

PUBLIC SERVICE COMMISSION OF MARYLAND

2012 ANNUAL REPORT

For the Calendar Year Ending December 31, 2012

Pursuant to Section 2-122 of the Public Utilities
Article, *Annotated Code of Maryland*



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I. MEMBERSHIP OF THE COMMISSION

The Public Service Commission (PSC or Commission) consists of the Chairman and four Commissioners, each appointed by the Governor with the advice and consent of the Senate. The term of the Chairman and each of the Commissioners is five years and those terms are staggered. All terms begin on July 1. As of January 8, 2013,¹ the following persons were members of the Commission:

| | Term Expires |
|-------------------------------------|---------------|
| W. Kevin Hughes, Chairman | June 30, 2018 |
| Harold D. Williams, Commissioner | June 30, 2017 |
| Lawrence Brenner, Commissioner | June 30, 2015 |
| Kelly Speakes-Backman, Commissioner | June 30, 2014 |

II. OVERVIEW OF THE COMMISSION

General Work of the Commission

In 1910, the Maryland General Assembly established the Commission to regulate public utilities and for-hire transportation companies doing business in Maryland. 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;
- ◆ competitive electric suppliers;
- ◆ competitive gas suppliers;
- ◆ telecommunications companies;
- ◆ water, and water and sewerage (privately-owned) companies;
- ◆ bay pilots;
- ◆ docking masters;

¹ Douglas R. M. Nazarian served as Chairman of the Commission during calendar year 2012, and resigned effective January 7, 2013. W. Kevin Hughes was appointed Chairman, effective January 8, 2013.

- ◆ passenger motor vehicle carriers (e.g. buses, limousines, sedans);
- ◆ railroad companies;²
- ◆ taxicabs operating in the City of Baltimore, Baltimore County, Cumberland, and Hagerstown;
- ◆ hazardous liquid pipelines; and
- ◆ other public service companies.

The jurisdiction and powers of the Commission are found in the Public Utilities Article, *Annotated Code of Maryland*. The Commission's jurisdiction, however, 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, Voice over Internet Protocol and cable services are regulated by the Federal Communications Commission.

Under its statutory authority, the Commission has broad authority to supervise and regulate the activities of public service companies and for-hire carriers and drivers. It is empowered to hear and decide matters relating to, among others: (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; (6) mergers or acquisitions of electric companies or gas companies; and (7) quality of utility and common carrier service. The Commission has the authority to issue Certificates of Public Convenience and Necessity to construct or modify a new generating plant or an electric company's application to construct or modify transmission lines designed to carry a voltage in excess of 69,000 volts. In addition, the Commission collects and maintains records and reports of public

² The Commission has limited jurisdiction over railroad companies: (1) the companies must be organized under Maryland law; and (2) certain conditions and rates for intrastate services.

service companies, reviews plans for service, inspects equipment, audits financial records, handles consumer complaints, issues passenger-for-hire permits and drivers' licenses, enforces its rules and regulations, defends its decisions on appeal to State courts, and intervenes in relevant cases before federal regulatory commissions and federal courts.

2012 Accomplishments of the Commission

During the calendar year 2012, the Commission initiated 26 new dockets, conducted approximately 73 en banc hearings (either legislative-style, evidentiary, or evening hearings for public comments as well as status conferences, discovery disputes, and prehearing conferences), held 5 rulemaking sessions, participated in 5 public conferences, and presided over 49 regularly-scheduled administrative meetings. Also, during the 90-day General Assembly Legislative Session for 2012, the Commission actively participated by submitting comments on bills affecting public service companies, participating in work groups convened by Senate or House committees or subcommittees, and testifying before various Senate or House committees or subcommittees.

In 2012, the Commission underwent a review of its strategic direction and vision, and clarification of its mission based on its jurisdiction and powers bestowed by the legislature and outlined in the Public Utilities Article. As such, the Commission reaffirmed its vision and articulated its mission as stated below:

Vision

The Maryland Public Service Commission will be recognized as a national leader in regulatory excellence and innovation. We demonstrate our commitment to the public, the companies we regulate, and our colleagues by building an environment of mutual respect, professionalism, and diversity.

Mission

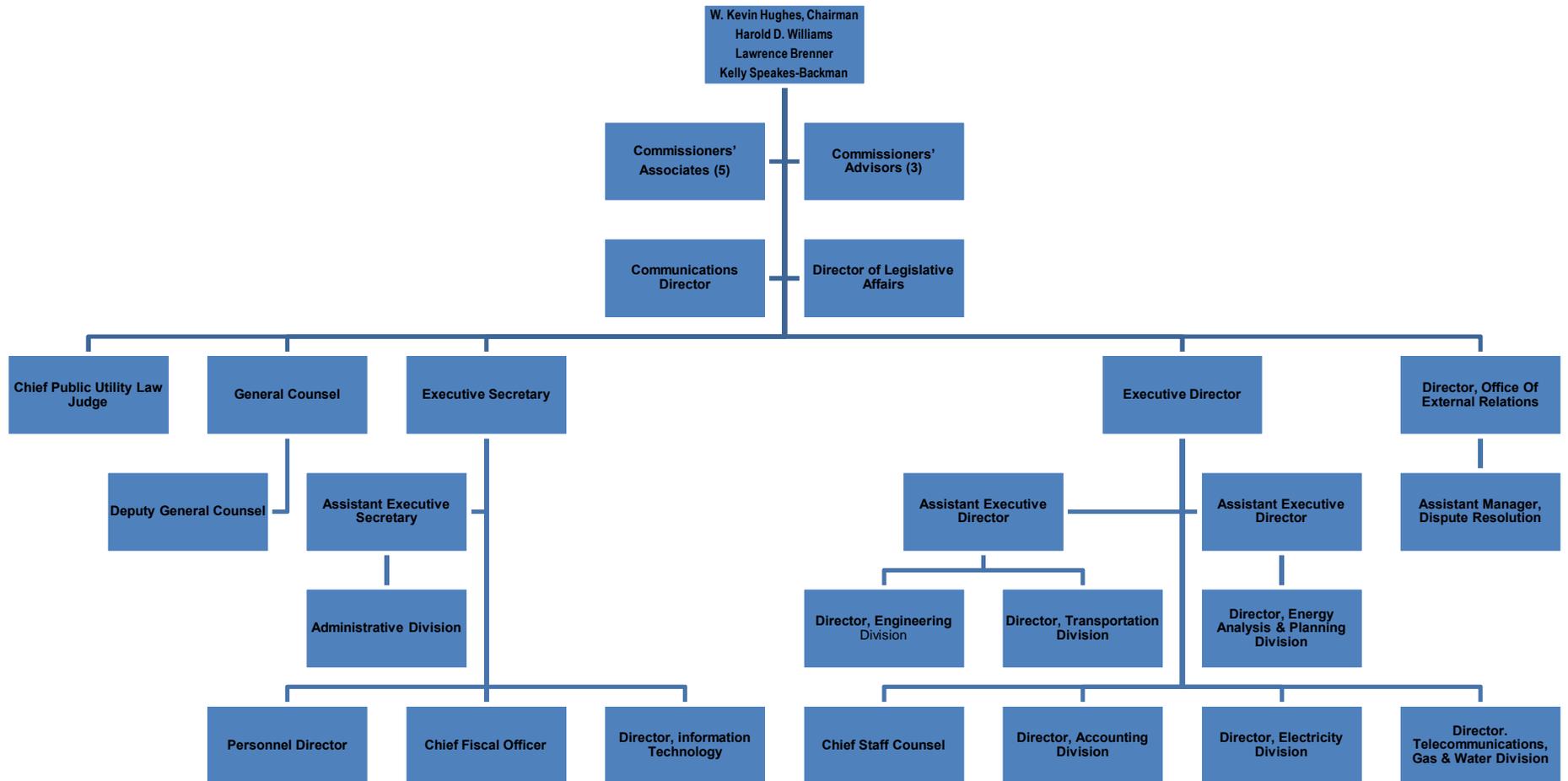
The mission of the Maryland Public Service Commission is to ensure safe, reliable and economic public utility and transportation service to the citizens of Maryland. To achieve this, we will:

- Ensure that rates, terms and conditions established for public service companies are just, reasonable, and transparent.
- Adopt and enforce regulations that are in the public interest and ensure that public service companies comply with established regulations.
- Create standards and policies that protect the safety of the public.
- Explore innovation that will encourage the efficient delivery of public utility services.
- Consider the economic and environmental impacts of all matters before the Commission.
- Encourage the conservation of natural resources and environmental preservation.
- Ensure effective methods of communicating the Commission's areas of regulation and jurisdiction, decisions, and their impact on the public.
- Develop and promote activities that encourage public trust and confidence.
- Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct.

Section III of this Report highlights the major activities of the Commission during the calendar year 2012.

In addition to the Commission's duties associated with regulating the public service companies, the Commissioners also served on, or participated in, other boards, commissions or other organizations. Section III, Subsections R and S summarize the Commission's participation in these organizations

C. Maryland Public Service Commission Organization Chart – 12/31/2012



III. MAJOR ACTIVITIES AND SPECIAL PROJECTS

A. EmPOWER Maryland – Case Nos. 9153, 9154, 9155, 9156, 9157

As mandated by the EmPOWER Maryland Act of 2008, the five largest electric utilities in the State³ (hereinafter “EmPOWER MD Utilities”) are responsible for achieving a 10% reduction in the State’s energy consumption⁴ and a 15% reduction of peak demand by 2015. The EmPOWER Maryland Act also requires the five EmPOWER MD Utilities to implement cost-effective demand response programs designed to achieve a reduction in their peak energy demand (measured in megawatts (“MW”)) of 5% by 2011, 10% by 2013, and 15% by 2015. The EmPOWER Maryland Utilities were required to file three-year plans, for the periods of 2009 through 2011 and 2012 through 2014, on how they would generate their portion of the savings.

On December 22, 2011, the Commission approved the EmPOWER MD Utilities’ 2012-2014 portfolios with some modifications, in Commission Order No. 84569, which provided increased guidance and framework for the 2012-2014 program cycle. In 2012, those utilities worked to implement the proposed programs as approved in the Commission Order. Throughout 2012, the EmPOWER MD Utilities, Staff and the Office of People’s Counsel (“OPC”) met with stakeholders to discuss new programs, explore residential financing and consumer electronics. Each of the Work Groups was designed

³ The utilities are: The Potomac Edison Company (“PE”); Baltimore Gas and Electric Company (“BGE”); Delmarva Power & Light Company (“DPL” or “Delmarva”); Potomac Electric Power Company (“Pepco”); and Southern Maryland Electric Cooperative, Inc. (“SMECO”).

⁴ The overall reduction in the State’s energy consumption under the EmPOWER Maryland Act is 15%. The Maryland Energy Administration is responsible for achieving 5% of this 15% reduction in the State’s energy consumption.

to explore savings beyond those proposed in the EmPOWER MD Utilities' approved portfolios in an effort to meet the 2015 goal.

On May 1, 2012, Staff filed a proposed ENERGY STAR Consumer Electronics Incentive Program on behalf of the Consumer Electronics Work Group and presented the proposal before the Commission at the June 13, 2012 Administrative Meeting. The Commission directed the work group to gather additional information regarding market and trend data. Staff filed a consensus document regarding the additional information requested on August 10, 2012. Based upon the market maturity and the amount requested to fund a consumer electronics program, and the potential savings, the Commission denied the proposal for a Consumer Electronics Incentive Program in Commission Order No. 85122.

As part of the Commission's approval of the 2012-2014 EmPOWER Maryland programs, the EmPOWER Maryland Utilities' limited income energy efficiency (LIEE) programs was ordered to be transferred from the utilities to the Maryland Department of Housing and Community Development (DHCD). Citing DHCD's experience with operating LIEE programs, the Commission ordered that DHCD would implement the mandated programs for the utilities and that each utility would be responsible to directly fund DHCD's operations for their respective territories. The DHCD program included the traditional weatherization program for single family homes as well as a multi-family weatherization program, which is a new addition to the EmPOWER Maryland suite of programs.

At the conclusion of 2011, the EmPOWER MD Utilities collectively achieved 105% of their 2011 demand reduction goal and 44% of their 2011 energy reduction goal.

The following table summarizes the actual electric consumption and demand reduction numbers achieved by each EmPOWER MD Utility at the close of 2011, and calculates that reduction as a percentage of the 2011 EmPOWER Maryland goal.

| | | Coincident Demand Reduction (MW) | Energy Reduction (MWH) |
|--------------|---------------------|---|-------------------------------|
| BGE | Goal | 513 | 2,052,948 |
| | Reported | 704 | 895,301 |
| | Percentage Achieved | 137% | 44% |
| DPL | Goal | 73 | 205,846 |
| | Reported | 32 | 52,582 |
| | Percentage Achieved | 44% | 26% |
| PE | Goal | 49.4 | 122,664 |
| | Reported | 18 | 103,527 |
| | Percentage Achieved | 37% | 84% |
| Pepco | Goal | 230 | 685,378 |
| | Reported | 136 | 289,931 |
| | Percentage Achieved | 59% | 42% |
| SMECO | Goal | 29 | 94,229 |
| | Reported | 52 | 60,410 |
| | Percentage Achieved | 180% | 64% |
| Total | Goal | 894 | 3,161,065 |
| | Reported | 942 | 1,401,751 |
| | Percentage Achieved | 105% | 44% |

Combined, the EmPOWER MD Utilities are not likely to reach the 10% per capita reduction goal in energy usage, nor the 15% per capita reduction goal in peak demand by 2015 based upon the current plans.⁵ Three of the five utilities will not even reach half of their energy usage goals. However, on a program-to-date basis, the EmPOWER Maryland programs achieved the following results through September 30, 2012:

⁵ These estimations only include energy and demand savings from energy efficiency and conservation (EE&C) and demand response (DR) programs.

- The EmPOWER MD Utilities programs have saved a total of 1,996,035 megawatt hours (MWh) and 1,035 MW. They have encouraged the purchase of, or installed directly, approximately 25.4 million energy-efficient measures.
- 15,380 low-income customers participated through the Residential Low-Income Programs.
- The EmPOWER MD Utilities have spent over \$666 million on the EmPOWER Maryland programs, including approximately \$304 million on EE&C programs and \$337 million on DR programs.
- The expected savings associated with EmPOWER Maryland programs is approximately \$2.4 billion over the life of the installed measures for the EE&C programs.
- The average monthly residential bill impact of EmPOWER Maryland surcharges⁶ for 2012 were as follows:

| | EE&C | DR | Total |
|-------|--------|--------|--------|
| BGE | \$1.28 | \$0.75 | \$2.03 |
| Pepco | \$1.13 | \$1.53 | \$2.66 |
| DPL | \$1.07 | \$1.89 | \$2.96 |
| PE | \$1.67 | \$0.00 | \$1.67 |
| SMECO | \$1.52 | \$1.47 | \$2.99 |

⁶ Assumes an average monthly usage of 1,000 kilowatt hours (kWh), and the figures do not include customer savings.

The following table summarizes the actual electric consumption reduction and coincident peak demand reduction achieved by each EmPOWER MD Utility and calculates that reduction as a percentage of 2015 EmPOWER Maryland goal.

| | | Coincident Demand Reduction (MW) | Energy Reduction (MWH) |
|--------------|---------------------|---|-------------------------------|
| BGE | 2015 Goal | 1267 | 3,593,750 |
| | Reported | 726 | 1,231,156 |
| | Percentage Achieved | 57% | 34% |
| DPL | 2015 Goal | 18 | 143,453 |
| | Reported | 39.765 | 75,724 |
| | Percentage Achieved | 221% | 53% |
| PE | 2015 Goal | 21 | 415,228 |
| | Reported | 24.511 | 176,686 |
| | Percentage Achieved | 117% | 43% |
| Pepco | 2015 Goal | 672 | 1,239,108 |
| | Reported | 188.357 | 424,839 |
| | Percentage Achieved | 28% | 34% |
| SMECO | 2015 Goal | 139 | 83,870 |
| | Reported | 56.558 | 87,630 |
| | Percentage Achieved | 41% | 104% |
| Total | 2015 Goal | 2,117 | 5,475,409 |
| | Reported | 1,035 | 1,996,035 |
| | Percentage Achieved | 49% | 36% |

B. Deployment of Advanced Meter Infrastructure/Smart Grid - Case Nos. 9207, 9208, 9294

In 2010, the Commission approved the Smart Grid Initiative (SGI) for BGE, granted conditional approval for Pepco's SGI, and deferred the approval of DPL's SGI until DPL was able to demonstrate the cost-effectiveness of a revised business case for its SGI. In 2011, the Commission authorized Pepco to deploy its SGI project and held additional evidentiary hearings on DPL's revised business case. On May 8, 2012, the Commission issued Order No. 84890, which authorized DPL to deploy its SGI project.

In Order No. 84890, the Commission directed DPL to develop a comprehensive set of installation, performance, benefits and budgetary metrics that will allow the Commission to assess the progress and performance of DPL's SGI, similar to the metrics developed and approved for BGE and Pepco. Additionally, the Commission directed DPL to develop comprehensive customer education plans for Commission approval and to participate in the work group process that has been ongoing since the approval of the BGE and Pepco Smart Grid Initiatives.

On February 29, 2012, the Commission issued a hearing notice on the potential for an "opt-out" provision for advanced metering infrastructure ("AMI"). The hearing was held on May 22, 2012, in which more than 80 parties expressed their opinion on the merits and problems with allowing utility customers the choice to opt out of receiving a smart meter as part of the SGIs. On May 24, 2012, the Commission issued Order No. 84926, which allowed utility customers to opt out of smart meter installations until the Commission issues its final decision. Subsequent orders were issued on January 7, 2013 and January 13, 2013, which require additional information from the utilities before a final Commission Order is issued on the matter.

The AMI work group continued to meet throughout 2012 and delivered several reports to the Commission. On March 16, 2012, the AMI work group filed its "Dynamic Pricing Report" which was approved in Commission Order No. 84925, issued on May 25, 2012. On November 13, 2012, the AMI work group's consensus Phase IIA Metrics were filed, and the Commission approved these metrics by letter order on December 11, 2012. In November 2012, other filings with respect to AMI were made, which will be considered by the Commission in 2013. DPL has filed its Phase I education and

communication plan, Pepco and BGE have filed individual cybersecurity plans, and a joint cybersecurity process for AMI also has been filed.

Separate from Case Nos. 9207 and 9208, SMECO has proposed a SGI, which is planned to begin upon Commission approval (Case No. 9294). Hearings on the SMECO SGI were held from November 5 through November 8, 2012. During these hearings, SMECO presented its previously-filed business case as well as the results of its AMI pilot program.

C. Investigation of the Process and Criteria for Use in Development of Request for Proposal by the Maryland Investor-owned Utilities for New Generation to Alleviate Short-term Reliability Problems in the State of Maryland – Case No. 9149

As noted in prior Annual Reports, the Commission initiated this proceeding as a result of PJM's report to the Commission in the summer of 2007 that there was a possibility of future shortfalls in Maryland's electricity supply, which could lead to potential rolling blackouts in the summer of 2011. To insure against possible shortfalls in short-term electricity supply, the Commission directed the investor-owned electric utilities (IOUs) to issue requests for proposal (RFPs) to fill potential gaps in the supply of electricity. After the issuing of the RFPs, the Commission authorized the utilities to enter into contracts with the winning bidders for the applicable utility service territory, in which the winning bidders would provide capacity resources for the period June 1, 2011 to May 31, 2015. EnerNOC, Inc. (EnerNOC); Energy Curtailment Specialists, Inc. (ECS); and Converge, Inc. (Converge) were winning bidders for certain of the service territories.

On June 28, 2011, EnerNoc filed Motions to Amend its Agreements for Capacity Resources between EnerNOC and PE and between EnerNOC and Delmarva and Pepco.

