of potential inconsistencies between the current Request for Proposals and Full Requirements Service Agreement for Type II-A and recent statutory requirements (Chapter 5, 2006 Md. Laws, 1st Special Session (Chapter 5)) concerning confidentiality of bidder name and load disclosure and standards for acceptance of SOS procurements.

On July 11, 2006 the Commission accepted the parties' conclusions that Chapter 5 did not require any change in the procurement of Type II-A SOS and adopted the recommended procurement schedule.

12. The Application of INGENCO Wholesale Power, LLC for a Certificate of Public Convenience and Necessity to Construct A 6 MW Generating Facility at the Newland Park Landfill in Wicomico County, Maryland – Case No. 9044

This case, noted in the 2005 Annual Report, involves an August 2005 application by INGENCO Wholesale Power, LLC for a Certificate of Public Convenience and Necessity (CPCN) to construct a 6 MW landfill gas electric generation facility on the Newland Park Landfill located in Wicomico County. The plant would produce electricity by capturing and burning landfill gas from the County.

Following a hearing on March 28, 2006, the Hearing Examiner issued a Proposed Order on March 31, 2006 accepting a Settlement Agreement of the parties which would grant the CPCN with specified conditions. The Proposed Order was not appealed and became Order No. 80722 on April 8, 2006.

13. The Application of Constellation Power Source Generation, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Charles P. Crane Generating Station in Baltimore County, Maryland – Case No. 9048

As noted in the 2005 Annual Report, on November 11, 2005 Constellation Power Source Generation, Inc. filed an application for a Certificate of Public Convenience and Necessity authorizing the modification of the Charles P. Crane Generating Station in Baltimore County, Maryland. An evening hearing for public comment was held on March 29, 2006. On May 1, 2006 the parties filed an Agreement of Stipulation and Settlement signed by all parties in support of granting the CPCN modification.

The Hearing Examiner issued a Proposed Order on May 9, 2006 granting the CPCN to modify the Crane Generating Station by constructing a coal barge unloading and material handling system at the station. The Proposed Order became final as Commission Order No. 80795 on May 17, 2006.

14. The Application of Baltimore Gas and Electric Company for A Certificate of Public Convenience and Necessity to Upgrade Its 115 kV Transmission Line from Its Northwest Substation to Finksburg Substation in Baltimore and Carroll Counties, Maryland – Case No. 9050

As noted in the 2005 Annual Report, on December 5, 2005 Baltimore Gas and Electric Company filed an application for a Certificate of Public Convenience and Necessity to upgrade its 115 kV transmission line from its Northwest Substation in Baltimore and Carroll Counties, Maryland. By letter dated January 4, 2006, the Commission delegated this matter to the Hearing Examiner Division to conduct proceedings. Following hearings that were concluded in June 2006, a Proposed Order of Hearing Examiner granting the CPCN subject to certain conditions was issued on September 5, 2006. The Proposed Order became final as Commission Order No. 81067 on October 6, 2006.

15. The Commission's Investigation into a Residential Electric Rate Stabilization and Market Transition Plan for Baltimore Gas and Electric Company – Case No. 9052

On January 10, 2006, the Commission instituted this proceeding to consider mitigation efforts in light of the large bill increase anticipated for residential electric customers of Baltimore Gas and Electric Company (BGE) upon the expiration of rate caps on July 1, 2006. These rate caps were implemented in 1999 and based upon a rate reduction of 6.5 percent. In instituting this proceeding, the Commission Staff was

directed to file a proposal to ease the transition of residential customers to market-based rates that would reflect market-based price signals for electric supply, while mitigating the effects of rate shock and allowing BGE to recover any revenue shortfall.

Following a hearing held on February 28, 2006, the Commission adopted a rate stabilization plan in Order No. 80638 issued on March 6, 2006. This plan would allow customers an opportunity for more gradual implementation of market rates by limiting initial rate increases to 21 percent for an eight-month period, with deferred amounts recovered over the subsequent 15-month period (except for low-income customers who would have a separate three-year program). The plan would apply to all residential customers unless they choose to affirmatively "opt out" and pay full market rates on July 1, 2006.

After issuance of the order adopting the rate stabilization plan, BGE filed a Motion to Amend the plan on April 20, 2006. The Company sought to amend the plan to include many aspects of a legislative proposal that had received widespread support, including passage by the House of Delegates in the recently concluded General Assembly session.

amounts would not be included on customer bills but included as a regulatory asset of the company.

Following a judicial appeal, the Circuit Court for Baltimore City vacated the amended plan on May 30, 2006, following which the Commission reinstated the initial plan by Order No. 80838 entered on June 2, 2006 to provide customers an alternative to the full market rate increase of 72 percent on July 1, 2006.

Subsequently, the General Assembly entered into a hearing held on April 27, 2006. The Commission accepted amendments to the plan in Order No. 80764 entered on April 28, 2006. The amended plan would provide for a more gradual implementation to market rates, with four steps of increase until full market rates apply on January 1, 2008, with repayment of deferred amounts through May 2009, thereby extending the plan to three years (with an additional year for low-income customers). The amended plan would also provide that customers must "opt in" to participate, and interest charges on deferred a Special Session and passed legislation effective June 23, 2006 (Chapter 5, 2006 Maryland Laws, 1st Special Session) providing for an alternate mitigation proposal applicable to all residential BGE customers. The legislative plan provides for an initial 15 percent increase, with repayment of the deferred amounts over a 10-year period by the residential class.

16. The Matter of the Merger of Constellation Energy Group, Inc., the Parent Corporation of Baltimore Gas and Electric Company and FPL Group, Inc. – Case No. 9054

This case involves a Petition filed by Baltimore Gas and Electric Company (BGE) on January 23, 2006 with respect to a proposed merger of its parent corporation, Constellation Energy Group, Inc. (Constellation) and FPL Group, Inc. (FPL). Prior to the application, on January 6, 2006, the Maryland Office of People's Counsel (OPC) filed a request for an investigation into the impact of the proposed merger on Constellation and FPL.

Upon consideration of the BGE petition and OPC request, the Commission instituted this proceeding on January 30, 2006. On June 14, 2006, the General Assembly passed Senate Bill 1 of the 2006 Special Legislative Session which, among

other actions, established standards of review to be applied to the merger. By Order No. 80901 issued on July 10, 2006, the Commission determined that Constellation's Petition for approval to merge with FPL and the Amended Petition (filed on June 29, 2006) should be dismissed without prejudice to re-file a comprehensive application which addresses all the standards and conditions enacted in Senate Bill 1. The Order also closed Case No. 9054 upon the docket of the Commission, with subsequent proposed merger activity filed in Case No. 9069.

17. The Application of Dominion Cove Point LNG, LP for a Certificate of Public Convenience and Necessity to Construct a Generating Station with a Nominal Capacity of 12 MW at its Liquefied Natural Gas Import Terminal in Calvert County, Maryland – Case No. 9055

On December 22, 2005, Dominion Cove Point LNG, LP filed an application for a Certificate of Public Convenience and Necessity to construct an electric generation station of 12 MW capacity at its LNG import terminal in Calvert County. The generation facility will be entirely within the site of the existing LNG terminal, with the power used to provide on-site electricity to meet the terminal's electric load.

Following delegation to the Hearing Examiner Division, hearing was held on June 19, 2006. A Proposed Order which would grant the application was issued July 14, 2006, which became final Order No. 80998 on August 15, 2006.

18. The Commission's Investigation into Default Service for Type II Standard Offer Service Customers – Case No. 9056

In Order No. 80272 issued in Case No. 9037 on September 20, 2005, the Commission determined that the existing Type II Standard Offer Service (SOS) for medium-sized commercial customers would cease at the end of May 2007 and directed

its Technical Staff (Staff) to convene a working group to discuss the future of Type II SOS after that date. On January 26, 2006, the Staff filed a report on the working group's progress indicating that no consensus was likely to be achieved. As a result, the Commission established Case No. 9056 on February 17, 2006 for the purpose of determining what form of SOS or default service will be made available to Type II customers after May 2007.

Following hearings, on August 28, 2006, the Commission issued Order No. 81019 finding that beginning June 1, 2007, contracts for SOS electric supply should be based upon quarterly bids for service for Type II commercial customers. Potomac Electric Power (Pepco) and Delmarva Power & Light Company (Delmarva) filed an Application for Rehearing on September 27, 2006 challenging the quarterly bidding structure. On November 2, 2006 the Commission denied the Application for Rehearing in Order No. 81093.

19. The Complaint of Washington Gas Energy Services, Inc. vs. Potomac Electric Power Company – Case No. 9057

On September 16, 2005, Washington Gas Energy Services (WGES), a retail supplier, filed a complaint against Potomac Electric Power Company (Pepco) which involves customer billing and business processes including information exchange between the two companies. After Pepco's response, the Commission determined that the technical and commercially sensitive nature of the pleadings should be discussed between the parties through a mediation process, and Commission mediators were assigned to the dispute with a deadline established for the discussions.

The parties continued negotiations, and on January 6, 2006 a settlement resolving all issues was filed. The settlement contains various provisions regarding customer enrollment, consolidated billing service, and business process interactions between WGES and Pepco and was approved by the Commission in Order No. 80599 entered on February 15, 2006.

20. The Commission's Investigation into a Residential Electric Rate Stabilization Plan for Potomac Electric Power Company and Delmarva Power and Light Company – Case No. 9058

On March 3, 2006, by Order No. 80632, the Commission initiated Case No. 9058 for consideration of a rate stabilization plan for residential customers of Potomac Electric Power Company (Pepco) and Delmarva Power and Light Company (Delmarva), which companies merged in 2002 and are affiliates of Pepco Holdings, Inc. Rate caps for these residential customers had previously expired on June 30, 2004, and the utilities were directed to file comments with respect to whether the rate stabilization plan proposed for the Baltimore Gas and Electric Company residential customers in Case No. 9052 should be adopted or modified for their service territories.

On March 15, 2006, Pepco, Delmarva and the Commission Staff filed a proposed Settlement Agreement, which would create a voluntary plan that would limit initial electric rate increases to 21 percent through February 28, 2007, with deferred amounts then recovered between March 1, 2007 through May 31, 2008. Carrying costs on the deferred balances would be allowed based on the companies' actual short-term borrowing costs. The plan would be voluntary, as customers could choose to "opt out."

Hearings in this matter were held on March 24, 2006 and March 29, 2006, at which the Office of People's Counsel expressed certain objections. A revised agreement was filed on April 18, 2006 by Pepco, Delmarva, Staff, and the Office of People's Counsel, which revised plan limits the initial increase to 15 percent from June 1, 2006 through February 28, 2007, provides for a second step 15.7 percent increase from March 1, 2007 through May 31, 2007, with full market rates effective June 1, 2007. The deferred amounts would be collected from participating residential customers as a nonbypassable charge effective June 1, 2007 and recovered over a period not to exceed 18 months, with carrying costs of the deferred balance offset by the utilities' return for providing Standard Offer Service. The revised plan also provides for the utilities utilizing their best efforts to track deferred balances on an individual account basis, and customers must affirmatively choose to "opt in" to participate in the plan.

Following a hearing on the revised plan held on April 20, 2006, the Commission accepted the revised plan by Order No. 80747 issued April 21, 2006.

21. The Inquiry into Time-Based Metering and Communications Standards Under Title VII, Subtitle E, Energy Policy Act of 2005 (16 USC § 2621) – Case No. 9059

On April 4, 2006, the Commission instituted Case No. 9059 as an inquiry to consider the appropriateness of implementing a "smart metering" standard arising from the Energy Policy Act of 2005, which provides for electric utilities offering customers a time-based rate schedule. Under such a schedule, rates would vary during different time periods reflecting differences in utility costs of generation or purchase of electricity at the wholesale level, with time-based rate schedules enabling participating customers to

manage their energy use (and cost) through advanced metering and communication technology.

Comments have been filed by utilities and other interested parties, with utilities noting in part their programs offered to customers. The Commission Staff recommended a working group consider whether to adopt the time-based metering and communications standard of the Energy Policy Act and to expand the current time-based metering options in Maryland, and a Demand Response and Distributed Generation Working Group was established on September 13, 2006 to explore the merits of implementing advanced metering, demand response, and distributed generation initiatives.