It sought approval to modify and reduce its contractual obligation to provide capacity resources for the 2011/2012 delivery year, as well as to reduce its obligations to provide capacity resources pursuant to the EnerNOC/Delmarva Agreement through the 2014/2015 delivery year. The Commission held a hearing on this matter on December 14, 2011, at which time EnerNOC reported that a settlement agreement with the parties had been made in principle, but it had not had the time to put the agreement into writing. Accordingly, the Commission permitted EnerNOC to submit a written settlement agreement. On January 5, 2012, EnerNOC filed a Settlement Agreement entered into with several of the parties to resolve the matters at issue before the Commission.

On February 15, 2012, an evidentiary hearing was held on EnerNOC's Motions, including whether the Settlement Agreement should be approved. On February 28, 2012, by Order No. 84715, the Commission approved the Settlement Agreement filed by EnerNOC, Staff, OPC, Pepco, Delmarva, and PE and directed EnerNOC and Delmarva, and Pepco and PE to amend the applicable Agreements for Capacity Resources consistent with the Settlement Agreement. The Commission found that the Settlement Agreement included an appropriate penalty which reduced EnerNOC's revenues under the Agreements.

Energy Curtailment Specialists also submitted Motions to Amend its capacity resource agreements with Pepco and Delmarva. Unlike EnerNOC, ECS was unable to achieve a settlement agreement on the issues. Consequently, the Commission delegated the conduct of the proceedings to the Public Utility Law Judge Division. On November 7, 2012, a Proposed Order of Public Utility Law Judge was issued. The Proposed Order reduced the payment due to ECS from Pepco and Delmarva for the 2010-2011 contract

year by a percentage equal to the percentage of contracted capacity that ECS failed to supply to Pepco and Delmarva. Further, ECS was directed to report on its expectations of fulfilling its contracts in future years based on Staff's proposed schedule. Appeals of the Proposed Order were filed by OPC and ECS. As of December 31, 2012, the matter remains pending before the Commission.

Finally, Staff discovered that Comverge had entered into a capacity resource agreement with Pepco, but the contracts included resources located in SMECO service territory. Pepco's RFP required Curtailment Service Providers to provide their committed capacity amounts from resources located in Pepco's service territory. Staff also understood that Pepco had notified Comverge that Comverge was in breach of its contractual obligations. Staff therefore requested the Commission to set a hearing to determine whether locating Comverge's capacity resource obligations outside of Pepco's service territory is a material breach of Comverge's contractual obligations, whether such breach causes harm to Pepco's ratepayers, and what, if any, remedy or civil penalties would be appropriate. On October 25, 2012, the Commission issued Order No. 85172 delegating the Comverge matter to the Public Utility Law Judge Division for hearing. As of December 31, 2012, the matter remains pending.

D. The Matter of Whether New Generating Facilities are Needed to Meet Long-Term Demand for Standard Offer Service – Case No. 9214

As reported in the 2011 Annual Report, on September 29, 2011, the Commission approved an RFP for new generation, which was issued by the four Maryland investor-owned electric distribution companies on October 7, 2011. On December 8, 2011, the Commission approved an Amended RFP for new generation, which, among other things, extended the proposal due date to January 20, 2012, and revised the scoring system to

account for fixed price proposals. The Commission hearing on the matter was held on January 31, 2012.

As a result of the hearing, on April 12, 2012, in Order No. 84815, the Commission concluded that the long-term demand for electricity in Maryland, specifically in the SWMAAC zone, required 650 to 700 MW new generation in the SWMACC zone by 2015 to be ordered. The Commission accepted the bid submitted by CPV Maryland, LLC (CPV) to build a 661 MW natural gas-fired combined cycle facility in Charles County with an in-service date of June 1, 2015, finding that it provided the needed new generation at the lowest cost to the Standard Offer Service (SOS) rate payers. Further, it directed BGE, Pepco and Delmarva to execute a Contract for Differences in amounts proportionate to their relative SOS load as of the date of execution with CPV.⁷ Additionally, the Commission authorized these three utilities to recover the costs (or return the credits) associated with the executed Contract for Differences through their SOS surcharge.

On July 10, 2012, Boston Pacific filed with the Commission recommended amendments to the Contract for Differences form. After receiving comments from the parties on the proposed amendments, the Commission held a legislative-style hearing on July 31, 2012 regarding the recommended amendments. On August 21, 2012, the Commission issued a letter order to Boston Pacific directing it to revise the draft Contract for Differences as set forth in the letter order, and file, by September 28, 2012, the revised draft with the Commission for approval.

As directed, on September 28, 2012, Boston Pacific submitted the revised draft Contract for Differences for approval by the Commission. On October 2, 2012, the Commission asked for comments on the revised draft Contract for Differences. After

⁷ As discussed in Section VII, Subsection B.1 (Office of General Counsel Report), several parties filed petitions for judicial review of the Order.

reviewing the written comments on the revised draft, the Commission scheduled a hearing on the matter, which was held on November 26, 2012. As of December 31, 2012, the matter remained pending before the Commission.

E. Investigation into the Justness and Reasonableness of Rates as Calculated under the Bill Stabilization Adjustment Rider of Potomac Electric Power Company; the Southern Maryland Electric Cooperative; and the Delmarva Power & Light Company and as Calculated under Baltimore Gas and Electric PSC MD E-6, Rider 25 – Monthly Rate Adjustment – Case Nos. 9257, 9258, 9259, 9260

As reported in the 2011 Annual Report, the Commission initiated the four dockets to investigate whether the manner in which each of the named electric utilities (Pepco, Delmarva, SMECO and BGE) calculated the monthly rate as a result of the applicable decoupling mechanism set forth in the utility's tariff is just and reasonable; whether the calculations or determinant factors for calculating the monthly rates should be modified; and if so, what modification(s) should be made. On January 25, 2012, by Order No. 84653 (Order), the Commission determined that the existing decoupling mechanism required modification to prevent recovery of lost revenues due to electric outages occurring as a result of a Major Outage Event. Under the Commission's ruling, once the Major Outage Event threshold has been reached, *i.e.*, power is not restored within 24 hours, the utility is no longer permitted to recover any lost revenues due to these outages until the utility has restored service to its pre-Major Outage Event threshold.

On February 24, 2012, SMECO filed a Request for Rehearing. It argued that the Commission erred in its Order by not exempting SMECO from the BSA adjustment. SMECO asserted that it should be treated differently than the investor-owned utilities because it was a cooperative, and it had no financial (profit) incentives by which it would fail to restore electricity promptly to its customers. Further, it argued that its BSA

mechanism was not adopted for the same purposes as the investor-owned BSAs ó SMECO's BSA was approved to allow it to recover fixed costs from its customers without incurring a rate shock of a large increase in its customer charge. On August 8, 2012, the Commission held a hearing on the Request for Reconsideration.

On August 9, 2012, as a result of concerns about the manner in which the electric utilities performed in restoring power after the June 29, 2012 derecho,⁸ the Commission issued a Notice seeking written comments on whether the BSA mechanism should be further modified to eliminate the utilities' authority to recover any lost revenues during the first 24 hours of a Major Outage Event. On September 24, 2012, the Commission held a legislative hearing on the matter.

On October 26, 2012, the Commission issued Order No. 85177, in which it determined that the electric utilities with an approved decoupling mechanism shall not collect decoupling revenue, including customer and demand charges, from the commencement of a Major Outage Event and continuing until all Major Outage Event-related sustained interruptions are restored. Additionally, on October 26, 2012, the Commission issued Order No. 85178, in which it denied SMECO's request for rehearing of the Commission decision in Order No. 84653, and directed SMECO to conform its collection of decoupling revenues as set forth in Order No. 85177.

F. Merger of Exelon Corporation and Constellation Energy Group, Inc. – Case No. 9271

1. Order to Show Cause

On April 5, 2012, counsel for Exelon Corporation informed the Commission that, due to a software problem, Exelon inadvertently violated one of the conditions associated

⁸ The Commission initiated Case No. 9308 to review the performance of the utilities before, during and after the derecho.

with the grant of the merger between Exelon and Constellation, *i.e.*, a violation of its market power mitigation commitment by bidding energy and/or capacity from certain generating units above cost and thereby earning revenues in excess of those authorized under Order No. 84698 (the order which conditionally approved the Exelon-Constellation Energy merger). In response to the notification, on April 12, 2012, the Commission issued Show Cause Order No. 84816 requiring Exelon to submit an explanation describing how the violation occurred, a plan to remedy any harm done to Maryland ratepayers and proposed measures to ensure violations of market power mitigation commitments will be avoided in the future. Parties to the matter were invited to submit comments in response to Exelon's submission.

On May 9, 2012, a hearing on the Show Cause Order was held. Exelon appeared at the hearing to respond to questions from the Commission. After hearing from Exelon and the other parties filing comments, the Commission directed Exelon to continue to implement all of its proposed measures to prevent further violations of its market power mitigation commitments, file with the Commission a document that sets forth Exelon's proposed measures as well as the measures recommended by the Intervenors in the matter (which Exelon accepted at the hearing), and to implement those measures identified in the filed document pending further direction from the Commission. On May 22, 2012, Exelon filed the document detailing the measures that Exelon will adopt to avoid violations in the future.

By letter dated December 4, 2012 and pursuant to the Order in Case No. 9271 approving the Exelon-Constellation Energy merger, Exelon notified the Commission that the divestiture of three generating facilities to Ravens Power Holding, LLC ó Brandon

Shores, H.A. Wagner, and C.P. Crane closed on November 30, 2012. Accordingly, upon the consummation of the transaction, the market power mitigation conditions of the merger order were no longer in effect.

2. Customer Investment Fund

Also related to the Exelon-Constellation Energy merger, the Commission held a status conference on March 27, 2012, to establish a procedural schedule to consider proposals to utilize the Customer Investment Fund (CIF), which was established as a condition of the merger approval. Under the adopted procedural schedule, proposals and comments were due on June 15, 2012, reply comments on July 16, 2012, and Staff summary of the proposals and the comments were due on August 2, 2012. The Commission held two days of legislative-style hearings on the proposals and comments thereto.

On November 8, 2012, the Commission issued Order No. 85187, in which it approved more than \$112 million CIF investments into programs that provide resources to advance long-term energy efficiency, conservation and low-income energy assistance goals. The Commission approved: (1) a total of \$52,876,304 for eight proposals submitted by Baltimore City; (2) a total of \$42.5 million for five proposals submitted by the Maryland Energy Administration, (3) a total of \$350,000 to Baltimore County for its Sustainable Dundalk Initiative; (4) a total of \$2,000,000 to Comprehensive Housing Assistance, Inc. for its Energy Home Improvement Loan Fund, and (4) a total of \$14,871,204 to the Maryland Fuel Fund to expand its program. Each CIF award recipient is required to: (1) submit a proposed funding schedule by February 1, 2013, for each program, along with the first allocation of program funds, for the Commission's approval; and (2) file an annual report on expenditures, progress and effectiveness of its

approved programs, until the funds authorized by the Order are depleted. Any energy efficiency and conservation savings resulting from the approved proposals will be allocated to BGE's EmPOWER Maryland goals. Finally, the Commission indicated that it would issue a Request for Proposal to find an entity to administer the Customer Investment Fund.

G. Application of Delmarva Power & Light Company for Authority to Increase its Rates and Charges for Electric Distribution Service – Case No. 9285

As reported in the 2012 Annual Report, Delmarva submitted its application for an increase of its electric base rates on December 9, 2011.⁹ It also requested approval of a Reliability Investment Recovery Mechanism (RIRM), which Delmarva argued would reduce the adverse impact of regulatory lag during a period in which Delmarva was increasing its investment to replace its aging infrastructure and to increase the reliability of its system while there was slow growth in the demand for electricity.

The parties participating in the case were: Delmarva, OPC, AARP Maryland (AARP), and Staff. Evidentiary hearings were held in the matter on April 23 & 25; April 27; April 30; and May 1 & 4, 2012.¹⁰ Evening hearings for public comment were held on June 18, 2012 in Chestertown; June 19 and July 11, 2012 in Wye Mills; and June 20 and July 10, 2012 in Salisbury.

On July 20, 2012, the Commission issued Order No. 85029 in which it authorized 45% of Delmarva's request, an increase in rates of \$11.25 million. The Commission authorized a return on equity of 9.81%, a reduction from its previously allowed return of

⁹ On June 26, 2012, Delmarva submitted a Stipulation in which it agreed not to assert in any forum that the Application was approved by operation of law as long as the final order was issued by July 20, 2012.

¹⁰ Pepco submitted its application for an increase in electric base rates one week after Delmarva's filing. Based on the number of common issues with the same witness testifying on behalf of each company or one of the other parties, certain of the daily hearings were combined to hear the issues common to both the Delmarva and Pepco rate case.

10.00%, which resulted in an overall rate of return of 7.56%. The Commission also rejected the RIM proposal. In keeping with its prior decision in recent rate cases, the Commission allowed Delmarva to recover a small, select group of expenses incurred or projected outside the test year, primarily relating to reliability and safety projects. Otherwise, the Commission adhered to its historic, average test year ratemaking principles.

On August 8, 2012, the Commission accepted the tariffs revisions submitted by Delmarva in compliance with Order No. 85029.

H. Application of Potomac Electric Power Company for Authority to Increase Its Rates and Charges for Electric Distribution Service – Case No. 9286

As reported in the 2012 Annual Report, Pepco submitted its application for an increase of its electric base rates on December 16, 2011,¹¹ one week after Delmarva's rate request was filed. Like Delmarva, Pepco also requested approval of a Reliability Investment Recovery Mechanism (RIM), which Pepco argued would reduce the adverse impact of regulatory lag in a period in which Pepco was increasing its investment to replace its aging infrastructure and to increase the reliability of its system while there was a slow growth demand for electricity.

The parties participating in the case were: Pepco, OPC, AARP, Apartment and Office Building Association of Metropolitan Washington (AOBA), Montgomery County, MD; Washington Metropolitan Area Transit Authority (WMATC), General Services Administration (GSA), Alan Proctor, and Staff. Evidentiary hearings were held in the matter on April 23 ó 25; April 27; April 30; and May 1; May 4; and May 7-10,

¹¹ On July 3, 2012, Pepco filed a request to delay the issuance of the final order to no later than July 20, 2012.

2012.¹² Evening hearings for public comment were held on June 21, 2012, and June 25, 2012 in College Park and Rockville, Maryland, respectively.

On July 20, 2012, the Commission issued Order No. 85028 in which it authorized 26% of Pepco's request, an increase in rates of \$18.1 million. The Commission reduced Pepco's authorized return on equity from 9.83% to 9.31%, which resulted in an overall rate of return of 7.56%. As in the Delmarva case, the Commission rejected the RIM proposal. The Commission disallowed \$6.4 million in operations and maintenance expense, which represented the amount Pepco spent during the test year to catch up for what the Commission determined were years of system neglect. The Commission also disallowed \$1.5 million of outside counsel and witness fees expended by Pepco to defend itself in Case No. 9240. The Commission also denied Pepco's request for recovery of expenses outside of the test period, except for in-service capital expenditures relating directly to reliability and the estimated costs to implement the Commission's contact voltage survey requirements. Ultimately, the Commission approved only those costs prudently incurred, as required by law to ensure safe, reliable and adequate service.

On August 8, 2012, the Commission accepted the tariffs revisions submitted by Pepco in compliance with Order No. 85028.

I. Investigation into Service Reliability in Howard County, Maryland

1. Petition of Reliability 4HOCO for an Investigation into the Service Reliability of Baltimore Gas and Electric Company in Howard County, Maryland – Case No. 9291

¹² As discussed in footnote 8, certain of the daily hearings were combined to receive testimony on issues common to both the Delmarva and Pepco matters.

On February 28, 2012, Cathy Eshmont, on behalf of the executive committee of Reliability 4HOCO, filed a petition with an excess of 100 customer signatures calling for an investigation into the service reliability of BGE in Howard County. On April 12, 2012, the Commission initiated a new docket, Case No. 9291, to investigate the alleged service reliability issues outlined in the complaint. On May 29, 2012, the Commission held a status conference to establish a procedural schedule in the matter. The procedural schedule adopted at the status conference directed Commission Staff to file a report of the investigation it conducted on the electric feeder system in Howard County by December 14, 2012, and responses and/or comments to Staff's report to be filed by January 31, 2013. A legislative-style hearing was scheduled for February 14, 2013.

On December 10, 2012, the Commission held a hearing to resolve a discovery dispute raised by Ms. Eshmont against BGE. After resolving the dispute, the Commission adopted a new procedural schedule that delayed the date by which Staff was required to file its report to January 4, 2013, and, at the request of the complainants, delayed the date by which responses and/or comments on the report were due to April 1, 2013. The hearing was re-scheduled to May 7, 2013.

2. Formal Complaint of the County Council of Howard County, Maryland for an Investigation into the Reliability of the Electric Power Supply for Certain Areas in Howard County, Maryland – Case No. 9304

On October 2, 2012, the County Council of Howard County, Maryland, filed a petition to intervene in Case No. 9291 and to consolidate it with an investigation of the reliability of electric power in other neighborhoods in Howard County. On October 4, 2012, the Commission initiated a new docket, Case No. 9304, and requested responses to the Howard County Council filing. On November 26, 2012, the Commission issued

Order No. 85214, in which it granted the Council's petition to intervene in Case No. 9291, and consolidated Case No. 9304 into Case No. 9291, as a Phase II proceeding. The Commission directed the parties to confer and to propose a procedural schedule for the conduct of the Phase II investigation for the Commission to consider.

J. Electric Utilities' Major Outage Event Performance

1. Electric Service Interruptions in the State of Maryland Due to the June 29, 2012 Derecho Storm – Case No. 9298

Late in the evening of June 29, 2012, a storm termed a "derecho"¹³ struck Maryland, with little warning. The derecho originated near Chicago, Illinois on Thursday, June 28, 2012, and moved rapidly eastward. The forecasts throughout the day on June 29, 2012 expected that the derecho would have insufficient energy to cross the Appalachian Mountains, and Maryland's forecast starting on June 28 and continuing through the day on June 29 reflected a chance of thunderstorms for Maryland. Despite the expectations, the derecho was able to cross the Appalachian Mountains while retaining its intensity. The derecho caused severe damage in Maryland because of its hurricane-force straight line winds and intense lightening. Although Maryland utilities have faced hurricanes and similar damaging winds before, this storm did not afford them with the advanced warning needed to enable them to plan and prepare for the storm damage days ahead of time.

As a result of the derecho's severity and lack of warning, customers experienced Major Outage Events in the Pepco, BGE, Delmarva, SMECO, Choptank, and Potomac Edison service territories, beginning late on June 29, 2012. The number of days that it

¹³ In a weather context, a derecho is a storm with sustained winds in excess of 58 mph (with possible wind gusts in excess of 100 mph), with the wind directed in one direction along a relatively straight line, and with wind damage extending more than 240 miles.

took each utility to achieve full restoration was as follows: Pepco 8.25 days; BGE 8.67 days; Potomac Edison 6.92 days; SMECO 3.85 days; Choptank 2.63 days; and DPL 3.79 days. Pursuant to Order No. 85013 issued on July 6, 2012, each utility was directed to submit a Major Outage Event report as required by COMAR 20.50.12.13 within three weeks after the end of each utilities' major outage event. On July 19, 2012, the Commission issued its hearing schedule for the purpose of receiving public comment on the performance of each of the utilities to restore power after the derecho.

The Commission held hearings for public comment on: August 7 and August 8, 2012 in the Pepco service territory in Rockville and Largo, Maryland, respectively; August 13, 14, 15 and 16, 2012 in the BGE service territory (in Annapolis, Baltimore, Ellicott City, and Towson, Maryland, respectively); August 20, 2012 in the Potomac Edison service territory (in Frederick, Maryland); and August 22, 2012 in the SMECO service territory (in La Plata, Maryland).