22. The Inquiry into Interconnection Standards Under Title VII, Subtitle E. Energy Policy Act of 2005 (16 USC § 2621) – Case No. 9060

On April 4, 2006, the Commission instituted an inquiry for consideration of the appropriateness of implementing an interconnection standard contained in the Energy Policy Act of 2005 with respect to interconnection of on-site electric generators to the local distribution network.

After filing of comments by numerous parties, on October 17, 2006 the Commission directed the establishment of a Small Generator Interconnection Standards Working Group to be facilitated by the Commission Staff. The Working Group is to address the technical and policy issues involved in developing interconnection standards that strike the appropriate balance between the potential benefits resulting from the interconnection of distributed generation and the safety and reliability of the distribution system.

23. The Application of Chesapeake Utilities Corporation for Authority to Revise Its Rates and Charges for Gas Service – Case No. 9062

On May 1, 2006, Chesapeake Utilities Corporation filed an application for an increase in the natural gas base rates and services charged its customers, seeking additional annual revenues of \$1,137,000, as well as a temporary rate increase of \$850,000. On May 11, 2006 the Commission suspended the proposed rate increase and delegated the matter to a panel for hearing. A pre-hearing conference was held on June 13, 2006, at which procedural schedules for both the temporary and permanent rate increases were established.

On July 13, 2006 Chesapeake Utilities withdrew its request for a temporary rate increase. On September 7, 2006 a Joint Stipulation and Settlement Agreement was filed by the parties. Following an evening hearing held on September 15, 2006, by Order No. 81054 entered on September 26, 2006, the Commission accepted the terms of the settlement stipulation. The stipulation provided for increased revenues of \$780,000, which results in a rate of return of 9.03 percent. Chesapeake Utilities filed replacement tariff pages on October 24, 2006, and by letter of November 14, 2006 the Commission accepted the tariff revisions for filing.

24. The Matter of the Optimal Structure of the Electric Industry in Maryland – Case No. 9063

On May 10, 2006, the Commission instituted Case No. 9063 in response to a petition filed by the Office of People's Counsel on March 16, 2006 requesting an investigation into the optimal structure of the electric industry in Maryland. The purpose of this proceeding was to engage in a comprehensive examination of the electric industry structure in Maryland, including possible recommendations for statutory changes, while

Case No. 9064 instituted at the same time would review proposals under the current statutory framework including review of the 2007 Standard Offer Service (SOS) bidding process.

Case No. 9063 was held in abeyance until completion of the 2006 Special Session of the Maryland General Assembly, and was then reopened after passage of legislation concerning the Commission (Chapter 5, 2006 Maryland Laws, 1st Special Session). Following a pre-hearing conference held on August 2, 2006, parties pre-filed testimony, and hearings were held on November 16-17, 2006 with respect to the parties' proposals for the procedures and policies regarding the future electric industry and electric supply procurement in Maryland. Briefs have been filed, and the matter remains pending before the Commission.

25. The Matter of the Competitive Selection of Electricity Supplier/Standard Offer or Default Service for Investor-Owned Utility Small Commercial Customers; and for The Potomac Edison Company d/b/A Allegheny Power's, Delmarva Power and Light Company's and Potomac Electric Power Company's Residential Customers – Case No. 9064

On May 10, 2006, the Commission instituted Case No. 9064 as a major policy review proceeding regarding the provision of Standard Offer Service (SOS) to residential and small commercial customers of the large investor-owned electric utilities. Senate Bill 1 of the 2006 Special Session of the General Assembly also included provisions requiring the Commission to consider a wide variety of issues associated with SOS as well as restructuring of the electric industry in Maryland, some of which issues are considered in this case and some in Case No. 9063. The Commission has included proposals and alternatives that can be implemented in time for procurement of generation

for SOS beginning June 1, 2007 in Case No. 9064, while Case No. 9063 will review proposals and alternatives beyond the upcoming bid period.

Following hearings held on September 26-27, 2006, Order No. 81102 was issued on November 8, 2006 and contains directives for the utilities' procurement of SOS electric supply for residential and small commercial customers for the period beginning June 1, 2007. These directives provide for two-year supply contracts (rather than a single year as previously bid), with bidding twice per year. Also, Allegheny Power's residential SOS is not affected at this time as residential rate caps remain in effect.

Hearing is scheduled in early 2007 for receiving a briefing from the SOS consultant and Commission Staff concerning the conduct and results of the SOS solicitation.

26. The Investigation into Southern Maryland Electric Cooperative, Inc.'s Service Line Extension Charges – Case No. 9065

On March 2, 2006, Southern Maryland Electric Cooperative, Inc. (SMECO) filed revised tariff pages proposing to modify its line extension tariff – the amount it charges to extend its electric service line to new construction. The Commission accepted SMECO's proposed tariff revisions for filing on March 15, 2006. On April 14, 2006, Amy and Chris Chaffee, SMECO customers and local homebuilders, requested that the Commission reconsider SMECO's line extension increase. On May 23, 2006, the Commission determined that a hearing was necessary to resolve this matter and delegated Case No. 9065 to the Hearing Examiner Division.

Following submission of testimony, a hearing for cross-examination was held on October 24, 2006, with a hearing for public comment that same evening. Briefs were

filed in November and December 2006, with the Hearing Examiner's Proposed Order anticipated in early 2007.

27. The Commission's Inquiry into the Assignment and Exercise of Auction Revenue Rights and Financial Transmission Rights in the Maryland Standard Offer Service Procurement Process – Case No. 9066

On May 31, 2006, the Commission issued a Notice of Inquiry establishing Case No. 9066. The Commission's purpose was to develop its recommendation to the Federal Energy Regulatory Commission and PJM, Inc. regarding the value that should be assigned to Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs) in the Standard Offer Service (SOS) power procurement process. The differences between the bid price and actual price of transmitted power gives rise to FTRs, which are then obtained through an auction process by holders of ARRs. Among other issues, the Commission sought to determine whether FTRs and ARRs should be held by electricity suppliers, or by local serving entities that buy electricity, such as BGE and Pepco.

The Notice of Inquiry posed numerous questions, to which 10 parties supplied initial comments. Fewer parties provided reply comments. The Hearing Examiner issued a Proposed Order on November 8, 2006, recommending that the Commission not propose any changes in the way FTRs and ARRs are currently collected. The Proposed Order became Commission Order No. 81135 on December 5, 2006.

28. The Matter of the Merger of Constellation Energy Group, Inc., the Corporate Parent of Baltimore Gas and Electric Company, and FPL Group Inc. – Case No. 9069

On July 21, 2006 Baltimore Gas and Electric Company (BGE), Constellation Energy Group, Inc. (Constellation) and FPL Group, Inc. (FPL) jointly filed an application requesting prompt review and approval of the proposed merger between Constellation

and FPL, which filing occurred after the closing of Case No. 9054 (the initial merger petition previously dismissed without prejudice). By letter dated October 25, 2006, BGE, Constellation and FPL informed the Commission that Constellation and FPL had reached an agreement to terminate their plans to merge. In addition, they withdrew the application and asked the Commission to close the docket. On October 30, 2006 the Commission cancelled all procedural dates and hearings and closed Case No. 9069 on the docket of the Commission.

29. The Joint Application and Petition of Choptank Electric Cooperative, Inc., the Commissioners of the Town of St. Michaels, and the St. Michaels Utilities Commission, Requesting Authorization for St. Michaels to Sell and Transfer Electric Franchises to Choptank and for Additional Related Authorizations and Approvals – Case No. 9071

On August 4, 2006, Choptank Electric Cooperative, Inc. (Choptank) and the Commissioners of the Town of St. Michaels (Town) and the St. Michaels Utilities Commission (SMUC) jointly filed an application with the Commission for approval and authorization for the Town to sell and transfer its electric franchise to Choptank. On August 10, 2006, the Town of Easton and the Easton Utilities Commission (EUC) filed an application to intervene in this matter and a Cross-Petition to Supply Electricity Within Designated Areas, which areas include portions annexed by Easton which were covered by the application filed by the joint applicants. Delmarva Power & Light Company (DP&L), which provides electric service in the St. Michaels area as the operator of the St. Michaels Electric Utility under a lease contract, also filed a motion to intervene in this matter. DP&L's motion further requested a protective order for DP&L and its customers.

After the filing of extensive testimony and public comments and hearings in September 2006, the Commission by Order No. 81068 issued on October 6, 2006 found that granting the joint application of Choptank, the Town and SMUC was in the public interest and would result in a stable, reliable and permanent source of and distribution of electricity for the entire service territory. Easton's Cross-Petition was rejected as Easton failed to show its proposed service boundary changes would be in the public interest. In this regard, the Commission noted in part that Choptank allows access to competitive electric suppliers while Easton does not.

Choptank began providing service to its new customers on October 16, 2006.

30. The Investigation Required by Section 5, 2006 Maryland Laws, 1st Special Session, Public Service Commission - Electric Industry Restructuring – Case No. 9073

Case No. 9073 was instituted on August 17, 2006 in response to Senate Bill No. 1, passed on June 14, 2006 and enacted as Chapter 5, 2006 Maryland Laws, 1st Special Session (Chapter 5). Section 5 of the statute requires the Commission to investigate "the general regulatory structure, agreements, orders, and other prior actions of the Public Service Commission under the Electric Choice and Competition Act of 1999, including the determination of and allowances for stranded costs." The statute also requires, among other things, that the Commission provide to residential customers of Baltimore Gas and Electric Company funds to mitigate rate increases. Numerous parties intervened in this case. A pre-hearing conference was held on August 30, 2006. Five parties, including the Commission Staff and the Office of People's Counsel, submitted testimony in December 2006. Further procedural dates, including hearings, are scheduled in 2007.

31. The Investigation Required by Section 11, 2006 Maryland Laws, 1st Special Session, Public Service Commission - Electric Industry Restructuring – Case No. 9074

Case No. 9074 was instituted on August 18, 2006 as a result of Section 11, Chapter 5 2006 Maryland Laws, 1st Special Session, which requires the Commission to study the impact of rising fuel prices on residential customers and potential programs to mitigate the impact on low-income residential electric and natural gas customers. The Commission is to examine percentage of income plans and tiered rate structure plans in its study, and to submit a report to the Senate Finance Committee and House Economic Matters Committee by December 31, 2006. The report is to make recommendations for the adoption and feasibility of the studied mitigation programs.

This matter was delegated to the Hearing Examiner Division on August 30, 2006, and a pre-hearing conference was held on that date. Extensive testimony was filed by the utilities, the Office of Home Energy Programs, the Commission Staff and the Office of People's Counsel. The testimony was wide-ranging and included various recommendations including no action, allowing each utility to run in-house assistance programs, and a recommendation for the creation of a Gas Universal Service Program.

Following hearing held on November 28, 2006, the Hearing Examiner issued a Proposed Order on December 13, 2006. The Proposed Order made four recommendations to the Commission to be considered for inclusion in its report to the Legislature: (1) that Maryland institute a Gas Universal Service Program mirrored after the existing EUSP; (2) that a study be conducted as to the enactment of a "one-stop shop" model for all aid programs; (3) that new residential construction be required to be energy efficient; and

(4) that all utility aid programs be funded to levels which meet the existing utility need shortfalls.

The Proposed Order was appealed by several parties, which appeals were pending at year's end.

32. The Application of Constellation Power Source Generation, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Brandon Shores Generating Station in Anne Arundel County, Maryland – Case No. 9075

On August 23, 2006, Constellation Power Source Generation, Inc. filed an application for a Certificate of Public Convenience and Necessity to modify its Brandon Shores generating station located in Anne Arundel County. In the application, the Company requests authorization to modify the facility to install air quality control systems that are intended to decrease emissions of certain primary air pollutants and enable the Company to comply with the recently enacted Maryland Healthy Air Act.

Following delegation to the Hearing Examiner Division, the initial hearing was held on December 4, 2006, and further hearings are scheduled in February 2007.