On September 14 and September 15, 2012, the Commission held legislative-style hearings to question each of the utilities on their performances to restore power after the derecho. On February 27, 2013, the Commission issued Order No. 85385 in which it found that there was nothing in any of the Maryland utilities' general preparedness or specific response to the derecho by itself to rise to violations of the Public Utilities Article or the Commission's regulations and warrant the imposition of civil penalties. The Commission, however, did conclude that there is a significant and unsatisfactory disconnect between the ratepayers' expectations of system reliability and the ability of the present day electric distribution systems to meet those expectations. As a result of its finding, it determined that the Maryland utilities should make a number of further

improvements in the shorter term to increase their systems' reliability. Additionally, the Commission decided to conduct a comprehensive study of long-term improvements to bolster system reliability to an even greater extent.

The Commission therefore directed each utility to:

- (a) file, on or before May 31, 2013, plans outlining measures that could be completed in the next five years to accelerate reliability improvements to its distribution system, along with a cost/benefit analysis for each measure and comments on the Report of the Grid Resiliency Task Force;
- (b) perform a comprehensive review of its distribution system to assess how and in what locations, and what elements of its system may need to be enhanced or hardened to result in restoration of service to at least 95% of its customers, even for storms in which the total number of sustained interruptions is at least 400,000 or 40% of the utility's total number of customers and file a report with the Commission, on or before August 30, 2013;
- (c) submit, on or before March 29, 2013, a report on any improvements made to communications systems since the derecho;
- (d) submit, on or before May 31, 2013, a report on any further improvements to communications systems planned and a timetable for completing such improvements;
- (e) perform a three-part analysis of its distribution system staff (an historical analysis, a detailed analysis of the utilization of specific personnel during the derecho, and an analysis of Major Outage Event preparedness based on present staffing levels) and submit the report on or before August 30, 2013; and
- (f) participate in work group sessions with Commission Staff to gather from the appropriate State and local officials and emergency responders the information these agencies/organizations need, and the method and format in which the information should be transmitted during emergencies, and to address legitimate concerns about customer privacy.

Additionally, the Commission directed its Technical Staff to:

- (a) draft and submit, by September 30, 2013, proposed regulations revising COMAR 20.50, Service Supplied by Electric Companies, Chapter 12, Service Quality and

- Reliability Standards, to include Major Outage Event data, and to strengthen the Poorest Performing Feeder standard;
- (b) study and evaluate performance-based ratemaking principles and methodologies that would more directly and transparently align reliability service with the utilities' distribution rates and that reduce returns or otherwise penalize sub-standard performance, and report its findings on or before September 30, 2013; and
 - (c) draft and submit proposed regulations under COMAR 20.50, Service Supplied by Electric Companies, Chapter 12, Service Quality and Reliability Standards to establish objective standards for estimated times of restoration (øETRsö).

2. Requests and Reports Associated with Hurricane Sandy – Case No. 9308

On November 5, 2012, Hurricane Sandy came inland in southern New Jersey and impacted 24 states, including Maryland, with hurricane/tropical force winds and heavy rains on November 5 and 6, 2012, causing extensive power outages. In Garrett County, Maryland, a cold front traveling from the northwest collided with Sandy's wind and precipitation bringing a heavy snowfall (up to 2 feet) and blizzard conditions on November 5 and November 6, 2012. On November 20, 2012, Delmarva, Pepco and SMECO each submitted a Major Outage Event Report; on November 26, 2012 (as amended on November 28, 2012), BGE submitted its Major Outage Event Report; on November 29, 2012, PE submitted its Major Outage Event Report; and, on November 30, 2012, Choptank submitted its Major Outage Event Report. As of December 31, 2012, the matter remained pending before the Commission.

K. Application of Baltimore Gas and Electric Company for Adjustment in its Electric and Gas Base Rates – Case No. 9299

On July 27, 2012, BGE filed an Application for Revisions in Electric and Gas Base Rates, in which it stated that its evidence supported a \$130.5 million increase in its electric distribution revenue requirement and a \$45.2 million increase in its gas

distribution revenue requirement (as modified based upon updated actual data for the full test year submitted in October 2012.) BGE also asked that its return on equity be set at 10.5% for an overall rate of return of 7.96%. Further, it requested terminal rate base treatment for its certain test-year reliability and safety expenditures as well as inclusion of reliability and safety expenditures in October and November 2012 and estimated reliability and safety expenditures for the period December 2012 through December 2013. By Order No. 80537, the Commission initiated a new docket, Case No. 9299, to consider the Application and suspended the revised tariffs submitted with the Application for an initial period of 150 days from the effective date of the revised tariffs.¹⁴

After review of the Application, analyzing the written testimony of the BGE witnesses, and conducting discovery, Staff recommended an increase of BGE's electric distribution revenue to \$80,990,000 and BGE's gas distribution revenue requirement to \$22,679,000; OPC's recommendation was an electric revenue deficiency of \$36,320,000 and a gas revenue deficiency of \$19,598,000. The record in the case included written testimony of 21 witnesses, 6 days of evidentiary hearing, 5 separate evening public hearings, and extensive post-hearing briefs.

On February 22, 2013, the Commission issued Order No. 85374 in which it authorized 62% of BGE's request applying to its electric distribution service, an increase in rates of \$80,554,000, and authorized 72% of BGE's request applying to its gas distribution service, an increase in rates of \$32,416,000. For the electric distribution service, the Commission reduced the authorized return on equity from 9.86% to 9.75%, with a resulting overall rate of return of 7.60%. The Commission slightly increased the

¹⁴ By Order No. 85086, in which the Commission set the procedural schedule for the matter, it extended by an additional 30 days the initial suspension period.

authorized rate of return for the gas distribution service to 9.60% from 9.56%, which resulted in an overall rate of return of 7.53%. The Commission granted terminal test year adjustments for certain safety and reliability projects undertaken during the test year and two-month post test year adjustments for certain safety and reliability projects completed during this period. Otherwise, the Commission consistently applied its historic, average test-year rate making principles in making its determinations in the matter.

L. Electric Competition Activity – Case No. 8378

By letter dated September 13, 2000, the Commission ordered the four major investor-owned utilities in the State of PE; BGE; Delmarva; and Pepco - to file Monthly Electric Customer Choice Reports. The reports were to convey 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 2011, electric suppliers in the state served 488,004 commercial, industrial and residential customers. Through December 2012, this number increased by 18% to 578,139.

**Customer Accounts Enrolled with Electric Suppliers
As of December 31, 2012**

| | Residential | Non-Residential | Total |
|------------------------------------|--------------------|------------------------|--------------|
| Total Eligible Accounts | 2,001,595 | 246,180 | 2,247,775 |
| Customers Enrolled | 477,248 | 100,891 | 578,139 |
| Percentage Enrolled with Suppliers | 23.8% | 41.0% | 25.7% |

At the end of December 2011, the overall demand in megawatts of peak load obligation served by all electric suppliers was 6,625 MW. Through December 2012, this number increased slightly to 6,646 MW.

**Peak Load Obligation Served by Electric Suppliers
As of December 31, 2012**

| | Residential | Non-Residential | Total |
|--------------------------------|--------------------|------------------------|--------------|
| Total MW Peak | 8,870 MW | 6,438 MW | 15,309 MW |
| Demand Served | 1,672 MW | 4,974 MW | 6,646 MW |
| Percentage Served by Suppliers | 18.8% | 77.3% | 43.4% |

BGE had the highest number of residential accounts served by suppliers (304,153) as well as the highest number of commercial accounts served by suppliers (55,226) and the highest peak-load served by suppliers (3,758 MW).

The number of electric suppliers licensed in Maryland has increased from last year by 17%. Most electric suppliers in Maryland are authorized to serve multiple classes. The number serving each class, as well as the total number of unique suppliers serving in each utility territory, is reflected in the table below.

**Number of Electric Suppliers Serving Enrolled Customers
By Class as of December 2012**

| | Residential | Small C&I | Mid-Sized | Large C&I | Total |
|--------------|--------------------|----------------------|------------------|----------------------|--------------|
| BGE | 45 | 50 | 48 | 23 | 166 |
| DPL | 26 | 33 | 31 | 17 | 107 |
| PE | 16 | 23 | 24 | 13 | 76 |
| Pepco | 38 | 42 | 42 | 21 | 143 |

M. Results of the Standard Offer Services Solicitations for Residential and Type I and Type II Commercial Customers – Case Nos. 9056 and 9064

The Commission reviews Standard Offer Service (SOS) rates on an ongoing basis in Case Nos. 9056 and 9064. For the 12-month period beginning June of 2012, SOS rates for residential and small commercial customers declined compared with the previous year. Rate changes expressed as a percentage change in the total annual cost for an average customer are shown below, and the statistics are taken from the Commission Staff reports in Case Nos. 9056 and 9064.

Residential

- BGE -3.3%
- DPL +1.7%
- Pepco -3.2%
- Potomac Edison -7.7%

TYPE I SOS (Small Commercial Customers)

- BGE -4.4%
- DPL +2.6%
- Pepco -2.4%
- Potomac Edison -17.3%

N. The Reliability Pricing Model (RPM) 2015/2016 Delivery Year Base Residual Auction (BRA) Results

PJM conducted the 2015/2016 BRA in May 2012. It was the second BRA under the new rules that established two additional demand resource products.¹⁵ The new BRA rules recognize the greater reliability value of more flexible resources.

¹⁵ FERC Order ER11-2288, dated January 31, 2011, accepted PJM's filing that established two additional demand resource products - one available throughout the year (Annual DR) and another available for an extended summer period (Extended Summer DR). These new products have fewer limitations than the current Limited Demand Resource product (Limited DR).

The 2015/16 BRA cleared sufficient capacity resources in PJM to provide a 20.6% reserve margin. The total quantity of demand resources offered into the 2015/2016 BRA increased 28.4% over the demand resources that offered into the 2014/2015 BRA. The majority of the increased participation by demand response was driven by the expectation of receiving capacity resource payments.

The BRA annual resource clearing prices changed marginally in 2015/2016 when compared to 2014/2015 results. Three of Maryland’s investor-owned utilities – BGE, DPL and Pepco – experienced increases in resource prices of approximately 20%, while PE experienced a lower increase of approximately 8% in the resource clearing prices. The price increase in BGE, DPL and Pepco is largely attributable to the transmission constraints in the MAAC zone, which requires a higher price to procure capacity as compared to the rest of the RTO. A comparison of utility clearing prices for the last two BRAs for each of the investor-owned utilities is shown in the following table.

Annual Resource BRA Clearing Prices (\$/MW-day)

| Utility | 2015/165 Clearing Price | 2014/15 Clearing Price | Increase / (Decrease) 2015/16 vs. 2014/15 | Percent Change 2015/16 vs. 2014/15 |
|----------------|------------------------------------|-----------------------------------|--|---|
| BGE | \$167.46 | \$136.50 | \$30.96 | 22.7% |
| DPL | \$167.46 | \$136.50 | \$30.96 | 22.7% |
| PE | \$136.00 | \$125.99 | 10.01 | 7.9% |
| Pepco | \$167.46 | \$136.50 | \$30.96 | 22.7% |

In summary, the main factors impacting 2015/2016 clearing prices relative to 2014/2015 BRA clearing prices are:

- Transmission constraints in the MAAC zone impacting BGE, DPL and Pepco;

- Increases to the Cost of New Entry; and
- The unprecedented amount of planned generation retirements (more than 14,000 MW) driven largely by environmental regulations.

O. Supplier Diversity Memorandum of Understanding – PC16

As reported in the 2009, 2010, and 2011 Annual Reports, 18 utilities¹⁶ entered into a Memoranda of Understanding (MOU) with the Commission in which each utility agreed voluntarily to develop, implement and consistently report on its activities and accomplishments in promoting a strategy to support viable and prosperous women, minority, and service-disabled-veteran-owned business enterprises (Diverse Suppliers). In 2012, AT&T Corporation agreed to these principles, bringing the total number of MOU companies to 19. These MOUs expressed the utilities’ commitment to use their best efforts to achieve a goal of 25% Diverse Supplier contracting; standardize the reporting methodology; and institute uniform annual plans and annual reports, in order to track the utilities’ compliance with the MOU goals.

March of 2012 marked the first time all signing utilities provided annual reports on the results of their supplier diversity programs. The results, summarized below, were tabulated by the Commission Staff and presented to the Commission in June.

Table 1 - Achieved vs. Target

¹⁶ Association of Maryland Pilots; Baltimore Gas and Electric Company; Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC; Delmarva Power & Light Company; First Transit’s Baltimore Washington International Thurgood Marshall Airport Shuttle Bus Contract; Potomac Edison Company d/b/a Allegheny Power; Potomac Electric Power Company; Qwest Communications Corporation; Veolia Transportation Services, Inc.; Verizon Maryland Inc.; Washington Gas Light Company; XO Communications Services, Inc; Southern Maryland Electric Cooperative, Inc.; Choptank Electric Cooperative, Inc.; Chesapeake Utilities Corporation; Columbia Gas of Maryland, Inc.; Easton Utilities; and Pivotal Utilities Holdings, Inc. d/b/a Elkton Gas

This table shows the program expenditures as reported by the utilities, compared with each company's total spending. Certain types of expenses are excluded from the tabulation, being either single-sourced or are inapplicable to the diversity program.¹⁷

[CHART APPEARS ON NEXT PAGE]

¹⁷ Sources of exempted spend are agreed to in advance and can be found in the respective utility's MOU.

Table 1 - 2011 Utility Diverse Supplier Procurement Achievement

| Utility | Total Diverse Supplier Procurement (\$) | Utility Procurement | Percentage of Diverse Supplier \$ to Utility Procurement \$ | 2011 Target |
|----------------------------------|--|----------------------------|--|-------------------------|
| Assoc. Of MD Pilots | 225,932 | \$806,755 | 28.01% | 25% |
| BGE¹⁸ | \$88,478,235 | \$757,198,557 | 11.68% | 13% |
| Chesapeake Utilities | n/a | n/a | n/a | n/a |
| Choptank | \$708,932 | \$17,362,741 | 4.08% | 3% |
| Columbia Gas | \$228,592 | \$9,284,401 | 2.46% | 1.50% |
| Comcast | \$33,817,449 | \$184,859,054 | 18.29% | n/a |
| DPL | \$34,991,477 | \$200,980,008 | 17.42% | 9.01% |
| Easton | \$75,979 | \$2,393,114 | 3.17% | n/a |
| Elkton | \$47,299 | \$586,614 | 8.06% | n/a |
| First Transit BWI Airport | \$4,408,448 | \$14,575,088 | 30.25% | 28% |
| PE | \$6,773,795 | \$43,731,395 | 15.49% | 15% |
| Pepco | \$51,962,866 | \$495,857,782 | 10.48% | 10% |
| QWEST | n/a | n/a | n/a | n/a |
| SMECO | \$6,812,402 | \$112,713,249 | 6.04% | 15% |
| Veolia | \$8,016,696 | \$37,348,784 | 21.46% | 0% |
| Verizon | \$103,062,382 | \$346,278,732 | 29.76% | 27% |
| WGL¹⁹ | \$48,164,944 | \$237,806,980 | 20.25% | 13% |
| XO Communications | n/a | n/a | n/a | n/a |
| | | | | |
| Sum | \$387,775,428 | \$2,461,783,254 | 15.75% | 25%²⁰ |

* n/a ó not reported

The companies' reports show that most participants reached and surpassed their short-term 2011 goals. Three companies, First Transit BWI Airport, Verizon, and Association of Maryland Pilots, reported expenditures which met or surpassed the

¹⁸ Excluding natural gas purchases of about \$42M for diverse suppliers.

¹⁹ Excluding natural gas purchases of about \$60M from diverse suppliers.

²⁰ The Commission set 25% as the 2011 target achievement rate.

Commission's ultimate goal,²¹ 25% of diverse procurement dollar to the total utility procurement spend. Overall, the total diverse procurement statewide accounted for over 15% of the total utility procurement.

Table 2 - Procurement by Diversity Group

In Table 2, the amounts and percentages from Table 1 are further broken down into expenditures by diversity classification. The breakdown reveals that overall, the companies spent approximately 43% of their diverse supplier expenditures on minority business enterprises, 35% on women business enterprises, 22% on service-disabled veterans, and a small portion on not-for-profit workshops.²²

[CHART APPEARS ON NEXT PAGE]

²¹ Attaining the 25% goal relieves a company from the MOU requirement to file an Annual Plan reflecting their outreach plans for the year, within 45 days of the end of the company's fiscal year. However, the company must still file an Annual Report, which presents all their data included in the charts presented herein.

²² The Association of Maryland Pilots is not required to break down their annual spend by diversity classification.

Table 2 - 2011 Procurement by Diverse Group

| UTILITY | MINORITY BUSINESS ENTERPRISE | WOMEN BUSINESS ENTERPRISE | SERVICE DISABLED VETERAN BUSINESS ENTERPRISE | NOT-FOR- PROFIT WORKSHOPS | TOTAL DIVERSE SUPPLIER (\$) |
|---|---|--|---|--|--|
| Assoc. of MD Pilots | \$225,932 | \$0 | \$0 | \$0 | \$225,932 |
| BGE²³ | \$38,136,635 | \$42,823,370 | \$7,462,691 | \$55,539 | \$88,478,235 |
| Chesapeake | n/a | n/a | n/a | n/a | n/a |
| Choptank | \$0 | \$707,579 | \$1,353 | \$0 | \$708,932 |
| Columbia | \$3,174 | \$225,417 | \$0 | \$0 | \$228,592 |
| Comcast | \$14,755,315 | \$19,039,340 | \$22,794 | \$0 | \$33,817,449 |
| DPL | \$9,551,228 | \$25,339,953 | \$0 | \$100,296 | \$34,991,477 |
| Easton | \$6,833 | \$69,146 | \$0 | \$0 | \$75,979 |
| Elkton | \$38,937 | \$8,362 | \$0 | \$0 | \$47,299 |
| First Transit BWI Airport | \$4,372,082 | \$36,366 | \$0 | \$0 | \$4,408,448 |
| PE | \$2,852,697 | \$3,881,422 | \$39,675 | \$0 | \$6,773,795 |
| Pepco | \$35,404,740 | \$16,504,460 | \$53,666 | \$0 | \$51,962,866 |
| QWEST | n/a | n/a | n/a | n/a | n/a |
| SMECO | \$2,084,244 | \$4,697,831 | \$30,327 | \$0 | \$6,812,402 |
| Veolia | \$7,367,578 | \$649,118 | \$0 | \$0 | \$8,016,696 |
| Verizon | \$26,622,506 | \$5,516,082 | \$70,923,794 | \$0 | \$103,062,382 |
| WGL²⁴ | \$25,238,633 | \$17,217,867 | \$5,708,444 | \$0 | \$48,164,944 |
| XO Comm. | n/a | n/a | n/a | n/a | n/a |
| Sum | \$166,660,535 | \$136,716,313 | \$84,242,744 | \$155,835 | \$387,775,428 |
| Percentage Of Total Diverse Suppliers \$ | 42.98% | 35.26% | 21.72% | 0.04% | 100.00% |

P. Low-Income Energy-Related Customer Arrearages and Bill Assistance Needs – PC27

On January 11, 2012, the Commission initiated administrative docket PC27 to undertake a structural, longer-term review of energy assistance programs in Maryland.

²³ This amount excludes the amount spent in natural gas.

²⁴ This amount excludes the amount spent in natural gas.

The Commission had concerns as to whether the current suite of energy assistance programs, as currently designed and implemented, can fulfill the intended purposes and are appropriately funded.

The Commission held a hearing on March 20, 2012 to consider the comments and recommendations of various participants, including BGE, Pepco, DPL, Baltimore City Department of Housing and Community Development, Fuel Fund of Central Maryland Inc., OPC and Staff. As a result of the hearing, the Commission directed the Staff to prepare recommendation for changes to Maryland's energy assistance program and file its recommendations by November 1, 2012. It also directed the other participants to file comments on Staff's recommendations by November 30, 2012.

On November 1, 2012, Staff made a filing entitled "Affordable Energy Program Proposal" (AEP). The AEP was comprised of five components available to both gas and electric customers: (1) bill payment assistance, based on a percentage of income payment by customers with gross household income at or below 175% of the federal poverty level; (2) pre-program arrearage assistance based on the same principles; (3) coordination with existing weatherization and EmPOWER Maryland programs in order to decrease energy usage and therefore alleviate high energy bills; (4) targeted treatment for customers with very high usage or special circumstances; and (5) crisis assistance.

Comments on the AEP were filed throughout November and December 2012 by Maryland Energy Group, OPC, BGE, PE, Pepco and DPL, Columbia Gas of Maryland, and Energy Advocates. A legislative-style hearing is scheduled on May 9, 2013 to address Staff's AEP and the parties' comments on the AEP.

Q. Public Service Commission Study on Tenant Payment of Landlord Utility Bills – PC30.

During the 2012 Legislative Session, the Maryland General Assembly enacted Chapters 573 and 574, 2012 Laws of Maryland (öActö), entitled öPublic Service Commission ó Study on Tenant Payment of Landlord Utility Bills,ö directing the Maryland Public Service Commission (hereinafter öCommissionö) to convene:

[a] work group to study and make recommendations on how to develop a mechanism to allow tenants in residential properties to pay for their utilities when the landlord responsible for utility payments defaults on that responsibility.

On June 27, 2012, the Commission formally empaneled the work group on Tenant Payment of Landlord Utility Bills. The uncodified language directed the work group to study and provide recommendations or answers to the following questions:

- i. how to ensure proper notice is given to an occupant of a residential property when utility termination due to nonpayment is pending;
- ii. what mechanism would be most effective in allowing a tenant to pay for utility usage when a landlord defaults on the landlord's responsibility to pay;
- iii. how to protect a utility company's rights to pursue bad debt;
- iv. how to protect a tenant's right to pursue breach of contract remedies;
- v. how similar efforts in other states have worked;
- vi. how to eliminate the opportunity for fraud in the payment for utility usage by a tenant when a landlord defaults on the landlord's responsibility to pay; and
- vii. any other matters the work group identifies as pertinent to the respective interests of the tenants, utilities, and landlords.

While the work group met for several weeks to develop answers to the questions and investigate solutions, no complete agreement was reached. There was some difficulty identifying or estimating the number of impacted residential tenant customers who paid for their utility service through a lease with service was in the landlord's name.

Nevertheless, the work group agreed that in those instances where a utility has prior notice of a landlord / tenant relationship, and has authority to disclose the landlord's business records, the tenant would receive Notice of any impending service denial via mail at the request of the landlord or tenant. If the utility did not have prior knowledge of the landlord / tenant relationship, the utility could assume that the property is tenant-occupied and as a result, mail a copy of the termination of service notice to both the service address and the billing address on file with the regulated utility.

The work group agreed that upon receipt of a notice of a pending service denial, the tenant should have the option to either open a new account or pay the landlord's outstanding debt. The work group agreed that the tenant has no responsibility to pay the landlord's outstanding debt, and if the tenant chooses to open a new account in his or her name, the landlord remains responsible for the debt remaining on his or her account. The work group's recommendations do not limit the tenant's rights to pursue the landlord for breach of contract.

The work group's discussions did not result in a complete resolution of the issues presented in the uncodified language; however, the work group did agree that a tenant in this situation may make application for a new regulated utility account in his/her own name, and will not be held responsible for payment of the outstanding balance due for regulated utility service at the property as a result of the landlord's failure to pay. On December 1, 2012, the Commission submitted the work group's Final Report to the General Assembly with additional comments from the parties.

R. Regional Greenhouse Gas Initiative ("RGGI")

Established in 2009, the Regional Greenhouse Gas Initiative (RGGI) is the first market-based regulatory program in the United States designed to stabilize and then

reduce greenhouse gas emissions, specifically carbon dioxide (CO₂). RGGI, Inc.²⁵ is a nonprofit corporation formed to provide technical advisory and administrative services to participating states in the development and implementation of these CO₂ budget trading programs.²⁶ Originally under RGGI, 10 Northeastern and Mid-Atlantic states jointly designed a cap-and-trade program that caps power plants' CO₂ emissions, then lowers that cap by 10% by 2018. The participating states agreed to use an auction as the means to distribute allowances²⁷ to electric power plants regulated under coordinated state CO₂ cap-and-trade programs. All fossil fuel-fired electric power plants 25 MW or greater must obtain allowances based on their CO₂ emissions.

As reported in the 2011 annual report, nine of the original ten member states have continued their participation in the RGGI program for the second compliance period of January 1, 2012 to December 31, 2014; New Jersey formally withdrew from the RGGI program, effective January 1, 2012.²⁸ From 2009 through 2014, the cap stabilizes emissions at recent historical levels for the nine-member region. Beginning in 2015, the cap will be reduced by 2.5% each year in order to achieve a 10% regional reduction in CO₂ emissions by 2018. The initial base annual emissions budget for the 2009-2014 period was set as follows:

Table VI.B.1: Annual Emissions Budget (2009 – 2014)

²⁵ The RGGI Board of Directors (Board) is composed of two representatives from each member state (20 total), with equal representation from the states' environmental and energy regulatory agencies. Agency Heads (two from each state), also serving as board members, constitute a steering committee that provides direction to the Staff Working Group and allows in-process projects to be conditioned for Board Review. Commissioner Speakes-Backman and Secretary Robert Summers of the Maryland Department of the Environment represent Maryland on the Board of Directors for RGGI, Inc.

²⁶ The RGGI offices are located in New York City in space collocated with the New York Public Service Commission at 90 Church Street.

²⁷ An allowance is a limited permission to emit one ton of CO₂.

²⁸ On May 27, 2011, New Jersey Governor Christie announced that New Jersey would withdraw from RGGI by December 31, 2011.

| State | Carbon Dioxide Allowances (2009 – 2014 short tons) |
|---------------|---|
| Connecticut | 10,695,036 |
| Delaware | 7,559,787 |
| Maine | 5,948,902 |
| Maryland | 37,503,983 |
| Massachusetts | 26,660,204 |
| New Hampshire | 8,620,460 |
| New York | 64,310,805 |
| Rhode Island | 2,659,239 |
| Vermont | 1,225,830 |
| Total | 165,184,246 |

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

The RGGI Memorandum of Understanding (MOU) apportions CO₂ allowances among signatory states through a process that was based on historical emissions and negotiation among the participating signatory states. Together, the emissions budgets of each signatory state comprise the regional emissions budget or RGGI cap.

In 2012, RGGI held four auctions of CO₂ allowances. These auctions raised approximately \$38.8 million for the State's Strategic Energy Investment Fund (SEIF). Pursuant to § 9-20B-05(g-1) of the State Government Article, *Annotated Code of Maryland*, as modified by Section 17 of Chapter 397 (Budget Reconciliation and Financing Act of 2011), Laws of Maryland 2011, the proceeds received from January 1, 2012 through December 31, 2012 by the SEIF, were allocated as follows:

- (1) up to 50% shall be credited to an energy assistance account to be used for the Electric Universal Service Program and other electric assistance programs in the Department of Human Resources;
- (2) at least 20% shall be credited to a low and moderate income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, of which at least one-half shall be targeted to low and moderate income efficiency and conservation programs account for (i) the low-income residential

sector at no cost to the participants of the programs, projects, or activities; and (ii) the moderate-income residential sector;

- (3) at least 20% shall be credited to a renewable and clean energy programs account for (i) renewable and clean energy programs and initiatives; (ii) energy-related public education and outreach; and (iii) climate change programs; and
- (4) up to 10%, but not more than \$4,000,000, shall be credited to an administrative expense account for costs related to the administration of the SEI Fund, including the review of electric company plans for achieving electricity savings and demand reductions that the electric companies are required under law to submit to MEA.

As called for in the RGGI MOU, the member states underwent a 2012 RGGI Program Review, to assess program effectiveness and whether a new cap should be established based on an updated set of market conditions. The 2012 Program Review includes a comprehensive evaluation of the program's success and impact to-date; the RGGI offsets program; the issue of emissions leakage; and the potential need for further reductions to the RGGI regional cap. The RGGI member states reviewed and considered stakeholder feedback on published potential programmatic changes. On February 7, 2013, RGGI, Inc. announced an aggregate 45% reduction in the existing cap, and beginning in February 2013, member states aim to begin their state-specific public processes, with potential adjustments to the RGGI program becoming effective in 2014.

S. Organizations and Related Activities

1. Washington Metropolitan Area Transit Commission

The Washington Metropolitan Area Transit Commission (WMATC) was created in 1960 by the Washington Metropolitan Area Transit Regulation Compact

(“Compact”)²⁹ for the purpose of regulating certain transportation carriers on a coordinated regional basis. Today, WMATC regulates private sector passenger carriers, including sightseeing, tour, and charter bus operators; airport shuttle companies; wheelchair van operators and some sedan and limousine operators, transporting passengers for hire between points in the Washington Metropolitan Area Transit District.³⁰ WMATC also sets interstate taxicab rates between signatories in the Metropolitan District, which for this purpose only, also includes Baltimore-Washington International Thurgood Marshall Airport (“BWI”) (except that this expansion of the Metropolitan District to include BWI does not apply to transportation conducted in a taxicab licensed by the State of Maryland or a political subdivision of the State of Maryland or operated under a contract with the State of Maryland).

A Commissioner from the Maryland Public Service Commission is designated to serve on the WMATC. Governor O’Malley appointed Commissioner Lawrence Brenner to serve on the WMATC in November 2008. Commissioner Brenner currently serves as the Chair of WMATC.

In fiscal year (“FY”) 2012, which is from July 1, 2011 through June 30, 2012, the WMATC accepted 190 applications to obtain, transfer, amend or terminate a WMATC certificate of authority. The WMATC also initiated 142 investigations of carrier

²⁹ The Compact is an interstate agreement among the State of Maryland, the Commonwealth of Virginia and the District of Columbia, which was approved by Congress in 1960. The Compact was amended in its entirety in 1990 (at Maryland’s behest), and again in 2010 (to modify the articles regarding appointment of Commissioners to WMATC). Each amendment was enacted with the concurrence of the each of the signatories and Congress’s consent. The Compact, as amended, and the WMATC are codified in Title 10, Subtitle 2 of the Transportation Article, *Annotated Code of Maryland*.

³⁰ The Metropolitan District includes: the District of Columbia; the cities of Alexandria and Falls Church of the Commonwealth of Virginia; Arlington County and Fairfax County of the Commonwealth of Virginia, the political subdivisions located within those counties, and that portion of Loudoun County, Virginia, occupied by the Washington Dulles International Airport; Montgomery County and Prince George’s County of the State of Maryland, and the political subdivisions located within those counties; and all other cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of those counties, cities, and airports.

compliance with WMATC rules and regulations. The WMATC issued 435 orders in formal proceedings in FY2012. There were 394 carriers holding a certificate of authority at the end of FY2012 ó up from 385 at the close of FY2011, which is more than four times the 97 that held authority at the end of FY1990, before the Compact lowered barriers to entry beginning in 1991. The number of vehicles operated under WMATC authority was approximately 5,065 as of June 30, 2012. The WMATC processed 27 informal complaints in FY2012, mostly concerning interstate taxicab overcharges.

The Public Service Commission includes its share of the WMATC budget in its own budget. Budget allocations are based upon the population of the Compact signatories in the Compact region. In Maryland, this includes Montgomery and Prince George's Counties, as noted above. The FY2012 WMATC budget was \$795,250 and Maryland's share was \$373,290 or 47% of the WMATC budget. In FY2012, the WMATC generated \$128,425 in non-appropriations revenue (fees and forfeitures), which was returned to the signatories on a proportional basis.

2. Mid-Atlantic Distributed Resources Initiative ("MADRI")

MADRI was established in 2004 by the state regulatory utility commissions of Delaware, District of Columbia, Maryland, New Jersey and Pennsylvania, along with the U.S. Department of Energy (óDOEö), the U.S. Environmental Protection Agency (óEPAö), Federal Energy Regulatory Commission (óFERCö), and PJM. In 2008, the regulatory utility commissions of Illinois and Ohio became members of MADRI.

MADRI's position is that distributed generation should be able to compete with generation and transmission to ensure grid reliability and a fully functioning wholesale electric market. It was established to facilitate the identification of barriers to the

deployment of distributed generation, demand response and energy efficiency resources in the Mid-Atlantic region, and determine solutions to remedy these barriers. Institutional barriers and lack of market incentives have been identified as the primary causes that have slowed deployment of cost-effective distributed resources in the Mid-Atlantic.

Facilitation support is provided by the Regulatory Assistance Project funded by DOE. The Commission participates along with other stakeholders, including utilities, FERC, service providers, and consumers, in discussions and actions of MADRI. Commissioner Brenner currently is the Chair of MADRI.

3. Organization of PJM States, Inc.

The Organization of PJM States, Inc. (OPSI) was incorporated as a non-profit corporation in May 2005. It is an inter-governmental organization comprised of 14 utility regulatory agencies, including the Commission. OPSI, among other activities, coordinates data/issues analyses and policy formulation related to PJM, its operations, its Independent Market Monitor, and related FERC matters. While the 14 OPSI Members interact as a regional body, their collective actions as OPSI do not infringe on each of the 14 agencies' individual roles as the statutory regulators within their respective state boundaries. Commissioner Brenner serves as the Commission's representative on the OPSI Board of Directors.

4. Eastern Interconnection States' Planning Council

The Eastern Interconnection States' Planning Council (EISPC), represents the 39 states, the District of Columbia, City of New Orleans and eight Canadian provinces located within the Eastern Interconnection electric transmission grid, of which Maryland

is a part. Initially funded by an award from the DOE pursuant to a provision of the American Recovery and Reinvestment Act (ARRA), the goal of EISPC is to create a collaborative among the states in the Eastern Interconnection. It is comprised of public utility commissions, Governors' offices, energy offices, and other key government representatives. The collaboration is intended to foster and produce consistent and coordinated direction to the regional and interconnection-level analyses and planning. Significant state input and direction increases the probability that the outputs will be useful to the state-level officials whose decisions may determine whether proposals that arise from such analyses become actual investments.

5. National Association of Regulatory Utility Commissioners (“NARUC”)

NARUC is the national association representing the state public service commissioners who regulate essential utility services, including energy, telecommunications, and water. NARUC members are responsible for assuring reliable utility service at fair, just, and reasonable rates. Founded in 1889, NARUC is an invaluable resource for its members and the regulatory community, providing a venue to set and influence public policy, share best practices, and foster innovative solutions to improve regulation. Commissioner Williams is the Chair of the Subcommittee on Utility Marketplace Access.

The Commission also is a member of the Mid-Atlantic Conference of Regulatory Utility Commissioners (MACRUC), a regional division of NARUC comprised of the public utility commissions of Delaware, Kentucky, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, Pennsylvania, the District of Columbia and the U.S. Virgin Islands. Commissioner Brenner serves on the MACRUC Board of Directors.

IV. OTHER MAJOR CASES

A. Electric- or Gas-Related Matters

1. Petition of the Commission's Staff for an Investigation into Washington Gas Light Company's Asset Management Practices and Cost Recovery of Natural Gas Purchases – Case No. 9158

As reported in prior Annual Reports, Case No. 9158 was initiated to address a petition filed by Staff asking the Commission to open an investigation into WGL's asset management practices and cost recovery of natural gas purchases, because WGL had changed its policy by self-management of its gas capacity and commodity resources rather than using a third-party asset manager. In its petition, Staff also recommended review of margin-sharing mechanisms for revenues generated from off-system sales, and review of company pricing of gas storage injections (referred to as the "ratable fill" method). On November 2, 2009, a Proposed Order of Hearing Examiner was issued in which the Hearing Examiner found that WGL's movement to self-management of its excess assets resulted in greater margins than the prior use of the third-party asset managements, and it was accepted as being in the public interest. Additionally, the Hearing Examiner determined that the sharing ratio should be changed for off-system sales, and that WGL's ratable fill method for storage gas was in accordance with past usage. Staff and OPC timely appealed the Proposed Order.

In its appeal, Staff argued the Hearing Examiner erred by accepting WGL's change from third-party asset management to self-asset management, and by allowing WGL to continue to utilize the ratable fill method for pricing storage injections. OPC appealed the Proposed Order because it claimed the Hearing Examiner failed to establish necessary conditions for WGL to continue its self-asset management, and that the

Hearing Examiner arbitrarily granted WGL's proposed incentive sharing method. Finally, OPC argued that the Hearing Examiner was wrong in leaving two issues unresolved and deferring a final resolution of these issues: appropriate accounting for off-system sales activity; and the lawfulness of the continued use of ratable fill pricing methods.

On August 16, 2012, the Commission issued Order No. 85059 in response to the appeals of Staff and OPC. In the Order, the Commission affirmed the Proposed Order of Hearing Examiner in part with regard to the modified incentive sharing ration and WGL's record keeping of asset optimization transaction. The Commission, however, declined to institute a Phase II of the case to address the continued use of the ratable fill methodology for pricing storage gas, and directed that this subject be addressed in Case No. 9509.³¹ Finally, the Commission directed WGL to consult with the other parties to develop greater transparency and separating accounting of asset optimization transactions, and provide the proposal or report back within 60 days after the final order.

On November 15, 2012, WGL submitted a Motion to Accept Stipulation, in which WGL, OPC and Staff agreed to (1) a manner to review the Company's accounting system for greater transparency and separation of accounts for asset optimization transactions; (2) a ratable fill methodology for pricing storage gas inventory; (3) the waiver by WGL of the increased margins it would otherwise be entitled to in Case Nos. 9509(c), 9509(d), 9509(e), and 9509(f), with the new incentive sharing ratio to become effective in Case No. 9590(g); (4) credit margins through the PGA rather than FCA effective with the 12-month period beginning October 2012; and (5) closing Case No.

³¹ *In the Matter of the Continuing Investigation of the Purchased Power Cost Adjustment Charges of Washington Gas Light Company*, Case No. 9509.

9158 and resolving the outstanding issues in Case Nos. 9509(c), 9509(d), 9509(e), and 9509(f). On November 15, 2012, AOBA filed a letter stating that it did not oppose the Motion or the terms of the Stipulation. On December 5, 2012, a Proposed Order of Public Utility Law Judge issued in Case No. 9158 and Case Nos. 9509(c), 9509(d), 9509(e), and 9509(f) granted the Motion and approved the Stipulation. No appeal was filed on the Proposed Order, and it became Order No. 85290.

2. **Applications: (1) to Establish the Overall Need for Construction of a New Transmission Line Known as the Mid-Atlantic Power Pathway (MAPP) Project; (2) to Modify the CPCN in Case No. 6526 to Construct an Already Approved Second 500 kV Circuit on New Supporting Structures across the Potomac River; (3) to Modify the CPCN in Case No. 6984 to Construct a Second 500 kV Circuit between Chalk Point and Calvert Cliffs, Maryland and to Replace certain Existing Structures for the Existing 500 kV Circuit in Calvert County – Case No. 9179**

As reported in the 2011 Annual Report, on September 6, 2011, the procedural schedule in this matter was suspended for a period of no less than one year. On October 2, 2012, Pepco, BGE and Delmarva filed a Notice of Withdrawal of the application because PJM terminated the MAPP project and removed it from the Regional Transmission Expansion Plan. On October 7, 2012, a Proposed Order of Public Utility Law Judge was issued dismissing the proceedings and closing the docket. No appeal was taken on the Proposed Order, and it became Order No. 85243.