33. The Application of Mirant Chalk Point, LLC for a Certificate of Public Convenience and Necessity for Authority to Modify the Chalk Point Generating Station in Prince George's County, Maryland – Case No. 9079

On October 10, 2006 Mirant Chalk Point, LLC filed a request for a Certificate of Public Convenience and Necessity (CPCN) to modify its existing Unit No. 1 at its Chalk Point Generating Station in Prince George's County. The CPCN is for the installation of a Selective Catalytic Reduction System to reduce the output of emissions of oxides of nitrogen (NO_x). The reduction is necessary to come into compliance with Maryland's new Healthy Air Act. Following delegation to the Hearing Examiner Division, a pre-

hearing conference was held on November 3, 2006 at which a procedural schedule was agreed upon. Testimony has been filed and hearings will be held in early 2007.

34. The Application of Choptank Electric Cooperative, Inc. for Authority to Revise its Rates and Charges for Electric Service – Case No. 9082

On October 20, 2006, Choptank Electric Cooperative, Inc. filed an application to increase its electric distribution rates by approximately \$3 million, which would increase annual revenues by 2.94 percent. The matter has been delegated to the Hearing Examiner Division, and hearings are scheduled in March 2007.

35. The Application of Constellation Power Source Generation Inc. for a Certificate of Public Convenience and Necessity for Authority to Modify the Herbert A. Wagner Generating Station in Anne Arundel County, Maryland – Case No. 9083

Constellation Power Source Generation, Inc. (Constellation) filed an application to modify the Herbert A. Wagner Generating Station on November 1, 2006. In the application, Constellation requests authority to modify the facility to install air quality control systems to comply with the recently enacted Maryland Healthy Air Act. Following delegation to the Hearing Examiner Division, a pre-hearing conference was held on November 29, 2006. The Company has pre-filed testimony and further testimony and hearings for cross-examination and hearings are scheduled for the first half of 2007.

36. The Application of Constellation Power Source Generation, Inc. for a Certificate of Public Convenience and Necessity for Authority to Modify the Charles P. Crane Generating Station in Baltimore County, Maryland – Case No. 9084

On November 2, 2006 Mirant Mid-Atlantic, LLC filed a request for a Certificate of Public Convenience and Necessity (CPCN) to modify its Charles P. Crane Generating Station in Baltimore County. The CPCN is for the installation of systems to reduce

emissions of oxides of nitrogen (NO_x) and mercury so as to come into compliance with Maryland's new Healthy Air Act. Following delegation to the Hearing Examiner Division, a pre-hearing conference was held on November 29, 2006 at which a procedural schedule was set, including hearings scheduled in 2007. The matter was pending at year's end.

37. The Application of Mirant Mid-Atlantic, LLC for a Certificate of Public Convenience and Necessity for Authority to Modify the Morgantown Facility in Charles County, Maryland – Case No. 9085

On November 2, 2006 Mirant Mid-Atlantic, LLC filed an application for a Certificate of Public Convenience and Necessity (CPCN) to permit the installation of air pollution control technology, specifically a flue gas desulfurization (FGD) system, at its Morgantown Electric Generating Station in Charles County, Maryland. The FGD system will include a number of associated facilities to include a material handling system, a new dual flue stack, and a new water treatment system; and the purpose of the system is to reduce sulfur dioxide emissions for the existing coal-fired generators. Following delegation to the Hearing Examiner Division, a pre-hearing conference was held on November 21, 2006 and a procedural schedule has been developed leading to hearings in 2007 to adjudicate the application request.

38. The Application of Mirant Chalk Point, LLC for a Certificate of Public Convenience and Necessity for Authority to Modify the Chalk Point Generating Station in Prince George's County, Maryland – Case No. 9086

On November 3, 2006, Mirant Chalk Point, LLC filed an application for a Certificate of Public Convenience and Necessity to modify its Chalk Point Generating Station located in Prince George's County. In the application, the Company requests authorization to modify the facility to install air quality control equipment, specifically a

Flue Gas Desulfurization System, intended to decrease emissions of certain primary air pollutants and enable the Company to comply with the recently enacted Maryland Healthy Air Act.

Following delegation to the Hearing Examiner Division, a pre-hearing conference was held on November 21, 2006, and hearings are scheduled for early 2007.

39. The Application of Mirant Mid-Atlantic, LLC for a Certificate of Public Convenience and Necessity for Authority to Modify the Dickerson Generating Station in Montgomery County, Maryland – Case No. 9087

On November 3, 2006 Mirant Mid-Atlantic, LLC filed an application for a Certificate of Public Convenience and Necessity authorizing the modification of the Dickerson Generating Station in Montgomery County, Maryland. The proposed modification seeks to install air quality control systems to comply with the recently enacted Maryland Healthy Air Act. The Commission delegated this matter to the Hearing Examiner Division to conduct proceedings. A pre-hearing conference was held on November 21, 2006 and the parties agreed on a procedural schedule. Hearings will be held during 2007.

40. The Application of Baltimore Gas and Electric Company for a Qualified Rate Order to Finance Rate Stabilization Costs, and for Related Purposes – Case No. 9089

On November 3, 2006 Baltimore Gas and Electric Company (BGE) filed its Application for a Qualified Rate Order to Finance Stabilization Costs, along with supporting testimony. BGE sought to securitize the sum of its deferred power costs and other qualified rate stabilization costs incurred in connection with BGE's rate stabilization plan. BGE also sought approval for its securitization financing structure and for the issuance of Rate Stabilization Bonds, among other things. The Commission held a

procedural conference on November 16, 2006. Direct and rebuttal testimony was filed in December 2006. The Commission Staff, the Office of People's Counsel and BGE filed briefs on December 21, 2006.

On December 28, 2006 the Commission issued Order Nos. 81181 and 81182. Order No. 81181 approved BGE's application for issuance of a Qualified Rate Order, including approval and authorization of BGE's securitization transaction, the issuance of Rate Stabilization Bonds, and BGE's Rate Stabilization Charges, among other matters. Order No. 81182 approved BGE's issuance to customers of Financing Credits. The Financing Credits result from various savings, including tax savings, resulting from BGE's securitization.

41. The Commission's Investigation into a Residential Electric Rate Stabilization and Market Transition Plan for The Potomac Edison Company d/b/a Allegheny Power – Case No. 9091

By Order No. 81130 issued on November 28, 2006, the Commission instituted Case No. 9091 to investigate opportunities for implementing a rate stabilization and market transition plan for residential customers of The Potomac Edison Company d/b/a Allegheny Power (AP) in order to provide an opportunity for a more gradual transition to market-based rates. Rates for AP residential customers were reduced by seven percent in 1999 and then frozen through December 31, 2008, while the costs of fossil fuels have been rising dramatically since the 1999 rate cap was instituted. Similar to Case Nos. 9052 (BGE) and 9058 (Pepco and Delmarva) in which rate stabilization plans have been investigated for residential customers of the other investor-owned utilities, this

proceeding was instituted for Allegheny Power, which is the only one of these electric utilities whose rate caps have not yet expired.

On December 29, 2006, AP filed an application for a proposed Rate Stabilization Ramp Up Transition Plan that would provide a more gradual transition to market-based rates. The proposed plan provides for surcharges in 2007 and 2008 prior to the expiration of the rate caps, which surcharges will be credited to customer accounts with interest earned to reduce the future bill increases that will occur on January 1, 2009 upon the expiration of the rate caps.

A series of evening hearings for the receipt of public comment have been scheduled for January 2007, and the matter remains pending before the Commission.

42. The Application of Potomac Electric Power Company for Authority to Revise its Rates and Charges for Electric Service and for Certain Rate Design Changes – Case No. 9092

On November 17, 2006, Potomac Electric Power Company (Pepco) filed an application with the Commission for authority to increase its rates and charges for electric service to produce additional annual operating revenues of approximately \$55.7 million. The Commission issued Order No. 81147 on December 11, 2006 suspending the proposed rates, instituting proceedings and requiring Pepco to file an independent audit opinion. A pre-hearing conference is scheduled for January 3, 2007, at which a procedural schedule will be discussed, including setting of hearings.

43. The Application of Delmarva Power and Light Company for Authority to Revise its Rates and Charges for Electric Service and for Certain Rate Design Changes – Case No. 9093

On November 17, 2006, Delmarva Power and Light Company (Delmarva) filed an application with the Commission for authority to increase its rates and charges for electric service to produce additional annual operating revenues of approximately \$20.3 million. The Commission issued Order No. 81147 on December 11, 2006 suspending the proposed rates, instituting proceedings and requiring Delmarva to file an independent audit opinion. A pre-hearing conference is scheduled for January 3, 2007 at which a procedural schedule will be discussed, including setting of hearing dates.

B. Telecommunications

1. The Matter of the Commission's Policies Concerning Presubscribed IntraLATA Toll Dialing – Case No. 8761

This case, which was instituted in 1997, concerns policies regarding presubscribed intraLATA toll dialing, which refers to the ability of a customer to select their carrier of choice for "one-plus" direct dialing of toll calls within their Local Access and Transport Area (LATA).

On March 31, 2006, Verizon Maryland Inc. (Verizon) filed a petition to revise certain restrictions contained in Order No. 73481 issued on May 23, 1997 in this docket, which restrictions prohibited Verizon from marketing its own intraLATA toll services during certain customer calls. Since that time, technological changes have resulted in widespread acceptance of "one plus" dialing and packaged service offerings now combine toll service with local service from various providers (such as wireless, cable, and voice-over-internet). Also, intraLATA toll service has been reclassified to the

competitive "basket" of services by Order No. 80407 issued on November 23, 2005 in Case Nos. 8745, 8918, and 8937.

After consideration of parties' comments, by Order No. 80886 issued on June 29, 2006 the Commission granted the petition to allow Verizon to market its own intraLATA toll services to customers calling its business offices, provided Verizon informs customers of their right to select a different intraLATA toll carrier and provides a list of such carriers upon request.

2. The Complaint of Core Communications, Inc. vs. Verizon Maryland Inc. for Breach of Interconnection Agreement – Case No. 9005

This case, noted in prior Annual Reports, involves a complaint by Core Communications, Inc. against Verizon Maryland Inc. for breach of an interconnection agreement. The Commission, by Order No. 79775 issued on February 3, 2005, ruled that the Hearing Examiner's decision dismissing two of three claims of Core's complaint should be reversed and the claims reinstated.

The case was remanded to the Hearing Examiner Division, and the parties engaged in discovery and other procedures culminating in a hearing on January 9, 2006 to resolve the claims of Core's complaint. Since the close of hearings the parties have filed post-hearing briefs and the case is pending a decision by the Hearing Examiner.

3. The Petition for Arbitration of Interconnection Rates, Terms and Conditions with XO Maryland LLC; New Frontiers Telecommunications, Inc.; Xspedius Management Co. Switched Services, L.L.C. and Xspedius Management Co. of Maryland, L.L.C.; and Core Communications, Inc. Pursuant to 47 U.S.C. Section 252(B) – Case Nos. 9010, 9011, 9012 and 9013

Case No. 9013 is a consolidation of Case Nos. 9010, 9011, 9012 and 9013 regarding petitions for arbitration under the Telecommunications Act of 1996. It began

as a petition for arbitration filed by Verizon Maryland Inc. on July 14, 2004. The procedural history of Case No. 9013, prior to its delegation to the Hearing Examiner Division on January 12, 2005, is noted in the 2005 Annual Report. Following submission of several rounds of testimony and filing of briefs in 2005, the Hearing Examiner issued a Proposed Order of Arbitrator on February 24, 2006. All parties timely appealed the Proposed Order, which appeal was pending before the Commission at the close of 2006.

4. The Complaint of Verizon Maryland Inc. Concerning Customer Winback Charges Imposed by Cavalier Telephone Mid-Atlantic, LLC – Case No. 9022

In this case, noted in the 2004 and 2005 Annual Reports, Verizon Maryland Inc. complained that Cavalier Telephone Mid-Atlantic, LLC was wrongfully imposing customer "winback" and "truck roll" charges on Verizon. "Winback" charges were imposed by Cavalier on Verizon for Cavalier's part in returning Cavalier customers to Verizon. "Truck roll" charges are imposed by Cavalier for service calls to address Verizon's failure to deliver a working telecommunications loop.

Following issuance of a Proposed Order on November 23, 2005, which found for Cavalier on both issues, Verizon timely appealed. On December 12, 2006, the Commission issued Order No. 81153, reversing the Proposed Order on its "winback" charge holding, and sustaining the Proposed Order on its "truck roll" holding.

In early 2007, Verizon filed a Motion for Reconsideration.

5. The Petition of Verizon Maryland Inc. for Consolidated Arbitration of an Amendment to Interconnection Agreements of Various Competitive Local Exchange Carriers and Commercial Mobile Radio Service Providers Pursuant to Section 252 of the Telecommunications Act of 1996 – Case No. 9023

This case, as noted in prior Annual Reports, includes a petition filed by Verizon Maryland Inc. on February 20, 2004 for arbitration of an amendment to interconnection agreements with Competitive Local Exchange Carriers and Commercial Mobile Radio Service Providers in Maryland. The Commission docketed a consolidated proceeding to consider 27 arbitrations for amendments to interconnection agreements involving similar subject matters and issues of law. During 2005, a negotiation period, a status conference on June 6, 2005, and filing of briefs in June and July 2005 occurred, with a panel designated on August 25, 2005 to consider this matter.

A decision resolving the issues presented was issued by the Commission on July 31, 2006 in Order No. 80958. Following issuance of Order No. 80958, various parties have requested clarification or reconsideration.

6. The Complaint of Cavalier Telephone Mid-Atlantic, LLC for Breach of Interconnection Terms by Verizon Maryland Inc. and Request for Immediate Relief Requiring Payment of Access Charges – Case No. 9046

Cavalier Telephone Mid-Atlantic (Cavalier) filed its complaint for breach of interconnection terms by Verizon Maryland Inc. (Verizon) on September 9, 2005. Following the response by Verizon, the Commission delegated this matter to the Hearing Examiner Division on October 12, 2005.

After pre-filing of testimony in early 2006, on April 14, 2006, the Hearing Examiner suspended the procedural schedule in Case No. 9046 at the request of the parties, who wished to pursue arbitration of issues similar to those in Case No. 9046 in

another state. On September 7, 2006, Cavalier moved to reactivate Case No. 9046, resume discovery and supplement existing testimony with information obtained in arbitration. A hearing on the discovery issue was held on October 12, 2006. On October 27, 2006, the Hearing Examiner issued a ruling permitting limited discovery to continue. The case remained open at the end of 2006.

7. The Formal Complaint of New Frontiers Telecommunications, Inc. vs. Verizon Maryland Inc. – Case No. 9067

On April 28, 2006, New Frontiers Telecommunications, Inc. (New Frontiers) filed with the Commission a complaint against Verizon Maryland Inc. (Verizon) concerning the parties' Interconnection Agreement. This matter was designated to a Commission panel on June 7, 2006, and a pre-hearing conference was held on August 10, 2006. A Notice of Procedural Schedule was issued on August 17, 2006 setting forth dates for the submission of testimony and dates for hearings. On December 7, 2006 the Commission issued Order No. 81145 appointing a mediator from the Hearing Examiner Division. On December 19, 2006 the Commission issued Order No. 81166 suspending the hearings scheduled in the proceedings so that parties could devote their efforts to the mediation. The matter remains pending.

8. The Request of Verizon Maryland Inc. to Reclassify Certain Retail Bundled Services to the Competitive Services Basket as Provided by the Commission's Price Cap Plan – Case No. 9072

On April 26, 2006, Verizon Maryland Inc. filed an application to reclassify certain bundled service offerings as competitive services, which proposed reclassification would allow Verizon greater flexibility to adjust rates for the bundled services in response to market conditions. The bundled services involve local exchange service "bundled" with

other services as a package, while the individual services offered on a stand-alone basis (such as unbundled local exchange service) would not be reclassified.

Following delegation to the Hearing Examiner Division on August 16, 2006, a pre-hearing conference was held on September 12, 2006. Testimony has been pre-filed by the parties, and hearings are scheduled in February 2007.

9. The Matter of Verizon Maryland Inc.'s Transmittal No. 1412 Proposing to Revise Directory Assistance Service Charges – Case No. 9080

On September 12, 2006 Verizon Maryland Inc. (Verizon) filed Transmittal No. 1412 with the Commission proposing to increase the directory assistance service (DA) charge from \$0.75 to \$0.95. On October 11, 2006 the Commission issued Order No. 81072 suspending the proposed rates and delegating the matter to the Hearing Examiner Division for further proceedings. The Hearing Examiner issued a Proposed Order on November 9, 2006 approving the increase in DA calls from \$0.75 to \$0.95 per call. The Proposed Order became final as Commission Order No. 81114 on November 17, 2006. On November 17, 2006 the Office of People's Counsel filed a Notice of Appeal of the Proposed Order of Hearing Examiner and a Motion to File Out of Time. Verizon on November 20, 2006 filed an Opposition to Motion to File Out-of-Time.

10. In the Matter of Verizon Maryland Inc.'s Transmittal No. 1420 Proposing to Increase Rates for the IntraLATA Toll Component of the Regional Essentials and Regional Value Packages – Case No. 9090

On November 8, 2006, Verizon Maryland Inc. filed a tariff to increase the monthly rates for the intraLATA toll component of two bundled services, contending that reclassification of intraLATA Toll as a Competitive Service in 2005 provides authority to

re-price this component according to the marketplace even when it is part of a bundled service.

After initial Staff review and discussion at an Administrative Meeting, by Order No. 81124 entered on November 22, 2006 the proposed rates were suspended and the matter delegated to the Hearing Examiner Division for prompt proceedings. The parties involved, Verizon, Staff, and the Office of People's Counsel (OPC) agreed that the issues presented may be resolved upon legal briefs, and no hearing was necessary.

After filing of expeditious legal briefs, a Proposed Order was issued on December 21, 2006 finding that the bundled services were designated as Basket 4 Discretionary Services and subject to the Basket 4 pricing rules, despite the fact that a single component of the bundled services involves an offering that would be a competitive service and therefore within Basket 5 competitive pricing on a stand-alone basis. Therefore, the Proposed Order denied the Company proposal to increase the monthly rates for the intraLATA Toll component of the bundled services, while further noting the appropriate classification of various bundled services are to be determined in pending Case No. 9072. In early 2007, Verizon noted an appeal of the Proposed Order.

11. The Complaint of Verizon Maryland Inc. for Breach of Interconnection Agreement Against Cavalier Telephone Mid-Atlantic, LLC – Case No. 9094

On November 22, 2006, Verizon Maryland Inc. filed this complaint against Cavalier for breach of the parties' interconnection agreement. On December 14, 2006, the Commission directed Cavalier to satisfy or answer Verizon's complaint and also delegated the complaint to the Hearing Examiner Division. Cavalier's response to the Commission's December 14, 2006 satisfy or answer requirement was scheduled for very

early in 2007. The case has also been consolidated with Case No. 9046, a similar matter between the two parties.

Other Cases and Decisions

1. The Petition of Allegany County, Maryland for the Commission to Set Rates for Water Supplied by the City of Frostburg Within Allegany County – Case No. 9040

As noted in the 2005 Annual Report, Allegany County, Maryland filed a petition with the Commission in June 2005 requesting the Commission exercise its jurisdiction to set inter-jurisdictional water rates for water supplied by the City of Frostburg within and to the County. Evidentiary hearings were held on January 13 and 17, 2006 and an evening hearing for public comment was held on January 23, 2006.

A Proposed Order of Hearing Examiner was issued on May 1, 2006 setting a cost allocation methodology and adopting a total revenue requirement of \$1,768,359. The Proposed Order became final as Commission Order No. 80831 on June 1, 2006. On September 27, 2006 the City of Frostburg filed a compliance filing with the Commission. Allegany County, on December 1, 2006, filed comments asserting that the City's compliance filing fails to comply with the Commission's Order. Parties have been directed to respond and this matter will be considered early in 2007.

2. The Matter of the Application of Taxicab Permit Holders of Cumberland, Maryland to Increase Rates for Taxicab Service – Case No. 9061

On April 13, 2006, GML Transportation filed an application for authority to increase rates for Cumberland Taxicab Permit Holders. Following suspension of the proposed increase and delegation to the Hearing Examiner Division, an evening hearing was held on July 6, 2006 for the purpose of receiving public input.

At the evening hearing the parties introduced a Stipulation and Settlement Agreement (Settlement) and a Joint Petition of the Parties in Support of Agreement of Stipulation and Settlement. According to the Settlement, the parties agreed that the initial drop rate for taxicab service would increase from \$1.25 to \$1.50 and the charge for each subsequent 1/9 mile from \$0.10 to \$0.15. The Settlement also contains a fuel adjustment mechanism that allows rates to be adjusted if there is a change in the cost of fuel that exceeds 20 percent. The Hearing Examiner issued a Proposed Order on July 14, 2006 accepting the Settlement, which became final as Commission Order No. 80945 on July 22, 2006.

3. The Application of Rawlings Heights Water Company for Authority to Increase Rates and Charges for Water Services – Case No. 9070

On July 26, 2006 the Staff of the Commission filed with the Commission, pursuant to the guidelines for an optional procedural water company rate case, revised tariff pages and a form settlement requesting an increase in rates of \$33,415 for water services by Rawlings Heights Water Company. Following suspension of the proposed rates and delegation to the Hearing Examiner Division, an evening hearing for public comment and an evidentiary hearing were held on August 21, 2006 in Rawlings, Maryland. The Hearing Examiner issued a Proposed Order on August 23, 2006 accepting the Agreement and Stipulation, which became final as Commission Order No. 81025 on August 31, 2006.

REPORT OF THE OFFICE OF GENERAL COUNSEL

The Office of General Counsel provides legal advice and assistance to the Commission, represents the Commission in external administrative proceedings, defends Commission orders in court and initiates and defends other legal actions on the Commission's behalf. In addition, the General Counsel's Office maintains continued involvement in the Commission's enforcement activities involving carriers allegedly operating without Commission authority, as well as utilities delinquent in filing their annual reports. The Office also coordinates the enforcement of autodialer complaints. Annually, a variety of requests for information are fulfilled involving issues such as: cross-subsidization between a utility's regulated and non-regulated activities; privacy concerns; various telephone services; bankruptcy; universal service; and electric restructuring. The Office also reviews legal issues involving the Environmental Trust Fund, and implementation issues concerning the Telecommunications Act of 1996, as well as implementation issues regarding the Commission's oversight of the Standard Offer Service bidding process.

In its ongoing role as the Commission's Legislative Liaison, the General Counsel's office drafts the Commission's legislative initiatives. Further, the Office of General Counsel monitors and furnishes testimony to the General Assembly on legislation affecting the Commission. Summaries of the cases in litigation during 2005-2006 are listed below:

Summary of Litigation

Eric Tribbey, Russell W. Bounds, and Troy Gnegy v. PSC, *Circuit Court for Baltimore City, Civil Action No. 24-C-03-006366//AA* and Paul C. Sprenger v. PSC, *Circuit Court for Baltimore City, Civil Action No. 24-C-03-006325//AA*.

On March 31, 2004, the Circuit Court for Baltimore City granted the Commission's Motions to Dismiss Petitions for Judicial Review filed by Eric Tribbey and others concerning the Commission's denial of their petitions for rehearing relating to Commission Order No. 78354 (In the Matter of the Application of Clipper Windpower, Inc. for a Certificate of Public Convenience and Necessity to Construct a 101 MW Generating Facility in Garrett County, Maryland) (Commission Case No. 8938).

An appeal of the Circuit Court decision was taken by Mr. Tribbey to the Court of Special Appeals. In an order issued July 17, 2005, the Court of Special Appeals reversed the Circuit Court and remanded the matter to the Commission. The Court's mandate in the case issued on December 15, 2005. The Commission filed a Petition for a Writ of Certiorari in the Court of Appeals in this matter. The Court of Appeals granted the Commission's petition, and set a briefing schedule. Oral argument was heard on June 5, 2006. The Court's decision in the case remains pending.

Paul C. Sprenger, et al v. PSC, *Garrett County Circuit Court, Civil Action No. 11-C-05-008898 DJ*

The Sprenger versus PSC Garrett County case was a second case filed in opposition to the Clipper windpower project. This case, filed under PUCA § 3-201, sought a declaratory judgment against the Commission's order approving the Clipper facility.