3. **Application of Energy Answers International, LLC for a Certificate of Public Convenience and Necessity to Construct a 120 MW Generating Facility in Baltimore, Maryland – Case No. 9199**

On December 29, 2011, Energy Answers International filed a Motion to Toll Construction Deadline in its CPCN, which was granted in this proceeding on August 6,

2012 by Order No. 83517. The Motion asked that the construction deadline set forth in the conditions incorporated into the CPCN be extended for an 18-month period, from February 5, 2012 until August 6, 2013. At its February 1, 2012 Administrative Meeting, the Commission tolled the construction deadline to allow a proceeding to be conducted to consider the merits of the Motion. On February 2, 2012, the Commission delegated the matter to the Public Utility Law Judge Division to conduct the necessary proceedings.

On March 5, 2012, a status conference was held to determine the scope of the issues to be litigated in the proceeding. On June 29, 2012, PPRP submitted its Environmental Review Document as well as its revised recommended licensing conditions. PPRP indicated that public comments or EPA comments could cause it to revise its recommended conditions or conclusions.

On August 30, 2012, an evening hearing for public comments was held in Baltimore City. The deadline for written public comments was set for September 28, 2012. On October 24, 2012, PPRP filed its final recommended licensing conditions. On November 30, 2012, an evidentiary hearing on the Motion was held.

On December 10, 2012, a Proposed Order of Public Utility Law Judge was issued, which found that Energy Answers met the two-part requirement set by the Commission in determining whether an extension of a construction deadline for a CPCN was warranted. Further, the Public Utility Law Judge determined that the State agencies tasked with review of the scientific evidence had found that the plant will meet all required limits and standards when operating under the State agencies' proposed licensing conditions. He therefore found that grant of extension of the construction deadline for an 18-month period was reasonable. He further incorporated the final

recommended licensing conditions into, and made part of, the CPCN previously granted. No appeal of the Proposed Order was taken, and it became Order No. 85296.

On January 11, 2013, the Commission issued Order No. 85300 to clarify that it had considered the Motion to Admit the Responses to Public Comments submitted by the Maryland Department of Natural Resources and the Maryland Department of the Environment, and had reviewed the responses to public comments prior to the final order being issued in the matter. It also granted the Motion and admitted the Response into the record.

4. Formal Complaint and Request to Retroactively Bill Undercharges For Electric Service by Potomac Electric Power Company v. Perini/Tompkins Joint Venture – Case No. 9210

On February 14, 2012, a Proposed Order of Public Utility Law Judge was issued, in which Pepco's request to retroactively bill Perini/Tompkins Joint Venture (PTJV) the amount of \$971,165.31 to recover undercharges incurred during 29 months, from September 2005 through February 2008, was granted. PTJV noted a timely appeal of the Proposed Order. By Order No. 84909, the Commission required PTJV to post a bond, with security in the amount of \$458,703.65, and scheduled the matter for oral argument on June 13, 2012.

On September 21, 2012, in Order No. 85126, the Commission affirmed the Proposed Order with two clarifications: (1) Pepco was directed to develop a program to reimburse SOS customers for the amounts paid by them due to PTJV's nonpayment for its electricity usage during the 29-month period at issue in the case and to file with the Commission a request for approval of such program within 30 days of the date of the Order; and (2) the program must, at a minimum, provide that Pepco shall reimburse SOS

customers within 60 days of the date of the Commission approval of the program, with such amounts being based on PTJV's usage *before* applying the nearly 13 percent margin of error in PTJV's favor. Further, the Commission ordered that upon payment to Pepco by PTJV in full, the bond posted by PTJV will be released.

In the Order, the Commission discussed its discretion whether to allow retroactive billing under COMAR 20.50.04.05D(2)(a). It noted that the COMAR section does not specify the criteria the Commission must use in making its decision on a utility's request, such as an "unclean hands" or other equitable doctrine is available to customers. Nonetheless, the Commission found that the absence of the list of equitable considerations does not require it to reject arguments based in equity. Although the PULJ found Pepco to be negligent, the Commission decided that it had to determine how the negligence should be weighted as it exercised its discretion to approve or reject Pepco's request. The Commission also considered PTJV's degree of complicity in the undercharges as well. The Commission decided that to disallow Pepco's Request, it would have to find PTJV's actions or inactions comparatively less egregious than Pepco's. After consideration, it concluded that both parties were equally culpable, and determined that Pepco could bill PTJV retroactively. Further, it found that the Pepco method of calculating the undercharges was preferable under the circumstances, but advised that its decision was limited to the specific facts and circumstances of this matter, and should not be read as a holding that the Feeder Meter method will be appropriate for any other case.

PTJV filed a petition for judicial review of the Commission's Order on September 21, 2012.

5. Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Distribution of Electric Energy (Re: Street Lighting Services) – Case No. 9217, Phase II

Phase II of Case No. 9217 was initiated by Order No. 83587 issued on September 23, 2010 by the Commission to examine the rates and charges associated with the street lighting services offered by Pepco, including the lighting technologies available to certain customers under the tariff provisions. On October 26, 2010, by Order No. 83652, the Commission delegated the matter to the Public Utility Law Judge Division after the Commission received a filing from Pepco that, despite good faith efforts, the parties were unable to reach an agreement as to the scope of the Phase II proceedings. On April 21, 2011, the Public Utility Law Judge issued a Ruling setting the scope of the proceedings and establishing the issues to be the subject of the Phase II proceeding.

During the course of the proceeding, the parties engaged in lengthy and comprehensive discovery and settlement negotiations. On May 7, 2012, a Non-Unanimous Joint Motion for approval of an Agreement of Stipulation and Settlement by Pepco, the Montgomery County Office of Consumer Protection, the City of Gaithersburg, and the Mayor and City Council of Rockville was submitted. On May 22, 2012, Alan Proctor, a party in the matter, filed an Objection to the Joint Motion. A hearing was held on all open Motions on May 24, 2012, at which the parties to the Settlement Agreement testified in support of the Settlement Agreement because it was a good compromise of the positions of the parties, lowered some rates and created new options for customers. OPC had no objection to the Settlement Agreement, and Staff supported it. Mr. Proctor continued to oppose it.

At the hearing, a schedule was set for filings to support or oppose the Settlement due by June 19, 2012 and responses to these filings due by June 25, 2012. After duly considering the record before him, the Public Utility Law Judge issued a Proposed Order on July 2, 2012, accepting the Joint Motion for Approval of Agreement of Stipulation and Settlement in full and unchanged, and directed Pepco to file clean copies of the tariff revisions within ten days of the entry of the final Order in the matter. No appeal was filed on the Proposed Order, and it became Order No. 85023.

On July 25, 2012, Pepco filed its tariff revisions in compliance with the Proposed Order. On August 8, 2012, at its Administrative Meeting, the Commission considered the tariff revisions and accepted them effective as of August 8, 2012.

6. Gas Price Hedging – Case No. 9224

On March 22, 2012, the Commission issued Order No. 84768 in Case No. 9224 granting in part WGL's Application for Approval of 2012 Summer and 2012-2013 Winter Gas Hedging Programs. In Order No. 84768, the Commission granted the Company's proposed 2012 summer storage injection hedging program consistent with the authorization provided in Commission Order No. 84090. The Commission deferred consideration of the 2012-2013 winter baseload hedging program until after the Company submitted its 2011-2012 winter baseload hedging report. By Order No. 84992 dated June 15, 2012, the Commission granted WGL's proposed 2012 ó 2013 winter baseload hedging program and authorized the Company to proceed with the program.

7. Application of the Potomac Edison Company d/b/a Allegheny Power for a Certificate of Public Convenience and Necessity to Modify the Monocacy-Ringgold-Carroll Transmission Line in Frederick, Washington and Carroll Counties, Maryland – Case No. 9239

On February 17, 2012, Potomac Edison filed a Motion to amend its CPCN granted in this matter by Order No. 84046 on May 19, 2011. The proposed amendment reflected planning and operational changes that eliminated the need to modify all but one segment of the existing line. With the changes, Potomac Edison proposed to reconductor just 12.7 miles of the existing line and leave all the other facilities unchanged. By letter order dated February 29, 2012, the Commission delegated the matter to the Public Utility Law Judge Division to conduct the necessary proceedings.

On April 17, 2012, PPRP submitted its amended licensing conditions and an Agreement of Stipulation and Settlement. On May 14, 2012, a hearing was held in the matter. On May 24, 2012, an Agreement of Stipulation and Settlement with Amended Recommended conditions was filed.

On June 11, 2012, a Proposed Order of Public Utility Law Judge was issued. The Public Utility Law Judge found the amendment proposed to the existing CPCN is reasonable in light of the change in circumstances since the grant of the CPCN. He made further findings on each of the statutory requirements that must be considered in the grant of a CPCN. Finally, he found the Settlement Agreement covered all the statutory and regulatory issues and requirements. He therefore accepted the Settlement Agreement and made the terms and conditions of the agreement a part of the amended CPCN, which he granted. No appeal of the Proposed Order was submitted, and it became Order No. 85022.

8. In the Matter of an Investigation into the Reliability and Quality of the Electric Distribution Service of Potomac Electric Power Company – Case No. 9240

As reported in the 2011 Annual Report, the Commission issued Order No. 84564 in which it concluded that, as alleged by its customers, Pepco had failed to provide an acceptable level of reliable service during 2010 as well as several of the preceding few years. Accordingly, based on Pepco's failure to provide its customers reliable service and its violation of the regulations requiring it to periodically inspect its sub-transmission and distribution line, the Commission assessed Pepco a civil penalty of \$1 million, unprecedented in Maryland. Additionally, the Commission designed a series of reporting requirements to ensure Pepco implements its Reliability Work Plan in a manner that significantly increases reliability.

On January 27, 2012, Pepco paid the civil penalty and satisfied that portion of the Order. Additionally, as directed by the Order, on February 21, 2012, Pepco filed with the Commission its 2012 to 2016 Reliability Work Plan. Pepco also submitted mandated quarterly status reports throughout 2012, updating its progress on the Reliability Work Plan.

9. Complaint of the Staff of the Public Service Commission against Viridian Energy PA, Inc. – Case No. 9255

On January 26, 2011, the Commission issued an Order to Show Cause to Viridian Energy PA Inc. (Viridian) based on the Complaint by Staff. Viridian was directed to show cause why (1) the Commission should not suspend or revoke the Company's license to provide electricity or electricity supply services; (2) the Commission should not preclude the Company from soliciting additional customers; and (3) the Company should not be subject to a civil penalty under § 7-507 and § 13-201 of the Public Utilities Article

for committing fraud and engaging in deceptive practices and for failing to comply with the Commission's consumer protection regulations as contained in COMAR 20.53.07.

After an evidentiary hearing, the Commission issued Order No. 84959, on June 7, 2012, in which it found that Viridian had engaged in multiple practices that violated State law and Commission regulations, imposed a civil penalty of \$60,000, and required Viridian to submit certain reports as set out in the Joint Recommendation of Staff and Viridian.

10. Southern Maryland Electric Cooperative, Inc. 2010 Depreciation Rate Study and Proposed Depreciation Rates – Case No. 9275

As reported in the 2011 Annual Report, the Commission initiated a new docket, Case No. 9275, to consider a 2010 Depreciation Study filed by SMECO on May 20, 2011, and delegated the matter to the Public Utility Law Judge Division to conduct the proceedings.

On October 28, 2011, SMECO filed its direct testimony in the matter. On February 17, 2012, SMECO and the other parties filed a Join Motion, Stipulation and Proposed Settlement of the issues in the case. On February 29, 2012, the assigned Public Utility Law Judge issued a Ruling stating that the Settlement could not be adjudicated without additional testimony as to why the Settlement was just, reasonable and in the public interest. In response to the Ruling, OPC submitted testimony of Charles W. King on March 30, 2012; SMECO filed testimony of Sonja M. Cox on April 2, 2012; and Staff filed a letter in lieu of a brief on April 5, 2012 ó all of the filings were in support of the Settlement.

On June 8, 2012, Public Utility Law Judge issued a Proposed Order finding that the parties had reached the agreement set forth in the Settlement with the help of the extensive analysis by OPC witness King, which resulted in a very significant reduction in SMECO's depreciation expense. He further concluded that the Settlement avoided formally altering SMECO's straight line depreciation methodology, but allowed ratepayers some benefit from a present value analysis, as favored by the Commission. Additionally, the Public Utility Law Judge determined that, even though the benefit of the Settlement to the ratepayers is small, it appeared unlikely that a full litigation of the matter would result in significantly greater new benefits, considering the cost of litigation. He concluded that the Settlement represented not only the agreement of adverse parties and the avoidance of litigation, but it also represented a careful analysis of SMECO's depreciation posture. He therefore approved the Settlement as being just, reasonable and in the public interest. The Proposed Order was not appealed and became Order No. 85018.

11. Electric Service Interruptions Due to Hurricane Irene in the State of Maryland Beginning August 27, 2011 – Case No. 9279

As reported in the 2011 Annual Report, after a legislative-style hearing and two public hearings to consider the preparedness and performance of the four investor-owned utilities, SMECO, and Choptank Electric Cooperative in responding to the extensive electric outages throughout Maryland caused by Hurricane Irene, the Commission issued Order No. 84445,³² in which the Commission, among other things, directed OPC, Staff and the utilities to convene a work group to evaluate and propose standards for utilities

³² Issued on October 31, 2011, with Commissioner Williams dissenting in part. Order No. 84460 issued on November 2, 2011, modified the original filing dates in Order No. 84445 from November 23, 2011 to November 22, 2011.

when establishing estimated times of restoration (øETRö), and directed the utilities to submit, for the benefit of the work group, their existing detailed ETR procedures as well as a survey of best practices of ETR implementation across the electric transmission and distribution industry.

On November 22, 2011, each of the utilities submitted information on its ETR practices. The work group commissioned the Edison Electric Institute (øEEIö) to administer an ETR survey which was developed by the work group. The survey was conducted by EEI from December 2011 to January 2012. Blind results from the survey were compiled by the work group, and final summary of the Utility ETR Practices Survey results was completed on March 2012.

On May 31, 2012, Staff submitted a report on behalf of the work group, which included, among other things, a copy of the Utility ETR Practices Survey Results (March 2012), Maryland Practices for Establishing ETR, and copies of Electric Company customer education and messaging samples. The Report described the efforts undertaken by the work group pursuant to the Commission's directives. The Commission expects that the result of this Report will assist the Staff in its preparation of the proposed regulations that the Commission has directed Staff to draft and submit pursuant to the Commission's Order No. 85385 issued as a result of the derecho (Case No. 9298).

12. Application of CPV Maryland, LLC for a Certificate of Public Convenience and Necessity Authorizing the Minor Modification of its St. Charles Project, in Charles County, Maryland – Case No. 9280

As reported in the 2011 Annual Report, the Commission initiated Case No. 9280 to consider an application filed by CPV Maryland, LLC (öCPVö) with the Commission for a CPCN to authorize the minor modification of its St. Charles Project in Charles County, Maryland. CPV had been granted a CPCN for construction of the St. Charles Project by Order No. 82309 in Case No. 9129 (öFinal Orderö), and delegated the proceeding to the Public Utility Law Judge Division. In the application, CPV also requested that the Commission extend the construction deadline to 54 months from the Final Order.

Written testimony was filed by CPV and PPRP. Staff filed a Letter in Lieu of Testimony. On February 27, 2012, an evidentiary hearing and an evening hearing for public comments was held in Waldorf, Maryland. On July 11, 2012, an Agreement of Stipulation and Settlement was filed with the revised recommended licensing conditions. A hearing was held on the proposed settlement on August 20, 2012. On September 6, 2012, a Proposed Order of Public Utility Law Judge was issued, in which the Public Utility Law Judge found that the prior CPCN granted for the project considered all the statutory requirements and determined that all requirements were satisfied. Further, he found that the modifications requested were limited to only a few of these requirements as well as an extension of time within which construction must be undertaken, and that it is in the public interest to grant the extension. He determined that the Agreement of Stipulation and Settlement covered all required statutory and regulatory issues and requirements. He therefore accepted the Agreement of Stipulation and Settlement and

granted CPV an amended CPCN incorporating the revised initial licensing conditions. No appeal of the Proposed Order was filed, and it became Order No. 85144.

13. Application of the Town of Williamsport, Maryland for Authority to Increase its Rates and Charges for Electric Service – Case No. 9281

As reported in the 2011 Annual Report, the Commission initiated Case No. 9281 to consider the application filed by the Town of Williamsport for approval by the Commission to revise the Town's rates and charges for electric service and for certain rate design changes, including a request for authority to increase its operating revenues by approximately \$173,815. The Commission suspended the revised tariff from 180 days from its effective date, and delegated the proceedings to the Public Utility Law Judge Division.

On December 15, 2011, an evidentiary hearing was held in the matter. On December 20, 2011, an evening hearing for public comment was held in the Town of Williamsport. On February 24, 2012, a Proposed Order of Public Utility Law Judge was issued, which:

- Determined the test year to be the 12-month period ending June 30, 2011;
- Rejected Staff's and OPC's recommended adjustments to O&M expenses, and accepted the actual O&M expenses for the test year;
- Disallowed any regulatory expenses exceeding the budget or estimated fees associated with the filing and prosecution of the rate case, with allowed costs to be amortized over a five-year period;
- Accepted OPC's recommendation of the use of an average year rate base rather than the Town's proposed end-of-year rate base;
- Excluded depreciation expenses from the Town's proposed cash working capital for purposes of rate base;

- Authorized a rate of return of 5.16 percent, and rejected the Town's request for an authorized "premium" adder for use in a future "make whole" proceeding;
- Approved the Town's proposal to allocate the revenue increase uniformly across the customer classes; and
- Authorized the Town to increase its rates and charges for electric service by \$167,218.

There was no appeal of the Proposed Order, and it became Order No. 84767.

14. Application of the Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for the Northwest to Deer Park 115 kV Transmission Line Extension Project – Case No. 9282

As reported in the 2011 Annual Report, the Commission initiated Case No. 9282 to consider an application filed by BGE for a CPCN to construct, maintain and perform certain work related to a new 115 kV circuit extension between its existing Northwest substation in Baltimore County and its existing Deer Park switching station in Carroll County, and delegated the matter to the Public Utility Law Judge Division. The application for the requested CPCN addressed violations identified by PJM of certain reliability standards developed and enforced by NERC on portions of the Northwest to Deer Park 115 kV transmission line. Installation of the requested 115 kV circuit between the Northwest substation and the existing Deer Park switching station will allow BGE to remain in compliance with NERC reliability standards.

Written testimony was filed by BGE, PPRP, and Staff. OPC did not file written testimony. An evidentiary hearing for cross-examination was held on March 8, 2012. Evening hearings for public comments were held in Carroll and Baltimore Counties on March 12, 2012 and March 5, 2012, respectively. No member of the public expressed any opinion on the project at either of the evening hearings, but one member of the public did ask questions about the project at the Carroll County hearing. One written

comment was filed by the Baltimore Metropolitan Council indicating it had no objections based upon BGE's offer to work with the Council on issues it considered important. Neither of the counties expressed any opposition to the project nor requested to sit jointly with the Public Utility Law Judge at the hearings.

On March 15, 2012, a Proposed Order of Public Utility Law Judge was issued, which found that (1) the project will result in an increase to the stability and reliability of the electric system; (2) the economics of the two counties involved as well as the State will be enhanced by the increase paid in taxes, the actual investment in labor and materials to construct and maintain the project and to avoid outages to businesses, industries and private enterprises; (3) the work will be conducted within an existing transmission right-of-way; (4) the project will have no impact upon any historic sites, upon aviation safety, and upon air or water pollution, that are not completely covered by the conditions requested by PPRP; and (5) BGE examined other alternatives and determined that this project was the best solution. The Proposed Order granted the CPCN incorporating the conditions recommended by PPRP. No appeal of the Proposed Order was filed, and it became Order No. 84823.

15. Emergence Technology Consultants, LLC v. Baltimore Gas and Electric Company – Case No. 9288

By letter order dated March 7, 2012, the Commission initiated a new docket, Case No. 9288, to consider further a complaint filed by Emergence against BGE under § 7-211(i) of the Public Utilities Article, as directed by the Circuit Court of the Baltimore County in its remand order of November 9, 2011 (as a result of a Petition for Judicial Review filed by Emergence). The complaint concerned Emergence's clients' eligibility for rebate under BGE's Energy Solution for Business EmPOWER Maryland program.