On motion of the Commission, the Circuit Court action was dismissed. Sprenger et al have noted an appeal of the Circuit Court dismissal in the Court of Special Appeals.

Briefs were filed by all parties in the case and oral argument was heard in the Court of Special Appeals on September 5, 2006. On November 1, 2006, the Court issued a decision and order affirming the decision of the Garrett County Circuit Court. Appellants petitioned the Court of Appeals for a Writ of Certiorari.

The writ was granted. Briefs are due February 19 and March 21, 2007 respectively by appellants and the Commission. Oral argument is tentatively scheduled for May 2007.

D. Daniel Boone v. PSC, Baltimore City Circuit Court Case No. 24-C-05-006833

D. Daniel Boone filed a petition for judicial review in the Circuit Court for Baltimore City of the Commission's June 24, 2005 ruling that Clipper Windpower's proposed modifications to the Clipper Facility were in compliance with the Commission's order and conditions in Order No. 78354. On motion of the Commission, the Circuit Court dismissed the petition for judicial review on December 20, 2005. A subsequent motion, filed by Petitioner Boone, to alter or amend judgment and a motion to revise, was denied. Mr. Boone filed an appeal from the Baltimore City Circuit Court decision. Briefs by all parties were filed, and oral argument was heard in the Court of Special Appeals on November 3, 2006. A decision by the Court remains pending.

Lawrence Law, et al. v. PSC, Circuit Court for Baltimore City, Civil Case No. 24-C-05-009504 // AA.

On October 24, 2005, Lawrence Law, Paul Jednorski, and the Bowerman-Loreley Beach Community Association, Inc., jointly filed a petition for judicial review of the Commission Order No. 80311 issued in Case No. 8889, *In the Matter of the Applications of ZAPCO Development Corporation [Now Eastern Landfill Gas, LLC] for a Certificate*

of Public Convenience and Necessity to Construct a 4.2 MW [Now 4.0 MW] Electricity Generating Facility at the Eastern Sanitary Landfill in Baltimore County, Maryland. On July 19, 2005, a Proposed Order of Hearing Examiner granting the requested CPCN was issued, subject to certain conditions. The Petitioners, all of whom were non-parties to the underlying proceeding, sought to appeal the proposed order. Order No. 80311 dismissed their appeal for lack of standing, and affirmed the proposed order. The Petitioners then filed the instant Petition for Judicial Review. On November 30, 2005, the Commission filed its response and a Motion to Dismiss. By Order dated December 23, 2005, and issued on January 5, 2006, the Circuit Court for Baltimore City granted the Commission's motion and dismissed the Petition for Judicial Review.

Petition of the Mayor and City Council of Baltimore for Judicial Review of the Decision of the Maryland Public Service Commission in the Matter of the Commission's Investigation Into a Residential Electric Rate Stabilization and Market Transition Plan for Baltimore Gas and Electric Company – Case No. 9052, Baltimore City Circuit Court, Case No. 24-06-001642.

On April 28, 2006, the Commission entered Order No. 80764 in Case No. 9052 adopting a residential electric rate stabilization and market mitigation plan for residential customers of Baltimore Gas and Electric Company (BGE). (Order No 80764 amended the Company's rate stabilization plan approved by the Commission by Order No. 80638, issued on March 6, 2006).

The Mayor and City Council of Baltimore (the City), as intervenors in the case before the Commission filed a petition for judicial review. The protested the Commission's decision as an arbitrary approval of a 72 percent increase in BGE's residential electricity rates, questioning the evidentiary basis of the Commission's decision and regulatory due process.

The Circuit Court conducted proceedings in the matter on an expedited basis; first – at the City’s request, staying the implementation of Order No. 80764 and enjoining BGE and the Commission from communicating the contents of the rate stabilization plan to customers. The Commission and BGE both filed appeals of the Circuit Court’s injunction order in the Court of Special Appeals. The appeals court denied the request for relief from the injunction, directing that we first seek relief from the Circuit Court to publish and if denied, leave was given to renew the appeal.

Without further delay, oral argument was taken in the Circuit Court on May 30, 2006. The Circuit Court issued an order forthwith reversing and vacating Order No. 80764. By operation of law, Order No. 80638, entered by the Commission on March 6, 2006 became effective, no appeal having been filed. Ultimately the issue of BGE’s residential rate stabilization plan and market rate mitigation plan was determined by legislative action through Senate Bill No. 1, Special Session 2006.

Petition of Maryland Industrial Group et al. v. BGE – for Judicial Review of the Decision of the Maryland Public Service Commission in the Matter of the Application of Baltimore Gas and Electric Company for Revision of its Gas Rates – Case No. 9036, *Baltimore City Circuit Court, Case No. 24-06-001642.*

Maryland Industrial Group (MIG), Maryland Office of People’s Counsel (OPC) and ISG Sparrows Point, LLC (ISG) all filed petitions for judicial review of the Commission’s December 21, 2005 gas rate order in Case No. 9036. MIG and OPC challenged the Commission’s decision to use BGE’s actual capital structure – which reflected no short term debt – for purposes of determining the Company’s authorized rate of return. OPC also opposed the methodology used by the Commission in determining the Company’s overall rate of return and challenged the allocation of the full cost of BGE’s incentive compensation expense to ratepayers. ISG challenged the Commission’s

acceptance of BGE's allocation of a portion of general distribution mains to ISG as well as cost associated with the Company's propane peaking facility.

Following the submission of memoranda, answering memoranda and other pleadings, the matter was heard by the Court on December 13, 2006. The Commission's order was affirmed by the Court in its entirety, in a written decision issued December 26, 2006. ISG, OPC and MIG have each noted separate appeals to the Court of Special Appeals in this matter.

Chevy Chase Cars, Inc. vs. Maryland Public Service Commission; Circuit Court for Baltimore City, Case No. 24-C-06-005901AA

On July 19, 2006, Chevy Chase Cars, Inc., filed a Petition for Judicial Review of Commission Order Nos. 80757 and 80937 in Case No. 9025. In that case the Commission approved the request of Potomac Electric Power Company (Pepco) to bill Chevy Chase retroactively for up to three years of electricity undercharges. On November 16, 2006, Chevy Chase filed its Memorandum with the Court. The Commission filed an Answering Memorandum on December 14, 2006, and Pepco filed its Answering Memorandum on December 18, 2006. The matter was heard by the Court on January 25, 2007. The Commission's decision was affirmed in a written opinion issued by the Court in February 2007.

Commission Decisions Relating to Consumer Disputes with Utilities

The Commission enters its appearance and participates in all actions that are instituted to obtain judicial review of decisions which are rendered by the Commission on appeal from rulings of its Office of External Relations or Proposed Orders of Hearing

Examiner relating to consumer disputes with public utilities and suppliers of gas or electricity.

In the Matter of John S. Breen; Case No. 06-C-06-046390; Circuit Court for Carroll County.

On September 25, 2006, John S. Breen filed a Petition for Judicial Review of Commission letter orders issued July 31, 2006, and August 25, 2006, concerning his billing dispute with Baltimore Gas and Electric Company (BGE) and alleged violations of regulations regarding a termination notice. In those letter orders the Commission affirmed the decision of its Office of External Relations that Mr. Breen is indebted to BGE for a past due bill. On October 12, 2006, the Commission filed its Response and BGE filed its Response with the Court on November 2, 2006. The Commission filed the Record of Proceedings with the Court on November 2, 2006, and the Court issued its Notice of the filing on November 6, 2006. On December 26, 2006, the Commission filed a Motion to Dismiss citing the fact that the Petitioner had not timely filed a Memorandum in support of his petition and also citing prejudice to the Commission. Mr. Breen filed his Memorandum with the Court on January 19, 2007. The Court denied the Commission's Motion on January 24, 2007, extended the deadlines for filing pleadings and cancelled the previously scheduled hearing date.

Debra J. McClain v. PSC, Circuit Court for Frederick County, Civil Case No. 10-C-04-001798 // AA.

This case was referenced in the Commission's 2005 annual report. It involves a petition filed on August 4, 2004 by Ms. McClain, seeking judicial review of the Commission's July 9, 2004 decision to dismiss her complaint against Allegheny Power. On January 10, 2006, the Clerk of the Court issued a notice that this proceeding will be

dismissed for lack of jurisdiction or prosecution without prejudice 30 days after service of the notice. No party filed a motion to defer dismissal and this matter has been dismissed.

***Carpenter's Point Water Co. v. PSC, Circuit Court for Cecil County,
Civil Action No. 07-C-04-00407 AA.***

This case was referenced in the Commission's 2005 annual report. It involves a petition filed by Carpenter's Point seeking judicial review of a Commission decision issued on November 8, 2004, which ordered the Company to restore water service to Mary Gifford without requiring her to pay accumulated quarterly fees for the 6-year period that she was not a Carpenter's Point water customer. Nothing has happened in this case since both the Commission and the Office of People's Counsel (representing Ms. Gifford) filed responses to the petition, and the Commission filed the administrative record with the Circuit Court on February 7, 2005. Nothing was filed in this case after both the Commission and the Office of People's Counsel (representing Ms. Gifford) filed responses to the petition and the Commission filed the administrative record with the Circuit Court on February 7, 2005; and the Clerk issued a notice of contemplated dismissal on 2/22/06. The Petitioner filed a motion to defer dismissal on 3/24/06 (which motion the Commission timely opposed); the Petitioner filed a memorandum on appeal on about 4/12/06; the Court granted the motion to defer on 4/20/06; the Commission (and OPC) filed answering memoranda on 5/12/06; and the Petitioner did not file a reply memorandum. To date, this matter has not been set for hearing.

Proceedings Before the Federal Communications Commission and the Federal Energy Regulatory Commission

The Office of General Counsel participates in and monitors various proceedings conducted by the Federal Communications Commission as they pertain to wireline telecommunications issues. The Office of General Counsel also participates in and monitors proceedings at the Federal Energy Regulatory Commission (FERC) addressing matters relating to wholesale transmission and energy providers in general, and matters pertaining to PJM Interconnection in particular.

Following is a list of some of the proceedings before FERC which the Office of General Counsel has monitored and/or actively participated in on behalf of the Commission:

FERC PROCEEDINGS NOT ARISING UNDER ENERGY POLICIES ACT OF 2005

ELECTRIC SIDE

- 1. *BGE and PHI Holdings, Inc., Docket ER05-515.*** The Commission's 2005 annual report referred to this proceeding, which involved the application of BGE and PHI Holdings to adopt formulary rates for transmission service. Several conferences were conducted during 2005 and 2006 under FERC's settlement judge procedures. Ultimately, the parties reached an uncontested settlement, which FERC approved on 4/19/06.
- 2. *PJM Interconnection, LLC, Docket ER05-513.*** The Commission's 2005 annual report referenced this case, which involved the 1/31/05 filing made by PJM transmission owners to address recovery of costs associated with new transmission investment made under PJM's RTEP. On 5/31/05, FERC issued its order in this case; and on 5/8/06, FERC issued an order that clarified its May 2005 order, but denied rehearing.
- 3. *PJM Interconnection, LLC, Dockets EL03-236 and EL04-121.*** References to consolidated Dockets EL03-236 and EL04-121 were made in prior Commission annual reports; Docket EL03-236 involved the rules employed by PJM to mitigate local market power in transmission-constrained load pockets and Docket EL04-121 involved local power mitigation in the new PJM region. After several conferences were conducted, an offer of settlement was filed on 11/16/05, and the presiding Administrative Law Judge ("ALJ") certified it to FERC on 12/20/05. By letter order dated 1/27/06, FERC accepted the OATT and OA changes proposed by the offer of settlement as being in the public interest, stating that "the

Commission's approval of the settlement agreement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding."

4. ***Accounting and Financial Reporting for Public Utilities, RM04-12. Accounting and Financial Reporting for Public Utilities, RM-04-12.*** The Commission's annual reports for 2004 and 2005 referred to this proceeding, which was initiated by FERC's 9/16/04 Notice of Inquiry ("NOI") seeking comments on its accounting and financial reporting requirements for independent system operators (ISOs) and regional transmission organizations (RTOs). After receiving comments, FERC issued a Notice of Proposed Rulemaking ("NOPR") on 6/2/05. After receiving comments on the NOPR, FERC adopted final rules by Order 668 issued 12/15/05; and on request by certain parties, FERC postponed implementation to 4/1/06. On 4/20/06, FERC issued Order 668-A denying rehearing of Order 668; and on 10/19/06, FERC issued an order denying rehearing of Order 668-A.
5. ***PJM Interconnection, LLC, Docket EL05-121.*** The Commission's 2005 annual report referred to this proceeding, which was instituted to address whether PJM's existing transmission rate design remains just and reasonable in light of the PJM's expansion; and if not, to determine what rate design would be just and reasonable. Several parties maintained that the current rate design should be retained, while several other parties disagreed and proposed other rate designs for PJM. An evidentiary proceeding was conducted; and on 7/13/06, the presiding ALJ issued an initial decision, finding that the license plate rate design for existing facilities was unjust and unreasonable and should be replaced with a phased-in postage stamp rate design, and that PJM's current cost allocation approach for new facilities had not been shown to be unjust or unreasonable and should be retained. Several parties filed exceptions to the ALJ's decision and the matter is pending before FERC.
6. ***PJM Interconnection, LLC, Docket ER05-1181.*** The Commission's 2005 annual report referred to this proceeding, which involved PJM's 7/1/05 application to change its cost-based formula for administrative charges to a fixed, stated rate. PJM also filed revisions to operating agreement regarding the provision of information by PJM to PJM's Finance Committee and the advisory role of the Finance Committee. Several parties filed protests and ultimately the matter was assigned to a FERC settlement judge; a formal settlement was filed with FERC on 4/24/06; and FERC approved the settlement on 5/31/06.
7. ***Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, LLC, Docket EL02-111; Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, LLC, Docket ER05-6; Midwest Independent Transmission System Operator, Inc., et. al., Docket EL04-135.*** Prior annual reports of the Commission have referenced these cases. Essentially, FERC ordered the elimination of border rates between PJM and the Midwest ISO ("MISO") and initiated these proceedings in 2002; and these SECA (or seams elimination cost adjustment) dockets concern the manner in which transmission owners should recover the stream of revenue lost by FERC's elimination of border rates. Parties attempted to avoid the imposition of SECAs by trying to reach agreement on an appropriate regional rate design for the combined region to replace border rates going forward, but these efforts at settlement were unsuccessful. Evidentiary hearings were held in these dockets in 2005 and 2006; and an initial decision by FERC's ALJ was issued on 8/10/06. Several parties filed briefs on exception before FERC and the matter is pending. It should be noted that several settlements have been achieved and approved by FERC regarding SECA disputes between specific parties in PJM and MISO.

8. ***PJM Interconnection, LLC, Docket Nos. EL05-148 and ER05-1410.*** The Commission's 2005 annual report refers to this proceeding. It involves the complaint filed by PJM on 8/31/05, seeking to replace PJM's current installed capacity construct ("ICAP") with PJM's proposed Reliability Pricing Model ("RPM"). Ultimately, the matter was delegated to a settlement judge, several meetings were conducted, and a contested settlement was achieved. The contested RPM settlement was filed with FERC on 9/29/06; and on 12/22/06, FERC issued an order that conditionally approved the contested RPM settlement. This matter remains pending.
9. ***PJM Interconnection, LLC, Docket Nos. ER06-456, ER06-954; ER06-1271 and PJM Transmission Owners, LLC, ER06-880.*** These consolidated dockets concern the reports filed with FERC on 1/5/06, 5/9/06, and 7/21/06 regarding the allocations of cost responsibilities for certain transmission upgrades approved by PJM Board of Managers as part of PJM's Regional Transmission Expansion Planning ("RTEP") process, as well as a tariff filing by PJM transmission owners to provide for the allocation of costs to merchant transmission owners. Settlement judge proceedings were instituted in an attempt to resolve the cost allocation issues, but failed. An evidentiary hearing is being conducted.
10. ***PJM Interconnection, LLC, Docket No. ER06-406-000.*** On 12/28/05, PJM made a filing to make economic demand response a permanent feature of PJM energy market; setting forth rules under which demand response may provide spinning reserves and regulation service; and enhancing the PJM emergency load response program. PJM stated that its stakeholders overwhelmingly support the filing. Protests were filed. On 2/24/06, FERC issued an Order Accepting and Suspending Filing and Establishing Settlement Judge and Hearing Procedures. Ultimately, a settlement was reached and filed on 5/30/06; and only one party opposed the settlement. On 9/8/06, FERC approved the contested settlement.
11. ***American Electric Power Service Corp, EL06-50.*** On 1/31/06, AEP filed with FERC a Petition for Declaratory Order Requesting Incentive Rate Treatment for 765 kV Transmission Project, in connection with the transmission line project proposal that was made to PJM on 1/31/06. On 7/20/06, FERC issued an order conditionally approving proposed incentive rates; and a request for rehearing was filed.
12. ***FPL Group, Inc and Constellation Energy Group, Inc., Docket No. EC06-77.*** On 2/9/06, FPL and Constellation filed an application under § 203 of the Federal Power Act for authorization of a consolidation of jurisdictional facilities in which the applicants will merge through an all-stock transaction. On 7/21/06, FERC issued an order extending the time for FERC to issue order on merger to February 2, 2007. On 10/26/06, FPL and Constellation filed a notice of withdrawal of their merger application, stating that they had entered an agreement on 10/24/06 to terminate the merger.
13. ***Atlantic City Electric Co., et al. v. PJM, Docket EL06-55-000.*** This proceeding involves a complaint filed on 3/2/06 by PHI Holding companies to require PJM to implement charges reflecting marginal losses of generation transmitted over long distances. On 5/1/06, FERC issued an order directing PJM to comply with its existing tariff provision requiring implementation of such charges when technically feasible. On 11/6/06, FERC issued an order that denied rehearing of the 5/1/06 order, and also accepted a compliance filing by PJM proposing an 100 percent allocation of marginal loss revenues based upon load share. No rehearing requests were filed.

- 14. Allegheny Energy, Inc., et al., Docket EL06-54-000.** This proceeding involves a Petition for Declaratory Order filed on 2/28/06 by Allegheny Energy to confirm availability of incentive rate treatment for the 500 KV transmission project proposed thereby (and ultimately accepted by PJM under its RTEP). On 7/20/06, FERC granted the requested incentives; and a petition for rehearing was filed.
- 15. PJM Interconnection, Docket ER06-826-000 and -001.** This case involves a PJM filing regarding its market-monitoring unit, which was opposed by various parties. On 7/14/06, FERC issued an order accepting PJM's filing; and various parties filed rehearing requests. On 12/5/06, FERC issued an Order denying all of the rehearing requests that had been filed, but stated its intention to initiate a review of its MMU policies more broadly by conducting a FERC technical conference currently planned for early next year.
- 16. Allegheny Energy Supply Co, LLC, ER06-801-000.** On 5/22/06, FERC issued an order granting authorization for Allegheny Energy Supply to sell to affiliate Potomac Edison pursuant to Maryland's standard offer service procurement process.
- 17. Conectiv Energy Supply, Inc., ER06-839-000.** On 5/22/06, FERC issued an order granting authorization for Conectiv to sell to affiliate DPL pursuant to Maryland's standard offer service procurement process.
- 18. Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, LLC, Docket ER04-375; Wisconsin Public Service Corporation et al. v. MISO and PJM, Dockets EL06-20, EL06-49, EL06-97.** The Commission's annual reports for 2004 and 2005 referenced Dockets ER04-375 and EL06-20. Docket ER04-375 was instituted to examine the Joint Operating Agreement proposed by MISO and PJM to enhance their combined operational reliability, to administer a joint and common market, and to facilitate the present and future integration of utilities into the PJM markets and into the operation of both RTOs. (FERC accepted the Joint Operating Agreement; and on 10/28/04, FERC denied rehearing of its decision, while granting clarification that PJM and MISO still are obliged to create a joint and common market.) Docket EL06-20 involved a complaint filed by Wisconsin parties against PJM and MISO, arising from the status report filed on 10/31/05 in ER04-375, which indicated that they are no longer planning to establish a joint and common market because most of the economies have been achieved without taking this expensive step. Docket EL06-49 involved a complaint filed by the same parties on 1/30/06, which took issue (for the same reasons) with the joint PJM/MISO report filed on 12/30/06, and requested the proceeding to be consolidated with EL06-20 and ER04-376. On 3/16/06, FERC issued an Order which dismissed these complaints pending the completion of a PJM/MISO cost/benefit study, denied protest, and accepted informational filing; and on 5/15/06, FERC issued an order granting clarification but denying rehearing of its 3/16/06 order. Docket EL06-97 involves another complaint was filed on 8/16/06 against PJM and MISO seeking prompt institution of joint unit commitment and dispatch of PJM and MISO systems as part of their obligation to create a functional joint and common market ("JCM") encompassing the entire PJM/MISO footprint. It was filed in response to a 6/28/06 joint PJM/MISO report proposing to postpone indefinitely Joint System Dispatch and certain other initiatives. (The PJM/MISO report indicated, *inter alia*, that they had performed the comprehensive production cost analysis as promised and observed that the implementation of marginal losses in PJM, among other initiatives, is expected to increase the convergence of the two markets and achieve a significant portion of savings.) The Docket EL06-97 complaint is pending.

- 19. *PJM Interconnection, Docket No. ER06-1218.*** On 7/3/06 PJM filed revisions to its tariff to incorporate long-term financial transmission rights (“LFTRs”); and on 8/28/06, PJM made a filing with FERC in which PJM maintained that its long-term FTR filing comports with FERC new rules adopted in *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Docket RM06-8. Protests have been filed and the matter is pending. On 11/22/06, FERC issued an order accepting PJM’s LFTR proposal with modifications. Motions for rehearing or clarification have been filed by various parties, including PJM; and the matter is pending.
- 20. *PJM Interconnection, Docket No. ER06-1474.*** On 9/8/06, PJM filed with FERC proposed revised protocols for its Regional Transmission Expansion Planning (“RTEP”) protocol, which seeks to enhance economic planning and integrate the planning of transmission for market efficiency with PJM’s transmission planning to maintain system reliability. On 11/21/06, FERC issued an order conditionally accepting PJM’s proposed changes; and various parties filed for rehearing. The matter is pending.
- 21. *Midwest Independent Transmission System Operator, ER05-6-044, etc.*** Since they could not agree on one approach, separate competing filings were made by PJM and MISO in the various SECA dockets to address the allocation of costs of new cross border facilities in PJM and MISO. On 9/21/06, FERC issued an order directing its Staff to convene a technical conference to address the issues involved and report to FERC on information developed at the conference. The technical conference was held on 12/5/06. The matter is pending.
- 22. *Standards for Business Practices for Interstate Natural Gas Pipelines & Standards for Business Practices for Public Utilities, Docket Nos. RM05-5-001, RM96-1-027; PJM Interconnection, EL07-3-000.*** On 4/25/06, in Docket RM05-5-000, FERC issued final rule (order 676) to incorporate by reference certain standards promulgated by the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB) establishing a set of business practice standards and communication protocols for the electric industry, to replace with modifications FERC’s existing regulations pertaining to Open Access Same-Time Information System (OASIS) standards, communication protocols, and business practices. By Order No. 676-A issued on 9/21/06, FERC denied rehearing. On 10/19/06, FERC stated its intention to issue a NOPR to amend its regulations governing standards for business practices and electronic communications with interstate gas pipelines and public utilities to establish communication protocols between pipelines and power plant operators and transmission owners and operators. This NOPR was issued on 10/25/06. FERC also instituted separate proceedings for PJM (and other regional transmission organizations or independent system operators), to provide stakeholders with forums in which to examine whether scheduling and compensation mechanisms need to be revised to ensure that gas-fired generators can obtain gas when the gas-fired generation is necessary for reliability and that they are compensated appropriately when volatility in gas prices creates difficulty in recovering gas costs. These matters are pending.
- 23. *Critical Energy Infrastructure Information, Docket No. RM06-24.*** On 9/21/06, FERC issued a final rule amending its regulations for gaining access to Critical Energy Infrastructure Information (CEII). According to FERC, the definition of CEII is being clarified to exclude information that the FERC never intended to be deemed as containing CEII and procedural changes are being made based upon 3 years’ experience to simplify the procedures without increasing vulnerability of the energy infrastructure. FERC denied rehearing by order issued on 11/22/06.