The Commission delegated the conduct of the proceedings to the Public Utility Law Judge. On June 13, 2012, the procedural schedule for the matter was suspended by mutual agreement of the parties pending settlement negotiations. The procedural schedule remains suspended.

16. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Rebuild an Existing 138 kV Overhead Transmission Line from Church Substation in Queen Anne’s County Maryland to the Maryland/Delaware Line – Case No. 9290

On March 30, 2012, Delmarva filed an application for a CPCN to rebuild an existing 138 kV transmission line between Church substation in Queen Anne’s County and the Maryland/Delaware state line. The rebuild of this portion of the transmission line will resolve any anticipated thermal N11 reliability criteria violation as well as any generation deliverability criteria violation that could disrupt the transfer of power from generation sources in the northern Delmarva Peninsula to load along the southern Delmarva Peninsula as early as 2014. Construction would be fully within the existing right-of way of the current transmission line. By letter order dated April 12, 2012, the Commission initiated a new docket, Case No. 9290, and delegated the proceedings to the Public Utility Law Judge.

Pre-filed testimony of witnesses was submitted by Delmarva, PPRP, and Staff. OPC was a party to the matter, but did not submit pre-filed testimony. An evidentiary hearing for cross-examination was held on October 19, 2012, and evening hearings for public comment were held in Queen Anne’s, Kent and Cecil Counties on October 18, October 25, and November 7, 2012, respectively. On September 26, 2012, Delmarva and

PPRP filed an Agreement of Stipulation and Settlement, which each had signed. Staff and OPC did not oppose the Settlement Agreement.

On November 29, 2012, a Proposed Order of Public Utility Law Judge was issued, which granted a CPCN to Delmarva, as requested, incorporating the PPRP Licensing Conditions agreed upon in the Agreement of Stipulation and Settlement. No appeal was taken on the Proposed Order, and it became Order No. 85275.

17. Complaint of Montgomery Royal Theaters Inc. v. Potomac Electric Power Company – Case No. 9293

By letter dated May 4, 2012, the Commission initiated a new docket, Case No. 9293, to consider the formal complaint filed by Montgomery Royal Theaters Inc. (Theaters) against Pepco. The complaint involves a billing dispute in which the Theaters are disputing both the amount of the bills and the Theaters' liability to pay the bills. In its response to the complaint, Pepco noted some billing and meter errors and had re-billed the charges, which reduced significantly the amount in dispute. The Theaters never responded to Pepco's offer to re-bill. Accordingly, the Commission initiated the docket and delegated the matter for mediation to the Public Utility Law Judge Division, with instructions that if the mediation failed to result in a voluntary agreement between the Theaters and Pepco, the Commission should be notified.

On October 11, 2012, a status conference was held to determine whether the parties had been able to reach any agreement and whether proceeding to mediation was likely to resolve the parties' differences. The parties agreed that mediation might be helpful, and each were requested to file their confidential positions with the Public Utility Law Judge. As a result of the mediation, a Settlement Agreement was entered into by Pepco and the Theaters resolving the matter. On January 2, 2013, the Theaters filed a

request to dismiss its complaint, which the Commission granted on February 8, 2013 (Order No. 85349).

18. Application of Keys Energy Center, LLC for a Certificate of Public Convenience and Necessity to Construct a Nominal 735 MW Generating Facility in Prince George’s County, Maryland—Case No. 9297

On July 3, 2012, Keys Energy Center filed an application for a CPCN to construct a nominal 735 MW generating facility in Prince George’s County, Maryland. On July 18, 2012, the Commission initiated a new docket, Case No. 9297, to consider the application and delegated the conduct of the proceedings to the Public Utility Law Judge. A pre-hearing conference was held in the matter on September 6, 2012 at which a procedural schedule was set for submission of Applicant, Staff, PPRP and OPC testimony and an agreement that a status conference would be held the week of April 8, 2013 to discuss the procedural schedule further, including setting specific dates for an evidentiary hearing and evening hearing for public comment.

19. Application of the Mayor and Council of Town of Berlin, Maryland for a Decrease in its Electric Rates throughout its Service Territory – Case No. 9300

On August 1, 2012, the Mayor and Council of the Town of Berlin, Maryland (õBerlinö or õTownö) filed an application for authority to revise its non-residential rates in its service territory with the Commission. The application sought authority to decrease the non-residential rates by approximately \$270,593. The Town also included a revised tariff provision with the application to include street light offerings not previously incorporated in its tariff as well as update certain of the provisions to conform to current COMAR regulations and be consistent with current practices of other utilities. The Commission, by letter order dated August 2, 2012,

initiated a new docket, Case No. 9300, to consider the application, suspended the revised tariff for an initial period of 150 days from the tariff's effective date; and delegated the matter to the Public Utility Law Judge.

Written testimony of the Town's witnesses was filed along with the application. On September 28, 2012, the parties submitted a Request to Alter Schedule because the parties had negotiated a settlement agreement in principle. As a result of the grant of the Request, neither Staff nor OPC submitted written testimony in the matter.

On October 11, 2012, an evidentiary hearing was held in Berlin at which time an unsigned copy of a Joint Motion of Stipulation and Settlement Agreement was admitted into the record,³³ and Staff's witnesses testified at the hearing in support of the Agreement as did the Town's witnesses. An evening hearing for public comment was held on October 11, 2012 in Berlin. The Mayor and a number of the Town's business owners commented in support of the decrease in the non-residential rates. Two residential customers made comments opposing the decrease in the non-residential rates as they were concerned the decrease in revenues would reduce reliability of the distribution system.

On November 8, 2012, a Proposed Order of Public Utility Law Judge was issued, in which the Chief Public Utility Law Judge found that the decrease in the base rate revenues would not result in a decline in service reliability or service quality, and that the resulting rates are just and reasonable. Accordingly, she accepted the Agreement and authorized the Town to file revised rates for non-residential customers and the modified tariff revisions in accordance with the Agreement. No appeal of the Proposed Order was

³³ On October 15, 2012, an Agreement signed by all the parties was filed with the Commission.

filed, and it became Order No. 85223. The Commission accepted the revised tariff on December 11, 2012, with an effective date of November 28, 2012.

20. Joint Application of Chesapeake Utilities Corporation and the Eastern Shore Gas Company for Approval of an Agreement by which Chesapeake Utilities Corporation will Acquire certain Franchises, Assets, Rights and Authority of the Eastern Shore Gas Company – Case No. 9303

On September 7, 2012, Chesapeake Utilities Corporation and Eastern Shore Gas Company submitted a joint application for the approval of a transaction in which Chesapeake would acquire certain assets of Eastern Shore Gas. The Commission considered the application at its October 3, 2012 Administrative Meeting. After receiving comment from Staff, OPC, the Utility Workers Union of America, System Local 102 and the Companies, the Commission initiated a new docket, Case No. 9303, to consider the application and delegated the proceedings to the Public Utility Law Judge.

At a pre-hearing conference on November 1, 2012, a procedural schedule was set, scheduling an evidentiary hearing for the week of March 11, 2013 with the date of evening hearings for public comment to be determined. At the pre-hearing conference, argument was heard on the Unions' Motion to Dismiss or Condition Joint Application, and the Motion was granted in part and denied in part. The Companies were directed to amend the Joint Application to specifically request approval of the transfer of the franchises acquired by Chesapeake from Eastern Shore to Newco.

On March 12, 2013, the procedural schedule was stayed to permit settlement negotiations among the parties to be completed.

21. Formal Complaint of Section 5 of the Village of Chevy Chase v. Potomac Electric Power Company – Case No. 9305

On April 22, 2011, Section 5 of the Village of Chevy Chase (õSection 5ö) filed a formal complaint against Pepco challenging Pepco's plan to cut four-years growth from the trees within Section 5's public thoroughfares. Section 5 asked that Pepco's vegetation management be limited to trimming for two-years growth. On May 23, 2011, Pepco responded to the complaint, explaining its need to trim four-years growth from the trees in Section 5 in order to improve reliable electricity service within Section 5 as well as to neighboring subdivisions. On September 1, 2011, Section 5 forwarded a letter asking the Commission to expedite its review and resolution of the complaint. While the complaint is pending before the Commission, Pepco agreed not to conduct any tree trimming within Section 5.

By letter order dated October 17, 2012, the Commission initiated a new docket, Case No. 9305, to consider the matter and delegated the matter to the Public Utility Law Judge Division for expedited mediation. On November 27, 2012, mediation was held with representatives of Pepco, Section 5, Staff and OPC attending. On January 28, 2013, Section 5 submitted a copy of an agreement between Section 5 and Pepco which resolved the complaint. Consequently, Section 5 requested to withdraw its complaint, which was accepted, and the matter was closed.

22. Application of The Potomac Edison Company for a Certificate of Public Convenience and Necessity to Rebuild the Maryland Segment of the Mt. Storm-Doubs 500 kV Electric Transmission Line in Frederick County, Maryland – Case No. 9309

On November 15, 2012, PE filed an application for a CPCN to rebuild the Maryland segment of the Mt. Storm-Doubs 500 kV electric transmission line in Frederick, Maryland, which will increase the capacity of the existing transmission line which has been in service for more than 40 years. According to the application, the proposed route for the rebuild uses existing transmission right-of-way and will not require construction of new mid-span structures. On November 16, 2012, the Commission, by letter order, initiated a new docket, Case No. 9309, to consider the application and delegated the matter for hearing before the Public Utility Law Judge Division. At the pre-hearing conference on January 3, 2013, a procedural schedule was established with the evidentiary and public comment hearings scheduled for May 21, 2013.

23. Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Distribution of Electric Energy – Case No. 9311

On November 30 2012, Pepco filed an application for approval by the Commission to increase the Company's rates and charges for its electric distribution service. In the application, Pepco requested authority to increase its distribution rates by approximately \$60,827,000 with the proposed rates going into effect on December 30, 2012. By Order No. 85233, the Commission initiated a new docket, Case No. 9311, to consider the application and suspended the effective date of the rates for an initial period of 150 days. At the pre-hearing conference held on January 4, 2012, a procedural

schedule was established with evidentiary hearings scheduled during the period from April 15, 2013 through April 29, 2013.

24. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Construct a new 138 kV Overhead Transmission Line on Existing Right-of-Way from Church Substation to Wye Mills Substation in Queen Anne’s County, Maryland – Case No. 9312

On December 21, 2012, Delmarva filed an application for a CPCN to construct a new 25.9 mile 138 kV transmission line originating at its Church Substation and running to its Wye Mills Substation, all within existing right-of-way in Queen Anne’s County, Maryland. According to Delmarva, this new transmission line will resolve anticipated N11 reliability criteria violations that could, if left unaddressed, result in severe reactive deficiencies along the southern Delmarva Peninsula as early as June 2015. By letter order dated December 21, 2012, the Commission initiated a new docket, Case No. 9312, to consider the application and delegated the matter to the Public Utility Law Judge Division to conduct the proceedings. At the pre-hearing conference held on January 28, 2013, a procedural schedule was established with evidentiary hearings scheduled for September 10 ó 11, 2013.

B. Telecommunications Matters

1. Complaint of Core Communications Inc. v. Verizon Maryland Inc. for Breach of Interconnection Agreement – Case No. 9005

In Order No. 85024 issued July 13, 2012, the Commission reversed in part and affirmed in part the Proposed Order of Hearing Examiner. The Commission granted Core’s request that Verizon be found to have violated its Interconnection Agreements with Core with respect to interconnection in Salisbury and Mount Airy, and denied

Core's request that Verizon be found to have violated its Interconnection Agreement with Core with respect to interconnection in Damascus. The Commission denied the appeal of Verizon.

2. Dispute between AT&T Communications of Maryland LLC, TCG Maryland and YMax Communications Corp. regarding Revisions to its MD Tariff No. 2 (Switched Access Services) – Case No. 9295

On May 1, 2012, YMax Communications Corp. submitted revisions to its Maryland switched access service tariff to comply with a decision by the Federal Communications Commission (‘FCC’) addressing inter-carrier compensation for VoIP-PSTN traffic. AT&T Communications of Maryland and TCG Maryland (collectively, ‘AT&T’) and Verizon Maryland Inc. objected to the Commission accepting the tariff revisions because these companies argued the revisions did not comply with the FCC’s decisions as YMax asserted. Staff, in its written comments, recommended that the Commission accept a portion of the tariff revisions, but suspend the remainder and set the matter for hearing. At its June 21, 2012 Administrative Meeting, the Commission considered the tariff revisions. By letter order dated June 21, 2012, the Commission accepted a portion of the tariff revisions and suspended the remainder of the revised provisions as recommended by Staff, initiated a new docket, Case No. 9295, to consider the suspended tariff revisions, and delegated the conduct of the proceedings to the Public Utility Law Judge Division.

After hearing arguments at a pre-hearing conference on August 22, 2012, the Chief Public Utility Law Judge decided that a hearing was not warranted in the matter based on the arguments of the parties, and concluded that legal briefings would be appropriate to decide the issues (with the caveat that a hearing could be scheduled if there

appeared to be any facts necessary to decide the matter in dispute). After receipt of the briefs, a Proposed Order of Public Utility Law Judge was issued on October 26, 2012, in which two proposed modifications to the suspended tariff revisions were rejected and the remaining revisions were accepted. The Proposed Order rejected the definition of "end office switch" proposed by YMax and a description of when YMax could assess access charges for VoIP & PSTN traffic.

On November 9, 2012, YMax noted an appeal and submitted its Memorandum on Appeal on November 19, 2012.³⁴ On December 10, 2012, AT&T filed its Reply Memorandum. On December 26, 2012, YMax withdrew the suspending tariff revisions and withdrew its appeal of the Proposed Order. On January 3, 2013, Verizon withdrew as a party to the matter. On January 18, 2013, by Order No. 85321, the Commission granted YMax's requests to withdraw, granted Verizon's request to withdraw, set aside the Proposed Order as moot, and closed the docket.

3. Investigation of the Telecommunications Companies' Failure to Comply with the Commission's May 11, 2012 Notice of Required Tariff Filings – Case No. 9302

On September 18, 2012, the Commission issued Order No. 85116 directing a number of telecommunications carriers authorized to operate in Maryland to show cause why each company's authority should not be revoked or other penalties imposed for a failure to submit applicable tariff changes reflecting VoIP-PSTN traffic provisions by June 15, 2012 as required by the Commission in its Notice dated May 11, 2012. Each Company was directed to explain in writing (1) whether it is currently charging intrastate terminating switched access in Maryland and the detail of the charges; (2) why it had

³⁴ On November 1, 2012, by Order No. 85183, the Commission extended the initial 150-day suspension period by 30 days.

failed to comply with the Commission's Notice; and (3) why its operating authority should not be revoked or its terminating access rates be set to \$0.00 for a failure to comply. Of the 62 telecommunications carriers named in the Show Cause Order, the Commission received a response, or determined a response was not required,³⁵ from 42 of these telecommunications carriers. As of December 31, 2012, the matter remains pending before the Commission.

C. Other Matters

1. Application of Yellow Cab Company, Inc. and Diamond Cab Company to Determine whether the Baltimore City Tariff is Applicable to Certain Contracts – Case No. 9144

MJ Management Service, LLC (MJ Management) and the Maryland Transit Administration (MTA) appealed a Proposed Order of Hearing Examiner issued on July 30, 2009. In the Proposed Order, the Public Utility Law Judge held that an 11.5% charge account customer service fee (Fee) contained in the Baltimore City taxicab tariff applied to all billings under (and from the inception of) the contract between Yellow Cab Company, Inc. (Yellow Cab) and MJ Management. Under the contract, Yellow Cab provided transportation services to eligible patrons participating in the Taxi Access Program established by the MTA and administered by MJ Management.

On April 13, 2012, Order No. 84819 was issued by the Commission in this matter in which it determined that the 11.5% charge account customer service fee is part of Yellow Cab Company, Inc.'s Commission-approved tariff, and it is properly charged when Yellow Cab provides services subject to that tariff. The Commission determined

³⁵ A further review of the list revealed that several of the carrier's authority to operate had been previously cancelled. Additionally, a number of the carriers that have not responded have not filed tariff revisions for a number of years and/or appear not to have access tariffs on file with the Commission.

that it did not have jurisdiction over the contract dispute between the parties. It, however, found that it did have jurisdiction to determine what charges are contained within Yellow Cab's Commission-approved tariff. For those reasons, it found the Fee was a part of the Yellow Cab Commission-approved tariff, but lacked the jurisdiction to decide anything further. Accordingly, the Commission vacated all other aspects of the Proposed Order.

MJ Management Services, LLC petitioned the Circuit Court for Baltimore City (Court) for judicial review of Order No. 84819. On December 21, 2012, the Court remanded the matter to the Commission to resolve the question: does the 11.5% charge account service fee apply to the Taxi Access Program. As of December 31, 2012, the matter remains pending before the Commission.

2. Green Ridge Utilities, Inc. Authority to Revise its Rates and Charges for Tolls – Case No. 9283

As reported in the 2011 Annual Report, on September 30, 2011, Green Ridge Utilities, Inc. filed an application for authority to revise its rates and charges for water service in Harford County. The Commission initiated a new docket, Case No. 9283, and delegated the matter to the Public Utility Law Judge Division to conduct the proceedings. An evidentiary hearing and a hearing for public comments in the matter was held on February 29, 2012 in the evening in the Town Hall of the City of Bel Air.

The Company's application sought authorization for a 48.12% increase in annual revenue of \$185,712. Staff, after its analysis of the application, initially recommended an increase of \$135,809, and OPC recommended an annual revenue increase of \$79,476. The parties reached a settlement agreement that was a compromise of the disputed positions as to the amount of revenue required by the Company to earn a reasonable return on its investment. Under the terms of the settlement agreement, the parties, among

other things, agreed upon an increase of \$106,000 in annual revenue effective for service rendered after April 27, 2012.

On March 8, 2012, a Proposed Order of Public Utility Law Judge was issued, which accepted the settlement agreement and authorized the Company to file revised rates for water service in accordance with the settlement agreement. The Proposed Order was not appealed and became Order No. 84812. On June 6, 2012, the Commission accepted the tariff revisions submitted by the Company in conformance with Order No. 84812 with an effective date of April 10, 2012.

3. Application of Historical Oldtown Bridge Preservation, LLC for Authority to Revise its Rates and Charges for Tolls – Case No. 9296

On June 20, 2012, the Historical Oldtown Bridge Preservation, LLC filed an application requesting authority to revise its rates and charges for the privately-owned Oldtown toll bridge, which provides passage over the Potomac River between West Virginia and Oldtown, Maryland. By letter order dated July 3, 2012, the Commission initiated a new docket, Case No. 9296, suspended the tariff revisions, and delegated the conduct of the proceedings to the Public Utility Law Judge Division.

Pre-filed testimony was filed by the applicant and Staff. On November 5, 2012, an evidentiary hearing for cross-examination was held at a location in Oldtown. An evening hearing for public comment also was held on November 5, 2012, at the same location in Oldtown. On December 5, 2012, the applicant and Staff filed a Stipulation and Settlement Agreement. An evidentiary hearing and evening hearing for public comment was held on January 14, 2013 in Oldtown. During the evidentiary hearing, the applicant and staff offered an amendment to the Settlement Agreement.

On January 29, 2013, the Public Utility Law Judge issued a Proposed Order in which he accepted the Stipulation and Settlement Agreement, as amended, and the rates agreed upon therein. No appeal was taken of the Proposed Order, and it became Order No. 85396.

4. Investigation by the Commission of the Intended Abandonment of CECO Utilities, Inc. of its Franchise and service to the Manchester Park Subdivision in Cecil County, Maryland – Case No. 9310

On November 26, 2012, CECO Utilities, Inc. and Crystal Water LLC (collectively, "CECO") notified Staff that CECO intended to abandon the Manchester Park Wastewater Treatment System ("WWTS") on November 30, 2012. On November 27, 2012, Staff filed with the Commission a Petition for Issuance of a Show Cause Order as to whether CECO had received appropriate approvals to abandon the Manchester Park WWTS. The Commission initiated a new docket, Case No. 9310, to consider the matter; however, on December 3, 2012, CECO submitted a filing to the Commission indicating it was not abandoning the Manchester WWTS on November 30, 2012.

On December 11, 2012, CECO filed with the Commission a Request for Authorization and Notice of Intent to Abandon the Manchester Park WWTS. On December 19, 2012, Staff filed a Response to this filing. On December 21, 2012, the Maryland Department of the Environment ("MDE") also filed Response and Comments to CECO's request. On December 26, 2012, the Office of the County Executive of Cecil County Government submitted comments on the Request.

At its December 27, 2012 Administrative Meeting, the Commission considered CECO's request. At the meeting, CECO verbally withdrew its Request. In its letter order dated December 27, 2012, the Commission directed CECO, Cecil County

Government, Staff, MDE, and OPC to participate in discussions designed to lead to a plan for either bringing the Manchester Park WWTS into compliance with State law or transitioning it to a new owner. It further directed the Public Utility Law Judge Division to facilitate these discussions and to report back to the Commission on or before February 28, 2013 as to the status of the discussions.

On February 28, 2013, the Chief Public Utility Law Judge filed a report on the status of the discussions between the parties. She indicated that despite good faith efforts to arrive at an agreement, there remained one issue to resolve. She recommended that the parties be given an additional 30 days to continue negotiations. On March 5, 2013, by letter order, the Commission granted a 30-day extension to the parties to continue negotiations from the date of the letter order.

V. RULEMAKINGS: REGULATIONS -- NEW AND AMENDED

A. RM40 – Revisions to COMAR 20.52.03 – Electric Standard Offer Service, Transfers of Service Switching Period Change

On August 9, 2012, the Commission held a rulemaking session to consider whether to publish for notice and comment proposed regulation for revisions to COMAR 20.52.03, intended to conform the regulations to those found in COMAR 20.53 regarding the switching period as it relates to retail electricity supply. After the receipt of comments at the rulemaking session, the Commission moved to publish the proposed revised regulations, as recommended by Staff and as amended during the rulemaking session, in the *Maryland Register* for notice and comment.

The proposed revised rules were published in the *Maryland Register* on October 19, 2012. After notice, the Commission conducted a rulemaking session on January 9,

2013, in which it finally adopted the proposed revised regulations as published in the Maryland Register. The finally adopted regulations became effective February 4, 2013.

B. RM41 – Regulations in Connection with Electricity – Net Energy Metering – Credits – COMAR 20.50.10

On May 7, 2012, pursuant to an April 30, 2012 letter to the Commission from the Maryland Senate Finance Committee, the Commission issued a Notice of Request for Technical Work Group Recommendation on the merits of and issues related to implementing a net energy program for “community energy-generating facilities” as specified under Senate Bill 595 of 2012 (failed). The Committee suggested certain factors to consider in the determination of whether the program is a workable net energy metering program in the State.

On September 4, 2012, Staff submitted, on behalf of the Technical Work Group, a document entitled “Technical Working Group Recommendation on Community Energy Generating Facilities.” According to the Recommendations of the Group, no technical implementation issues were identified which would prevent the Maryland utilities from implementing community energy generating facilities as contemplated in the failed 2012 Senate bill. The Group, however, did not attempt to discuss or resolve any legal or policy issues related to the bill.

On September 27, 2012, the Commission issued a Notice of Opportunity to Comment on the Recommendation document. Comments were filed by BGE; Vote Solar Initiative, Solar Energy Industries Association, and Standard Solar Inc.; Pepco and Delmarva; PE; OPC; Staff; Maryland Energy Administration; and Choptank. On January 3, 2013, the Commission submitted the Recommendations of the Group and the comments filed thereon to the Senate Finance Committee.

C. RM43 – Reliability Regulations (COMAR 20.50.12)

As reported in the 2011 Annual Report, the Commission instituted Rulemaking No. 43 to adopt objective service quality and reliability standards that Maryland utilities must meet in order to improve service quality and reliability for Maryland's electric customers. The adopted regulations became effective in the form of COMAR 20.50.12 on May 28, 2012.

The standards include several major categories. The standards adopted system-wide System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) reliability metrics for each of the four investor-owned utilities and the two largest electric cooperatives. The SAIDI and SAIFI metrics measure the frequency and duration of outages experienced by customers for calendar years 2012-2015, after which the Commission will institute company proceedings to determine future SAIDI and SAIFI reliability metrics. To ensure that groups or pockets of customers do not consistently experience poor reliability, the standards monitor utility feeders and protective devices that activate multiple times. The two reliability standards require the utilities to improve the performance of the poorest three percent of the utility's feeders and protective devices that activate five or more times.

Additionally, the standards govern a utility's efforts to restore service interruptions. The service interruption standards call for electric service to be restored within certain time periods during normal conditions and when major outage events occur.³⁶ Major outage events are weather-related or other events that cause an

³⁶ See COMAR 20.50.12.06 (During a calendar year, a utility must restore services: (a) within 8 hours to at least 92% of its customer experiencing sustained interruptions during normal conditions; and (b) within 50 hours to at least 95% of its customer experiencing sustained interruptions during major outage events where

interruption in electric service to 100,000 or 10% of a utility's customers, whichever is less.³⁷ To ensure adequate utility response to downed electric wires, the standards govern the utility response to hazardous downed wire events.³⁸

The reliability and service quality standards also establish customer communication metrics related to how long it takes a utility representative to answer customer calls, how many calls are abandoned and how much telephone line capacity is maintained for customer inquiries.³⁹ These standards establish the minimum level of expected service quality. Finally, the standards addressed comprehensive vegetation management requirements⁴⁰ and periodic equipment inspection requirements.⁴¹ These two categories establish minimum practices for utilities when maintaining and operating electric facilities.

Each electric utility is required to submit annual performance reports to the Commission on April 1 of each year, summarizing its electric service quality and reliability results. The Commission will conclude its first review of the reports for 2012 by July 1, 2013. If a utility fails to meet one or more of its standards, then the utility must file a corrective action plan. The Commission will undertake appropriate corrective

the total number of sustained interruptions is less than or equal to 400,000 or 40% of the utility's total number of customers, whichever is less.)

³⁷ The interruption must last for 24 or more hours.

³⁸ See COMAR 20.50.12.07 (Each utility shall respond to a government emergency responder guarded downed electric utility wire within 4 hours after notification by a fire department, police department or 911 emergency dispatcher at least 90% of the time, based on data for normal and major outage event conditions for a calendar year.)

³⁹ See COMAR 20.50.12.08 (On an annual basis, the utility must answer within 30 seconds at least 75% of all calls offered to the utility for customer service or outage reporting purposes.)

⁴⁰ See COMAR 20.50.12.09 (The intent of the regulation is to ensure that a utility is engaging in the vegetation programs that are necessary and appropriate to maintain safety and electric system reliability.)

⁴¹ See COMAR 20.50.12.10 (The regulation required each utility to file a written operation and maintenance procedures within 60 days of the effective date of the regulation, and to file any material change in these programs within 60 days prior to implementing the change (unless exigent circumstances exist requiring immediate implementation)).

action against a utility that fails to meet any of the standards, including the imposition of appropriate civil penalties.

Electric utilities must develop implementation plans or supplement existing plans to ensure that their level of performance meets or exceeds the new service quality and reliability standards discussed above.

D. Deanna Camille Green Rule (Contact Voltage Survey Requirement and Reporting Regulations – COMAR 20.50.11)

As reported in the 2011 Annual Report, on October 28, 2011, the Commission held a rulemaking session in the matter and finally adopted regulations addressing contact voltage shock and the means to survey underground distributions facilities to prevent harm to the public by contact voltage. The regulations became effective on November 28, 2011.

On January 31, 2012, BGE, Pepco, Delmarva and Potomac Edison submitted their Proposed Contact Voltage Risk Zone (øCVRZö), as prescribed by the regulations, all of which were approved by the Commission through a Notice issued on June 19, 2012.

SMECO also made its CVRZ filing on January 31, 2012, in which it stated that it has no CVRZ within its territory, and therefore filed its Contact Voltage Survey Plan along with a proposed Contact Voltage Observation Report. On November 16, 2012, SMECO filed a proposed Contact Voltage Survey Compliance Form. On January 14, 2013, the Commission approved SMECO's Contact Voltage Survey Plan.

By Notice dated January 29, 2013, the Commission announced that it had approved two compliance forms (the Contact Voltage Observation Report and the Contact Voltage Summary Form) to be used by all utilities subject to the Deanna Camille

Green Rule. The Commission indicated that these two forms included the minimum data required to be filed by each utility in its annual compliance report.

On February 3, 2012, Choptank made its CVRZ filing in which it stated it had no CVRZ within its territory along with its Contact Voltage Survey Plan. The Commission approved Choptank's Contact Voltage Survey Plan on March 4, 2013.

On August 7, 2012, BGE, DPL, PE, and Pepco submitted their Contact Voltage Survey Plans for approval by the Commission. The Commission approved PE's Contact Voltage Survey Plan on December 10, 2012, and BGE's Contact Voltage Survey Plan on January 28, 2013. In its written comments, Staff recommended approval of DPL's and Pepco's Contact Voltage Survey Plan. Commission action on these two Plans remains pending until the additional information submitted by DPL and Pepco on March 14, 2013 can be reviewed.

E. RM46 – Minimum Disclosure Requirements that Electricity and Gas Suppliers Post on the Internet Information Regarding Services and Rates for Small Commercial and Residential Gas and Electric Customers

On February 27, 2012, the Commission issued a Notice of Filing and Request for Comments on certain questions filed by Commission Staff for clarification by the Commission to permit Staff to evaluate compliance with Section 7-507(j) of the Public Utilities Article by electricity and gas suppliers. On March 23, 2012, comments were filed by: the Maryland Energy Marketers Coalition; National Energy Marketers Association; Washington Gas Energy Services; OPC; Retail Energy Supply Association; and FirstEnergy Solutions Corp. As of December 31, 2012, the matter remains pending before the Commission.

F. RM47 – Revisions to COMAR Title 20 – In accordance with Executive Order No. 01.01.2011 – Regulatory Reform Initiative

In response to Executive Order No. 01.01.2011, Staff identified certain provisions of COMAR Title 20, which could be modified, streamlined or repealed to reduce unnecessary regulatory burdens and promote economic growth and job creation. On October 11, 2012, the Commission held a rulemaking session to consider whether to publish for comment and notice the proposed revisions to COMAR Title 20 submitted by Staff. Prior to the rulemaking session, the Commission received written comments on certain of the proposed revised regulations, and received oral comments on the proposed revised regulations from interested persons attending the rulemaking session.

After considering the comments, the Commission passed a motion to publish the proposed regulations, as recommended by Staff and as further amended at the rulemaking session, for notice and comment in the *Maryland Register*. The proposed rules were published in the *Maryland Register* on December 14, 2012. A rulemaking session was held on February 14, 2013, and the Commission finally adopted the published proposed rules, which became effective March 18, 2013.

VI. OTHER PUBLIC CONFERENCES

A. Inquiry into the Status of Local Gas Distribution Companies’ Gas Storage Levels – PC28

On February 14, 2012, the Commission initiated administrative docket PC28 because of the unusually high volumes of natural gas in storage during the winter heating season and its concern that Maryland’s local gas distribution companies (LDCs) properly manage their storage drawdowns to meet end-of-season balance requirements and avoid penalties. The Commission directed the Maryland LDCs address certain

questions and concerns of the Commission on March 7, 2012, which were set forth in the Notice of Hearing. On or before March 2, 2012, the UGI Central Penn Gas, Inc. f/k/a PPL Gas Utilities Corp.; WGL; BGE; Chesapeake Utilities Corporation; and Columbia Gas of Maryland, Inc. filed comments responding to the questions set forth in the Notice. On March 7, 2012, the Commission held a hearing at which time it heard from each of the foregoing LDCs, and determined that the companies were properly managing their storage drawdowns to meet end-of-season balance requirements.

B. 2012 Summer Reliability Status Conference – PC29

On May 24, 2012, the Commission held its annual summer reliability status conference to ensure that there was adequate and reliable electricity resources for the summer electricity demand. Representatives from PJM Interconnection, LLC made a presentation to the Commission in which PJM detailed its 2012 peak load forecast and its 2012 Maryland projected forecast and peak load. Its studies showed no reliability problems and that there was adequate installed capacity to fulfill reserve at forecasted RTO summer peaks. The Commission also heard presentations from BGE, PE, SMECO, Pepco and Delmarva. Presentations revealed that LDCs were appropriately prepared to meet demand for the 2012-2013 winter heating season.

C. 2012 Retail Gas Market Conference – PC31

On November 16, 2012, the Commission held its annual retail gas market conference to ensure that preparations had been made by the natural gas LDCs to meet the gas market demand and to hear the expectations of market conditions for the 2012-2013 winter heating season. UGI Central Penn Gas, BGE, WGL, and Columbia Gas of Maryland, and Elkton Gas participated in the conference.

VII. BROADENED OWNERSHIP ACT

In compliance with § 14-102 of the Economic Development Article, *Annotated Code of Maryland*, entitled the "Broadened Ownership Act," the Commission communicated with the largest gas, electric, and telephone companies in the State to ensure that they were aware of this law. The law establishes the need for affected companies to institute programs and campaigns encouraging 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 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 Pepco and Delmarva. As of September 10, 2012, there are more than 229 million shares of PHI common stock outstanding held by more than 51,000 shareholders. With respect to ownership of PHI stock by Maryland residents, PHI's records show that 9,423 shareholder accounts, representing 6.3 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 two plans, which encourage broadened employee stock ownership: the Employee Stock Purchase (ESP) Plan and the NiSource Retirement Savings Plan. In addition, NiSource, Inc. maintains a Dividend Reinvestment and Stock

Purchase Plan that broadens stock capital ownership by all stockholders, including employees, to reinvest their dividends to acquire additional shares of common stock.

On August 31, 2012, the Parent had 285,161,650 shares of its common stock outstanding, of which 1,578,831 were acquired by employees during the previous 12 months through the ESP Plan and the NiSource Inc. Retirement Savings Plan. As of August 31, 2012, the Parent had approximately 622 registered stockholders with Maryland addresses, holding approximately 237,890 shares of Parent common stock.

(c) As of September 30, 2012, 13,987 Maryland residents representing 10.34% of Exelon Corporation's (Exelon) (the indirect parent company of BGE) total registered shareholders owned 6,975,090 (or 0.008%) of the outstanding shares of common stock. Of these Maryland shareholders, 5,355 (or 3.90%), of Exelon's total registered shareholders owning 1,291,997 (or 0.002%) of the legal outstanding shares of common stock, were participants in the Direct Stock Purchase Plan.

In December 2011, in anticipation of the merger with Exelon, Constellation Energy Group, Inc. (CEG) (the then parent company of BGE) terminated its Shareholder Investment Plan. Upon exchange of the CEG shares for Exelon common stock, all former CEG registered shareholders had the opportunity to enroll in the Exelon Corporation Dividend Reinvestment Plan (DRP). Exelon has offered and maintained its DRP since 2001. In September 2012, Exelon implemented a Direct Stock Purchase Plan as a replacement to the DRP. Among the many improved features of the new plan is the ability of first time investors to buy their shares directly from the plan administrator instead of incurring the additional costs and effort to purchase through a private broker and then transfer the shares into the plan.

As of September 30, 2012, 4,273,468 shares of common stock were held in the Constellation Energy Group, Inc. Employee Savings Plan for current and former employees of the legacy Constellation companies, many of whom are Maryland residents. 703,260 shares of Exelon common stock were held in the Constellation Energy Nuclear Group Plan, a separate plan available to employees of that joint venture.

(d) The Potomac Edison Company was a wholly-owned subsidiary of Allegheny Energy, Inc. (‘‘AE’’) through February 25, 2011, at which point it became a subsidiary of FirstEnergy Corporation (‘‘FE’’). AE continued its Employee Stock Ownership and Savings Plan throughout 2011. Approximately 87% of AE’s employees were contributing to the Plan as of December 31, 2011 and 3,241 participants have FE stock as part of their account balance within the Plan. As of December 31, 2011, 2,469 Maryland residents held 750,886 shares of FE stock as stockholders of record, which represents approximately 2.185% of all FE registered stockholders and 0.179% of all shares

(e) Washington Gas Light Company provided 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. As of October 31, 2012, approximately 26.92% of registered shareholders reside in Maryland, and represent 3.37% of WGL’s outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2012, 96 employees were actively participating in the Company’s ‘‘Dividend Reinvestment and Common Stock Purchase Plan’’ through payroll deductions.

Additionally, approximately 972 employees (both active and inactive) owned shares through its defined contribution plans.

(f) Verizon Maryland Inc. is a wholly owned subsidiary of Verizon Communications Inc. Public stockholder ownership in the Maryland Company is obtained through the purchase of Verizon Capital Stock. The Verizon Savings Plan enables employees to purchase stock in Verizon Communications Inc. Employees are eligible to participate in the plan after one year of service. As of September 30, 2012, there were 20,324 Maryland residents who held Verizon stock.

VIII. REPORTS OF THE AGENCY'S DEPARTMENTS/DIVISIONS

A. Office of Executive Secretary

The Executive Secretary is responsible for the daily operations of the Commission and for keeping the records of the Commission, including a record of all proceedings, filed documents, orders, regulation decisions, dockets, and files. The Executive Secretary is an author of, and the official signatory to, minutes, decisions and orders of the Commission that are not signed by the Commission directly. The Executive Secretary is also a member of a team of policy advisors to the Commission.

The Office of Executive Secretary (ÖOESÖ) is responsible for the Commission's case management, expert services procurement, order preparation, purchasing and procurement, regulation development and coordination, tariff maintenance, the Equal Employment Opportunity Program (ÖEEOPÖ), operations, fiscal and budget management, the Commission's computer system, including databases and the official website and the intranet site. The OES divisions are:

1. *Administrative Division*, which includes the following sections:

- a. *Case Management.* 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 confidential/proprietary information relating to the conduct of utility regulation and required compliance with detailed access procedures. During 2012, this Section established 26 new non-transportation-related dockets and processed 1,899 non-transportation-related case items. This Section is also responsible for archiving the formal dockets based on the record retention policies of the Commission.
- b. *Document Management.* The Document Management Section is responsible for the development of the Commission's Administrative Meeting Agenda (öAgendaö), the official open meeting action agenda mandated by law. During 2012, this Section scheduled 49 Commission administrative meetings to consider the Agenda; and 2,990 items were considered and decided upon at these meetings. Additionally, this Section is responsible for docketing public conferences held by the Commission. There were five administrative docket public

conferences initiated. This Section also processed 7,994 filings, including 2,054 memoranda.

c. *Regulation Management.* 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 2012, this Section managed six rulemaking dockets that resulted in emergency or final adoption of regulation changes to COMAR Title 20 of the Public Service Commission, and two rulemaking dockets that remain active.

d. *Operations.* This Section is responsible for managing the Commission's telecommunications needs and its motor vehicle fleet as well as being the liaison to accomplish building maintenance, repairs and construction needs of the Commission. In addition, this Section is responsible for the EEOP.

2. ***Fiscal Division***, which includes the following sections:

e. *Fiscal and Budget Management.* This Section manages the financial aspects of the daily operations of the Commission. The operating budget totaled \$19,182,339 for fiscal year ending June 30, 2012. This budget consisted of \$18,351,072 in Special Funds and \$831,264 in Federal Funds. Included within

the normal State functions are two unique governmental accounting responsibilities. The first function allocates the Commission's cost of operation to the various public service companies subject to the Commission's jurisdiction. The second function allocates the budget associated with the Department of Natural Resources' Power Plant Research Program to electric companies distributing electricity to retail customers within Maryland. This Section also administers the financial accountability of the Pipeline Safety Program and the Hazardous Liquid Pipeline Safety Program, which are partially reimbursed by the Federal Department of Transportation, by maintaining all associated financial records consistent with federal program rules, regulations, and guidelines requiring additional record keeping.