- 24. Critical Energy Infrastructure Information, Docket No. RM06-23.** On 9/21/06, FERC issued a NOPR proposing to make additional changes to its CEII regulations. Comments have been filed and the matter is pending.
- 25. PJM Interconnection ER06-199, ER06-499.** On 11/10/05, PJM made a filing to comply with FERC's final rules in *Standardization of Small Interconnection Agreements and Procedures*, Docket No. RM02-12, FERC Order 2006 (issued 5/12/05) and requesting authority to implement proposed modifications. On 7/7/06, FERC accepted PJM's filing in part subject to revision and rejected in part PJM's proposed modifications effective 8/12/05. PJM made its compliance filing under FERC's 7/7/06 order on 8/7/06, and filed an erratum to that filing on 8/31/06. No adverse comments or protests were filed; and on 10/31/06, FERC accepted PJM's filing.
- 26. PJM Interconnection and Allegheny Power, Docket RT01-98-001 and RT01-98-009.** The underlying docket in this case involved the 3/15/01 joint application to FERC in connection with the expansion of PJM's boundaries to include PJM West, which application was approved by FERC on July 12, 2001. FERC failed to address one of the issues raised in a rehearing request filed in connection with that order. By order issued on 9/18/06, FERC granted rehearing and set in for hearing and settlement judge proceedings the limited issue of establishing a just and reasonable border rate for PJM transmission service (provided via Allegheny's facilities) from the Richard H. Gorsuch Generation Station for a locked-in period of time. A request for rehearing of FERC's 9/18/06 order is pending, as are the settlement judge proceedings.

GAS SIDE

- 1. Texas Eastern Transmission, LP, Docket CP05-392.** This proceeding involved an application for authority to enhance storage facilities located in Accident, Maryland (Garrett County). FERC granted the application on 2/22/06 and allowed commencement of construction by letter dated 4/14/06.
- 2. Dominion Cove Point LNG, LP, Dockets CP05-130 & CP05-132 and Dominion Transmission, Inc., Docket No. CP05-131.** The Commission's 2005 annual report referenced these dockets. Docket CP05-130 involves application by Dominion Cove Point seeking authority to expand facilities at the liquefied natural gas "LNG" terminal at Cove Point, MD. Docket CP05-131-000 is an application by Dominion Transmission requesting authority to expand the capacity of its natural gas pipeline in the states of PA, NY, VA and WV. On June 16, 2006, FERC issued orders granting the applications and ruling that the evidence indicated that LNG played a minimal part in problems with gas leaks experienced by Washington Gas in Maryland. The PSC concluded that it was premature for FERC to grant Dominion's expansion request until the leak issues are conclusively resolved. Petitions for rehearing or clarification were filed. The FERC on January 4, 2007, denied rehearing on various issues, including the impact of LNG upon the leaks.⁵

⁵ Washington Gas Light Company ("WGL") has experienced some gas leaks on its distribution system in recent years. WGL contends that it is due to receipt of unblended liquid natural gas ("LNG") from Cove Point. Dominion contends the problem is do to the age of WGL's distribution system and that WGL is responsible for maintaining its system. The Commission in 2001 had intervened in other FERC dockets recommending a hearing regarding gas interchangeability issues between WGL and Dominion. The instant filing was made to monitor issues and concerns relating to gas interchangeability.

3. ***Natural Gas Interchangeability, Docket No. PL04-3.*** This was a proceeding to determine what makes gas with differing chemical compositions interchangeable with natural gas. On 6/15/06, FERC issued a Policy Statement on Interchangeability and an Order denying a request for rulemaking.
4. ***Amendments to Codes of Conduct for Unbundled Sales Service and for Persons Holding Blanket Marketing Certificates, RM06-5.*** FERC NOPR issued on 11/17/05 to repeal codes of conduct in light of broader regulations being considered in *Prohibition of Energy Market Manipulation*, Docket RM06-3-000. Final Rule (Order 673) issued 2/16/06. Rehearing denied 3/22/06.
5. ***AES Sparrows Point LNG, LLC and Mid-Atlantic Express, LLC, PF06-22; AES Sparrows Point, CP07-62.*** Docket PF06-22 concerned the pre-filing stage of the proposed project involving the construction onshore of a LNG import and storage terminal located on the west shore of Sparrows Point, south of Dundalk, Maryland. Governor Ehrlich directed the Maryland Department of Natural Resources, through its Power Plant Research Program (“PPRP”), to conduct a comprehensive review of the project, with input from other Maryland agencies and communities. A formal application for authorizations in connection with this project was filed in Docket CP07-62 on 1/9/07; and a letter was sent to Governor Ehrlich notifying him that PPRP may file comments within 30 days of the application.
6. ***Eastern Shore Natural Gas Co., Docket RP06-404-000.*** On 6/27/06, Eastern Shore filed a Petition for Approval of Settlement Agreement. The settlement agreement was the result of collaborative discussions between Eastern Shore and its customers relating to a proposed project to construct new pipeline infrastructure that would extend from Dominion Resources’ LNG facilities at Cove Point, MD, cross under the Chesapeake Bay and interconnect with Eastern Shore’s existing pipeline, giving customers new sources of supply and reducing their dependence on Transco and Columbia as the sole current sources of supply and upstream capacity for transportation to Eastern Shore’s system. The application was approved by FERC on 8/1/06.
7. ***Revisions to the Blanket Certificate Regulations and Clarification Regarding Rates, Docket RM06-7*** On 6/16/06, FERC issued a NOPR to expand the types of natural gas projects permitted under blanket authority and to increase the cost limits that apply to blanket projects, and to clarify that a gas company is not necessarily engaged in an unduly discriminatory practices if it charges different customer different rates for the same service based on the date that customers commit to service. On 10/19/06, FERC adopted final regulations. Requests for rehearing were filed and are pending.
8. ***Revision of Regulations to Require Reporting of Damage to Natural Gas Pipeline Facilities, RM06-18.*** On 8/23/06, FERC issued Order 682, adopting new regulations adding reporting requirements to require that jurisdictional natural gas companies report damage to facilities that is caused by a natural disaster or terrorist activity and results in a reduction in pipeline throughput or storage deliverability. A request for rehearing is pending before FERC.
9. ***Eastern Shore Natural Gas Company, RP07-38.*** Application filed with FERC on 10/31/06 to increase gas transportation rates. On 11/30/06, FERC issued Order Accepting and Suspending Tariff Sheets Subject to Refund and Establishing a Hearing. The matter is pending.

10. Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation; and Regulation of Natural Gas Pipelines After Wellhead Decontrol, Docket No. RM91-11-009; and Regulation of Short-Term Natural Gas Transportation Services, Docket No. RM98-10-013; Pacific Gas and Electric Co. et al., Docket RM06-21-000; Coral Energy Resources, L.P., et al., Docket RM07-4-000. On 10/20/06, a petition seeking clarification of certain of FERC's rules and policies relating to the release of capacity on interstate natural gas pipelines was jointly filed by various parties in Dockets RM91-11-009 and RM98-10-013. On 1/3/07, FERC issued a Request for Comments in Dockets RM06-21-000 and RM07-4-000, which posed a series of questions for commenters to answer within 60 days after the order is published in Federal Register.

FERC PROCEEDINGS ARISING UNDER ENERGY POLICIES ACT OF 2005

- 1. Preventing Undue Discrimination and Preferences in Transmission Services, Dockets RM05-25-000 & RM05-17.** The Commission's 2005 annual report referred to this proceeding to reform FERC Order 888, which began with a Notice of Inquiry ("NOI") that was issued by FERC on 9/16/05. After a round of comments, FERC issued a Notice of Proposed Rulemaking ("NOPR") on May 18, 2006. Comments were filed regarding the NOPR as well as a technical conference. The matter remains pending before FERC.
- 2. Joint Boards on Security Constrained Economic Dispatch, Docket AD05-13-000.** The Commission's 2005 annual report referred to this proceeding, which was instituted on 9/30/05 when FERC issued an order convening joint boards to address the matter of security-constrained economic dispatch of generating facilities in various regions. Maryland PSC Chairman Schisler served as Vice Chair on the joint board for the region comprised by PJM Interconnection ("PJM") and the Midwest ISO ("MISO"). On 5/24/06, the PJM/MISO joint board filed its report with FERC and FERC filed its report to Congress on 7/31/06.
- 3. Revised Regulations Governing Small Power Production and Cogeneration Facilities, Docket RM05-36.** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR issued by FERC on 10/11/05 that proposed to eliminate ownership restrictions and to ensure that the thermal output of facilities is used productively and beneficially. After receiving comments, FERC issued Order 671 on 2/2/06. Among other things, Order 671 removed the irrefutable presumption of beneficial use of thermal output, but allows exemptions for generators of 5 MW or less and those with an existing thermal host. On 5/22/06, FERC issued Order 271-A denying rehearing and granting rehearing.
- 4. Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005, Docket RM05-32.** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR issued in this case on September 16, 2005. After receiving comments, FERC adopted final rules on December 8, 2005 by Order 667. In response to requests for rehearing and/or clarification, FERC issued Order 667-A, denying and granting rehearing in part; and on July 21, 2006, FERC affirmed (with some clarifications) determinations made in Order No. 667-A.
- 5. Transactions Subject to FPA, § 203, RM05-34.** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR that FERC issued on 10/3/05 concerning mergers and acquisitions. Final rules governing mergers and acquisitions. In response to petitions for rehearing and clarification, FERC issued Order 669-A, denying and granting

rehearing in part. After receiving a request for rehearing, FERC issued an order affirming its prior orders on July 21, 2006.

6. ***Electric Energy Market Competition Task Force, Docket AD05-17.*** The Commission's 2005 annual report referred to this proceeding, which was initiated by FERC's issuance on 11/13/05 of a notice regarding the inter-agency task force mandated by the 2005 Energy Act, to include one employee from: FERC, Federal Trade Commission, Department of Justice, Department of Energy, and the Rural Utilities Service. Public comments were requested on a variety of questions pertaining to wholesale supply trading and participation; generation ownership and adequacy; transmission investment and regulation; wholesale market transparency and information; retail markets overview; state retail choice experience; retail supply questions in states with retail competition; demand side participation; and rising fuel prices. On 6/7/06, FERC issued a notice that provided a copy of a draft of the Task Force's report (which report is to be provided to Congress once finalized), and requested comment by 6/26/06. This matter remains pending.
7. ***Prohibition of Energy Market Manipulation, Docket RM06-3.*** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR issued on October 20, 2005 that proposed regulations comparable to the regulations enforced by the Security Exchange Commission. On January 19, 2006, FERC adopted final rules; and on March 22, 2006, FERC issued an order denying rehearing.
8. ***Rules Concerning Certification of the Electric Reliability Organizations; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards, RM05-30.*** The Commission's 2005 annual report referred to this proceeding. After accepting comments and holding technical conferences on the NOPR issued in this docket, FERC issued final rules on 2/2/06. FERC generally affirmed its final regulations by order issued 4/3/06, but granted clarification on one issue.
9. ***Mandatory Reliability Standards for the Bulk-Power System, Docket RM06-16.*** On 4/18/06, FERC issued a Notice Announcing Rulemaking Process to consider the filing by North American Electric Reliability Council ("NERC") of 102 proposed reliability standards for approval, subject to its application for certification as the nation's Electric Reliability Organization ("ERO") in Docket RR06-1, *infra*. On 9/18/06, FERC issued another notice announcing rulemaking process. Under that notice, some of NERC's proposed reliability standards would be addressed in Docket RM06-16, while other standards will be addressed in a new docket (RM06-22). On 10/19/06, FERC issued a NOPR in RM06-16, which proposed to approve 83 of the 107 reliability standards NERC filed, which standards will be enforceable during the upcoming summer season while NERC (now approved as the ERO) is working to improve and clarify these standards (as directed by FERC). On 11/15/06, NERC filed 20 revised proposed Reliability Standards and three new proposed Reliability Standards for FERC approval. On 11/27/06, FERC decided to consider the 20 revised standards in RM06-16, and also extended the deadline for filing comments on the NOPR to 1/3/07. FERC further decided that the 3 new standards proposed by NERC would be addressed by way of a NOPR to be issued in a new docket (RM07-3). On 12/11/06, FERC Staff issued its analysis of the 8 proposed Critical Infrastructure Protection Reliability Standards that NERC filed on 8/28/06 (to be addressed in Docket RM06-22) and FERC established 2/12/07 as the deadline for response thereto.
10. ***North American Electric Reliability Council and North American Electric Reliability Corporation, Docket RR06-1-000.*** This is the proceeding instituted on NERC's 4/4/06

application for FERC certification as ERO. After receiving comments, FERC established NERC as the nation's ERO by order issued on July 20, 2006, subject to conditions and compliance filing relating to governance. On 10/18/06, NERC made its compliance filing on governance issues, and FERC established 11/17/06 as the deadline for commenting thereon. On 10/30/06, FERC issued an order largely denying petitions for rehearing of its 7/20/06 order, and largely accepting NERC's compliance filing on governance and balanced decision-making. FERC granted rehearing to require NERC to provide that regional criteria are developed only by Regional Entities, and to make a further compliance filing by regarding voting in committees and other subordinate organizational structures. On 11/17/06, several parties filed comments or protests on NERC's 10/18/06 compliance filing. This matter is pending.

- 11. *North American Electric Reliability Council and North American Electric Reliability Corporation, Docket RR06-3-000.*** On 8/23/06, NERC filed its initial business plan and budget as the ERO for the year ending 12/31/07. On 10/19/06, FERC issued an order conditionally approving proposed FY 2007 budget of about \$59 million NERC proposed for itself and the Regional Entities to be funded through the ERO. In addition, FERC accepted NERC's proposed FY business plan, but reserved judgment on the FY 2007 business plan for the Regional Entities, since delegation agreements have not been filed with or approved by FERC. A request for rehearing was filed and FERC issued a tolling order. This matter is pending.
- 12. *Assessment of Demand Response Resources, AD06-2-000.*** The Commission's 2005 annual report referred to this proceeding. The 2005 EPAct required FERC to prepare a report, by appropriate region, that assesses demand response resources, including those available from all consumer classes. After receiving comments, FERC finalized a voluntary survey targeted towards respondents who directly serve end-use customers, and designed to obtain information on meter saturation and penetration. After receiving responses to its survey and conducting a technical conference, FERC submitted its demand response report to Congress on August 7, 2006.
- 13. *Regulations Providing Incentive-Based Rate Treatments for the Transmission of Electric Energy in Interstate Commerce by Public Utilities, RM06-4-000.*** The Commission's 2005 annual report referred to this proceeding, which involved NOPR that FERC issued on 11/17/05 proposing certain incentives to encourage transmission investment. FERC adopted final regulations by Order 679 issued on 7/20/06. In response to requests for rehearing filed by various parties, FERC issued Order 679-A on 12-22-06. Order 679-A generally reaffirmed FERC's determinations in Order 679 but granted rehearing in part.
- 14. *Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorization, EL06-16.*** The Commission's 2005 annual report referred to this proceeding, which involves an investigation initiated 11/17/05 to determine whether FERC's market behavior rules should be repealed in light of broader regulations being considered in Prohibition of Energy Market Manipulation, Docket RM06-3-000. Final rule issued 2/16/06; rehearing denied on 4/17/06.
- 15. *Amendments to Codes of Conduct for Unbundled Sales Service and for Persons Holding Blanket Marketing Certificates, RM06-5.*** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR adopted on 11/17/05 proposing to repeal codes of conduct in light of broader regulations being considered in Prohibition of Energy Market

Manipulation, Docket RM06-3-000. Final Order 673 was issued on 2/16/06. No party sought rehearing.

- 16. *Market-Based Rates for Developers of Natural Gas Storage Facilities, Dockets AD04-11-001 RM05-23-001.*** The Commission's 2005 annual report referred to this proceeding, which involves a NOPR issued on 12/15/05 concerning market-based rates for developers of natural gas storage facilities. After receiving comments, FERC adopted final regulations by Order 678 issued on 6/15/06. On 11/16/06, FERC issued Order 678-A, which denied rehearing but granted clarification in part.
- 17. *New PURPA Section 210 (m) Regulations Applicable to Small Power Production and Cogeneration Facilities, Docket RM06-10.*** This involves a FERC NOPR issued on January 19, 2006, to exempt utilities operating in regional transmission organizations like PJM Interconnection ("PJM") from the requirement to purchase from qualifying facilities ("QFs"). After receiving comments, FERC adopted final regulations on 10/19/06. In those regulations, FERC makes a preliminary finding that PJM meets EPA standard for access to market to qualify utilities for exemption from QF purchase requirement; and establishes a rebuttable presumption that PJM gives adequate access to markets for QFs above 20MW so as to exempt utilities from mandatory purchase. Utility has to file application to be exempt from QF purchase requirements and QFs may be able to rebut the presumption of access to markets because of operational characteristics or transmission constraints. For smaller QFs, there is rebuttable presumption that the purchase obligation remains in effect in all markets; and to rebut that presumption the filing utility must show for each small QF that the QF has nondiscriminatory access to the market. Several rehearing requests were filed and FERC issued a tolling order on 12/21/06 to consider them.
- 18. *Long-Term Firm Transmission Rights in Organized Electricity Markets, RM06-8.*** On 2/1/06, FERC issued a NOPR to establish guidelines for the provision of long-term transmission rights in wholesale markets that are subject to locational marginal pricing ("LMP") and provide for alternatives reflecting regional differences. On 7/20/06, FERC issued Order 681 adopting final regulations; and on 11/16/06, FERC issued Order on Rehearing and Clarification (Order 681-A), upholding Order No. 681 in all respects and granting limited clarifications.
- 19. *Coordinating the Processing of Federal Authorizations for Applications under Sections 3 and 7 of the Natural Gas Act and Maintaining a Complete Consolidated Record, Docket No. RM06-1-000.*** NOPR issued on 5-18-06. After receiving comments, FERC issued final regulations on 10/19/06, which apply to natural gas pipelines, compressor stations, storage fields, LNG terminals and other related facilities. Under these regulations, FERC will be lead agency and coordinate review by other state and federal agencies. Consistent with the EPA Act, the records of the other agencies would be included in a consolidated record on judicial review of any FERC decision. No rehearing requests were filed.
- 20. *Transparency Provisions of the Energy Policy Act of 2005, AD06-11-000.*** On 10/13/06, FERC held a technical conference on price transparency in gas and electric markets and accepted post-conference comments.
- 21. *Financial Accounting, Reporting and Records Retention Requirements Under the Public Utility Holding Company Act of 2005, Docket RM06-11.*** On 10/19/06, FERC issued Order 684 adopting final regulations. No rehearing requests were filed.

- 22. *Regulations for Filing Applications for Permits to Site Interstate Electric Transmission Facilities, Docket RM06-12.*** Final rules adopted by Order 689 issued on 11/16/06 establishing filing requirements and procedures for entities seeking to construct electric transmission facilities, in order to coordinate the processing of Federal authorizations and environmental review of electric transmission facilities in national interest transmission corridors.
- 23. *Market-Based Rates for Wholesale Sales of Energy, Capacity, and Ancillary Services by Public Utilities, RM04-7-000.*** On 5/18/06, FERC issued a NOPR proposing to adopt its current standards for granting market-based rate authority, and to refine and codify the standards to ensure protection against exercise of market power and to provide greater certainty to sellers seeking market-based rate authority. Several parties filed comments and the matter is pending before FERC.
- 24. *Technical Conference on Public Utility Holding Company Act of 2005 and Federal Power Act Section 203 Issues, Docket AD07-2.*** On 10/6/06, FERC scheduled a technical conference for 12/7/06 to discuss certain issues raised in Dockets RM05-32 and RM05-34, *supra*. The conference was conducted as scheduled, and comments are due 1/26/07.

Reports

The Office of General Counsel also provides assistance to the Commission and its various technical divisions with regard to the development, preparation and submission of various reports to the General Assembly. In addition assisting the Commission and Staff with the development, preparation and submission of the biannual Electric Supply Adequacy Report, the Ten-year Plan for Electric Utilities and the annual Electric Universal Service Program Report, in 2006 the Office of General Counsel also assisted in the preparation and submission of the Report to the General Assembly on Mitigation of the Impact of Rising Fuel Costs on Low-Income Residential Customers and the Report to the Governor and the General Assembly on the Status of Electric Restructuring and the Structure, Procurement and Terms of Standard Offer Service.

FY 2006
Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	\$	4,152,250
Technical and Special Fees		205,378
Operating Expenses		<u>1,373,431</u>
Total Disbursements for Fiscal Year 2006	\$	5,731,059
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>5,731,059</u>

C90G002 – Telecommunications Division

Salaries and Wages	\$	618,084
Operating Expenses		<u>4,880</u>
Total Disbursements for Fiscal Year 2006	\$	622,964
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>622,964</u>

C90G003 – Engineering Investigations

Salaries and Wages	\$	862,566
Operating Expenses		<u>58,128</u>
Total Disbursements for Fiscal Year 2006	\$	920,694
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006*	\$	<u>920,694</u>

* Includes \$13,203 Federal Funds

C90G004 – Accounting Investigations

Salaries and Wages	\$	481,640
Operating Expenses		<u>15,876</u>
Total Disbursements for Fiscal Year 2006	\$	497,516
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>497,516</u>

C90G005 – Common Carrier Investigations

Salaries and Wages	\$	862,832
Technical and Special Fees		127,234
Operating Expenses		<u>41,673</u>
Total Disbursements for Fiscal Year 2006	\$	1,031,739
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006*	\$	<u>1,031,739</u>

* Includes \$ 128,473 Special Fund attainment for the For Hire Driving Enforcement Fund

C90G006 – Washington Metropolitan Area Transit Commission

Operating Expenses	\$	<u>338,116</u>
Total Disbursements for Fiscal Year 2006	\$	338,116
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>338,116</u>

C90G007 – Rate Research and Economics Division

Salaries and Wages	\$	546,123
--------------------	----	---------

Operating Expenses		<u>10,348</u>
Total Disbursements for Fiscal Year 2006	\$	556,471
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>556,471</u>
C90G008 – Hearing Examiner Division		
Salaries and Wages	\$	727,351
Operating Expenses		<u>4,350</u>
Total Disbursements for Fiscal Year 2006	\$	731,701
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>731,701</u>
C90G009 – Office of Staff Counsel		
Salaries and Wages	\$	708,662
Operating Expenses		<u>4,066</u>
Total Disbursements for Fiscal Year 2006	\$	712,728
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>712,728</u>
C90G0010 – Integrated Resource Planning Division		
Salaries and Wages	\$	393,924
Operating Expenses		<u>13,040</u>
Total Disbursements for Fiscal Year 2006	\$	406,964
Reverted to State Treasury		<u>0</u>
Total Appropriation for Fiscal Year 2006	\$	<u>406,964</u>
Summary of Public Service Commission Fiscal Year Ended June 30, 2006:		

Salaries and Wages	\$	9,353,432
Technical and Special Fees		332,612
Operating Expenses		<u>1,863,908</u>
Total Disbursements for Fiscal Year 2006	\$	<u>11,549,952</u>
Reverted to State Treasury		<u>0</u>
Total Appropriations *	\$	<u>11,549,952</u>
* Public Utility Regulation Fund:	\$	11,408,276
For-Hire Driving Services Enforcement Fund:	\$	128,473
Federal Funds:	\$	13,203
Assessments (Cost and expenses of the Public Service Commission, Office of People’s Counsel and the Railroad Safety Program) remitted to the State Treasury during Fiscal Year 2006:	\$	14,571,134
Miscellaneous Fees remitted to the State Treasury during Fiscal Year 2006:		
1) Misc. Fines & Citations	\$	59,875
2) Return of Unexpended Funds	\$	
3) Rent To Department of General Services	\$	<u>612,114</u>
Total Miscellaneous Fees	\$	<u>671,989</u>