- f. *Purchasing and Procurement Management.* This Section is responsible for expert services procurement and all other procurements required by the Commission as well as the overall control of supplies and equipment. This Section is also responsible for agency forms management and record retention management. This Section's staff maintained and distributed the fixed and disposable assets, maintained all related records, purchased all necessary supplies and equipment, and coordinated all equipment maintenance. As of June 30, 2012,

this Section was maintaining approximately 125 items of disposable supplies and materials totaling \$7,372.25 and fixed assets totaling \$1,988,485.60.

3. Information Technology Division. The Information Technology Division (IT) functions as the technical staff for the Commission's network and computer systems. IT is responsible for computer hardware and software selection, installation, administration, training and maintenance. IT manages and maintains the Commission's Internet website and the information/databases conveyed therein. In 2012, IT: (a) continued to migrate physical servers to the new VMWare System that comprises two redundant servers and a shared network storage array offering complete availability/failover and enhancing the PSC Network's survivability; (b) all critical servers have been virtualized (domain controller, email server, database server, gateway server); (c) implemented a new web-enabled Pipeline Safety Inspection application that allows PSC inspectors to document processes online; (d) designed and created a new Electronic CM Agenda System that automates the administration and tracking of the PSC Commissioners Meetings and related documents; (e) deployed/upgraded 50 workstations to PSC Staff (Windows 7/Office 2010); (f) implemented the PSC VPN (Virtual Private Network) to facilitate remote computing commensurate with the distribution of new ultrabook HP Folios to PSC Commissioners and Senior Staff; (g) installed new multi-media presentation system comprised of 7 large screen LCD

monitors providing Hearing Room viewing of digital media during proceedings (HDMI and VGA formats); (g) upgraded the hardware and software for the Commission's Web Server (64-bit Coldfusion 10 Enterprise) to accommodate increased usage of the PSC Website; and (h) supervised the increase in bandwidth for the PSC Internet Circuit from 25 MBPS to 50 MBPS.

4. ***Personnel Division.*** The Personnel Section is responsible for day-to-day personnel transactions of the Commission, which include recruitment, testing, hiring, retirements and terminations, along with associated records management. In addition, this Division is responsible for payroll, timekeeping, and state and federal employment reports. The Division serves as the liaison between the State's Department of Budget and Management's Office of Personnel Services and Benefits, the Commission and the Commission's employees. During 2012, this Section provided the Commission's managers and personnel with advice, direction, and guidance on hiring, personnel matters, performance evaluations, salary issues under the Agency's independent salary plan, and retirement and training.

B. Office of General Counsel

The Office of General Counsel (OGC) provides legal advice and assistance to the Commission on questions about the jurisdiction, rights, duties or powers of the Commission, defends Commission orders in court, represents the Commission in federal and State administrative proceedings, and initiates and defends other legal actions on the Commission's behalf as needed. OGC also supervises enforcement of the Commission's

rules, regulations and filing requirements as applied to utilities, common carriers and other entities subject to the Commission's jurisdiction, and leads or participates in special projects as directed by the Commission.

In addition, OGC provides legal support to the Commission in a variety of ways, including responding to requests for information pursuant to the Maryland Public Information Act. During 2012, OGC attorneys also continued to interface with various Maryland communities regarding utility reliability concerns and tree trimming practices as those practices related to electric power restoration, and assisted the Commission with various enforcement actions relating to limousine and for-hire-drivers.

Below is a summary of selected cases litigated by OGC and selected matters in which OGC represented the Commission before the Federal Energy Regulatory Commission or before the Federal Communications Commission.

1. Summary of Selected Litigation

a. *New Jersey Board of Public Utilities v. FERC*, U.S. Third Circuit Court of Appeals, Nos. 11-4245

The Commission intervened in *New Jersey Board of Public Utilities v. FERC*, U.S. Third Circuit Court of Appeals, Nos. 11-4245, and filed a Petition for Review of FERC's 2011 decision in ER11-2875-000 (wherein FERC directly eliminated the MOPR's long-standing state exemption provision, but authorized a unit-specific review provision and rejected a proposed increase in the mitigation threshold). Briefs have been filed, and the matter is pending subject to oral argument. Two other related cases also remain pending; *PPL Energyplus v. Nazarian*, U.S. District Court for the District of Maryland, Case No. 12-CV-01286 (a complaint proceeding filed by parties challenging the Commission's generation procurement decision in PSC Case No. 9214), and

Maryland People’s Counsel v. PSC, Circuit Court for Baltimore City, Case No. 24-C-12-002881.

b. ***Electric Power Supply Association v. FERC*, U.S. Circuit Court of Appeals for the District of Columbia Circuit, Nos. 11-1486**

The Commission intervened in *Electric Power Supply Association v. FERC*, U.S. Circuit Court of Appeals for the District of Columbia Circuit, Nos. 11-1486 (in support of FERC Order No. 745). FERC Order No. 745 determined that payment of locational marginal pricing (øLMPö) to a demand response resource is just and reasonable for ratepayers when (1) the demand response resource has the capability to balance supply and demand as an alternative to a generation resource, and (2) dispatching and paying LMP to that demand response resource is shown to be cost-effective (as determined by the net benefits test). Briefs have been filed and the matter is pending before the court, awaiting oral argument.

c. ***Verizon Maryland Inc. v Core Communications, Inc.*, 405 Fed.Appx. 706 (4th Cir. 2010), U.S. Fourth Circuit Court of Appeals**

In the matter of *Verizon Maryland Inc. v Core Communications, Inc.*, 405 Fed.Appx. 706 (4th Cir. 2010), the U.S. Fourth Circuit Court of Appeals remanded Civil Action No. 1:02 cv 03180-JMM to the U.S. District Court for the District of Maryland to address damages and to determine whether Verizon also breached an implied duty of good faith and fair dealing. On remand, the Commission filed memoranda reiterating its findings in Case No. 8889. On August 10, 2012, the District Court entered an Order denying Core’s Motion for Summary Judgment, granting Verizon’s Cross-Motion for Summary Judgment, in part, and denying Verizon’s Cross-Motion, in part, as to damages

ó granting nominal damages to Core for Verizon's breach of its implied duty of fair dealing. Core has appealed, and the matter is again under consideration by the Fourth Circuit. The Commission has not joined in the latest appeal.

d. *Washington Gas Light Co. v. PSC, Circuit Court for Baltimore City, Case No. 24-C-12-002607*

In *Washington Gas Light Co. v. PSC*, Circuit Court for Baltimore City, Case No. 24-C-12-002607, WGL challenged Commission Order No. 84781 issued in Case No. 9267, which denied in part WGL's Petition for Rehearing and Clarification of Order No. 84775 ó the Commission's order resolving WGL's 2011 rate case. Specifically, WGL challenged the Commission's decision not to include in rates the "costs to initiate" its outsourcing contract with Accenture (costs that the Commission excluded because WGL could not demonstrate offsetting contract savings as of the time the rate case order was issued). This case currently is held in abeyance.

e. *Washington Gas Light Co. v. PSC, Circuit Court for Baltimore City, Case No. 24-C-12-006179*

In *Washington Gas Light Co. v. PSC*, Circuit Court for Baltimore City, Case No. 24-C-12-006179, WGL challenged Commission Order No. 85120 issued in Case No. 9104, Phase II, which denied WGL's Petition for Clarification or Rehearing in that case. In its Petition for Judicial Review, WGL asserted that the Commission announced a new standard for cost recovery in Order No. 84277 when it stated that Accenture cost recovery must be offset by contract savings in WGL's then pending rate case, Case No. 9267. This case also currently is held in abeyance. The Commission supported WGL's motion to consolidate this case with Case No. 24-C-12-002607 discussed above.

f. ***Emergence Technology Consultants, LLC v. Baltimore Gas and Electric Co., Circuit Court for Baltimore County, Case No. 03-C-12-000691***

In *Emergence Technology Consultants, LLC v. Baltimore Gas and Electric Co.*, Circuit Court for Baltimore County, Case No. 03-C-12-000691, Emergence Technology Consultants, LLC challenged BGE's EmPOWER program in Case No. 9154. This case relates to the eligibility of Emergence for rebates for LED lights. The case is currently stayed while BGE and Emergence seek to resolve the matter.

g. ***Perini/Tompkins Joint Venture v. PSC, Circuit Court for Montgomery County, Case No. 369793-V***

Perini/Tompkins Joint Venture v. PSC, Circuit Court for Montgomery County, Case No. 369793-V, Perini/Tompkins filed a Petition for Review of Commission Order No. 85126 issued in PSC Case 9210, wherein Commission Order No. 85126 provided that Pepco could bill Perini/Tompkins JV \$971,165.31 to recover undercharges incurred over a 29 month period. A hearing is scheduled for April 17, 2013).

2. **Federal Energy Regulatory Commission and Federal Communications Commission Proceedings**

a. ***PJM Interconnection, LLC (Docket No. ER12-535-000)***

Also during 2012, the Commission filed a major protest in *PJM Interconnection, LLC* - Docket No. ER12-535-000 against the PJM's proposal to *again* revise its Minimum Offer Price Rule (MOPR) to (1) eliminate the current unit-specific review process, (2) implement a highly restrictive competitive entry exemption, and (3) raise the mitigation threshold for new entrants. PJM's new proposal rewrites the RTO's capacity procurement rules to severely constrain states from exercising their traditional authority to engage in the development of reliable and least-cost electricity resources within their

borders. This matter is pending review by FERC. A decision is expected in advance of PJM's next generation capacity auction, which occurs in May 2013.

b. Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities (Docket No. ER13-198-000) and Public Service Gas and Electric and PJM Interconnection, LLC (Docket No. ER13-90-000)

The Commission filed comments in Docket No. ER13-198-000 - *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities* (responding to PJM's FERC Order 1000 Compliance Filing), and in Docket No. ER13-90-000 - *Public Service Gas and Electric and PJM Interconnection, LLC* (responding to PJM's Transmission Owners' proposal to revise the allocation of costs associated with new extra high voltage (EHV) 500 kV and above transmission facilities⁴²).

Also in 2012, the Commission continued to challenge unfavorable wholesale electric generation and transmission policies, including transmission plant abandonment cost recovery filings. The Commission filed challenges in *PJM Interconnection, LLC and Potomac-Appalachian Transmission Highline, LLC (PATH)* ó Docket No. ER12-2708-000 (challenging the PATH Companies' request for plant abandonment cost recovery), and *Potomac Electric Power Company, Delmarva Power & Light Company, (PHI Companies) and PJM Interconnection, LLC* ó Docket No. ER13-607-000 (challenging the PHI Companies' MAPP-related plant abandonment cost recovery).

⁴²In *PJM Interconnection, L.L.C.* - Docket No. EL05-121-000, the Commission's comments remain pending in paper hearing proceedings established by the FERC regarding the methodology PJM should use in allocating the costs of new EHV, 500 kV and above, transmission facilities. These comments were filed in response to a remand order issued by the United States Court of Appeals for the Seventh Circuit in *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7th Cir. 2009). In its filing, the Commission recommended that FERC reaffirm the conclusion reached in Opinion No. 494 providing that the costs of EHV, 500 kV and above, transmission facilities should be socialized or allocated on a load-ratio share basis. FERC's decision in this matter is still pending.

c. 9-1-1 Resiliency and Reliability in the Wake of June 29, 2012, Derecho Storm in Central, Mid-Atlantic, and Northeastern United States (FCC PS Docket No. 11-60 (DA No. 1153))

The Commission filed brief comments in the matter of *9-1-1 Resiliency and Reliability in the Wake of June 29, 2012, Derecho Storm in Central, Mid-Atlantic, and Northeastern United States* - FCC PS Docket No. 11-60 (DA No. 1153). Based upon initial review, Maryland's 9-1-1 systems and services do not appear to have experienced substantial adverse impact from the June 29, 2012 derecho storm. The Commission noted, however, the Maryland PSC has dealt with other 9-1-1 outage issues and resiliency and reliability issues, namely an investigation (docketed as Maryland PSC Case No. 9265) involving 9-1-1 outages and network failures occurring on Verizon Maryland, Inc.'s network. In that proceeding, the Commission investigated Verizon's alleged failure to timely notify impacted Maryland Public Safety Answering Points (PSAPs). Upon issuance of an order in Case No. 9265, the Commission indicated that it may file supplemental comments to the FCC proceeding, and may share any relevant information or lessons learned at that time.

d. July 3, 2012 Annual Access Tariff Filings and Petition for Reconsideration of the Public Service Commission of the District of Columbia, WCB/Pricing No. 12-09 and WC Docket No. 10-90

The Commission filed comments in the matter of the *July 3, 2012 Annual Access Tariff Filings and Petition for Reconsideration of the Public Service Commission of the District of Columbia*, WCB/Pricing No. 12-09 and WC Docket No. 10-90 in support of the District of Columbia Public Service Commission's *Petition for Reconsideration* (DC PSC Petition). The DC PSC Petition asserted that the current policy application of 47 C.F.R. § 51.915(e)(3) (the holding company provision contained in the USF/ICC

Transformation Order) unfairly permits price cap companies to spread access recovery charges (öARCö) among jurisdictions, with the result that customers in areas that have lower residential rates are required to make up the lost revenues in another jurisdiction. In its comments, the Commission observed that, while carriers are not required to charge the ARC under the USF/ICC Transformation Order, nonetheless should a carrier elect to charge an ARC pursuant 47 C.F.R. § 51.915(e)(3), the calculation of the ARC amongst the affected jurisdictions should be equitable and done in a manner that adheres with the FCC Rule 47 U.S.C. § 202(a) prohibiting öunjust or unreasonable discrimination in charges, practices, classification, regulations, facilities, services for or in connection with like communication serviceí ö The Commission requested that the FCC provide clarification and guidance on how 47 C.F.R. § 51.915(e)(3) can be applied equitably amongst jurisdictions that have lower residential rates.

e. Re the Petition for Declaratory Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions - FCC Docket WC No. 10-60

Commission comments remain pending in the matter of *Re the Petition for Declaratory Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions - FCC Docket WC No. 10-60*, opposing Global NAPs, Inc's effort to preclude a determination by the Commission regarding whether G NAP's Voice over Internet Protocol-related traffic can be tracked from geographic end-point to geographic end-point in order to determine whether intrastate switched access charges might apply.

C. Office of the Executive Director

The Executive Director and two assistants supervise the Commission's Technical Staff. The Executive Director's major supervisory responsibility consists of directing and coordinating the work of the Technical Staff relating to the analysis of utility filings and operations, the presentation of testimony in Commission proceedings, and support of the Commission's regulatory oversight activities. The Executive Director supervises the 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.

1. Accounting Investigation Division

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety of accounting, taxation and financial issues. The Division's primary function includes 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, taxicabs, maritime pilots and bridges.

During 2012, the Accounting Investigation Division's work responsibilities included assisting other divisions, conducting audits of utility fuel programs and other rate adjustments, ongoing evaluating of utility base rates, and providing appropriate analysis of utility filings and rate initiatives. Division personnel provided expert testimony and recommendations relating to the performance of ongoing audits of 14 utility fuel programs, 10 other rate adjustments and provided appropriate analysis and comment with respect to 92 filings submitted by utilities. In addition, Division personnel also participated in approximately 16 formal proceedings and a number of special assignments during 2012.

2. Electricity Division

The Electricity Division conducts economic, financial and policy analyses relevant to the regulation of electric utilities, electricity retail markets, low income concerns, and other related issues. The Division prepares the results of these analyses in written testimony, recommendations to the Commission and various reports. This work includes: retail competition policy and implementation related to restructuring in the electric utility industry; rate of return on equity and capital structure; pricing structure and design; load forecasting; low-income customer policy and statistical analysis; consumer protection regulations; consumer education; codes of conduct; mergers; and jurisdictional and customer class cost-of-service determinations. 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 work group

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

The Electricity Division was formed in August 2008 as part of the reorganization of the Commission's Technical Staff. Members of the Division were previously assigned to the former Economics and Policy Analysis Division. The Electricity Division focuses most of its work on regulation, policy and market activities related to the provision of retail electricity.

As part of rate proceedings, the Division's work lies in three main areas: Rate Design, the setting of electricity 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 the utility industry regionally and nationally.

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 retail energy market. Division analysts research methods of electricity procurement, retail energy market models, energy and natural resource price trends, annual electricity cost data, renewable energy issues, economic modeling of electricity usage, and other areas that reflect characteristics of electricity costs.

During 2012, the Division's work included expert testimony and/or policy recommendations in approximately 81 administrative proceedings, 4 rate cases, and 3 rulemaking and public conferences. In addition to traditional regulatory analysis,

Electricity Division personnel facilitated several stakeholder working groups covering: net energy metering, retail market electronic data exchange, and retail market supplier coordination. The Division also was tasked with evaluation of technical implementation of legislation on renewable energy programs. Over the summer of 2012, Division employees facilitated a solar industry stakeholder group and prepared a report on Community Energy Generating Facilities for the Senate Finance Committee of the Maryland General Assembly, as discussed in Section V. Subsection B herein.

3. Energy Analysis and Planning Division

The Energy Analysis and Planning Division (EAPD) is composed of two groups: the Integrated Resource Planning (IRP) group and the Demand Side Management (DSM) group. IRP 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. DSM is responsible for evaluating and reporting to the Commission on the results of the EmPOWER Maryland energy efficiency and demand response programs, which are operated by the electric utilities in accordance to the EmPOWER Maryland legislation, enacted in 2008.

Division members have analytical and/or oversight responsibilities on a wide range of subjects including: energy efficiency and demand response programs, regional power supply and transmission planning through participation in PJM working groups and committees; advanced metering infrastructure and smart grid implementation; oversight of the Standard Offer Service (SOS) competitive solicitations; developments in the wholesale energy markets focusing on prices and availability; Maryland's renewable energy portfolio standard (RPS); wholesale market demand response

programs; certification of retail natural gas and electricity suppliers; and, applications for small generator exemptions to the CPCN process.

During 2012, EAP was directly responsible or involved in several significant initiatives including:

- Preparing the 10-Year Plan (2012-2021) of Electric Companies in Maryland.
- Preparing semi-annual reports for the utilities energy efficiency and demand response programs.
- Evaluating the 2012-2014 EmPOWER Maryland energy efficiency and demand response plans.
- Conducting work groups related to the approval of the 2012-2014 EmPOWER Maryland energy efficiency and demand response plans.
- Preparing the Renewable Energy Portfolio Standard Report of 2012.
- Monitoring wholesale electricity prices in Maryland, including spot prices as measured by locational marginal prices.
- Monitoring and analyzing residential market penetration by competitive retail suppliers in Maryland for the respective four investor-owned utilities.
- Participating in the PJM planning processes, to put in place, a new long-term transmission planning protocol, addressing both reliability and market efficiency.
- Actively participating in several PJM committees and working groups including the Transmission Expansion Advisory Committee, the Markets and Reliability Committee, the Planning Committee, the Market Implementation Committee, the Members Committee, the Demand Response Subcommittee, Resource Adequacy Analysis Subcommittee and the Regional Planning Process Task Force.
- Monitoring and analyzing the PJM Reliability Pricing Model capacity procurement process and related costs to meet Maryland's electric reliability needs.
- Participating in Smart Grid work groups in developing customer education and evaluation metrics for BGE and Pepco Smart Grid proposals.
- Monitoring the SOS procurement processes to ensure they were conducted according to codified procedures consistent with the Maryland restructuring law.
- Continuing work with electricity and natural gas suppliers on retail choice issues facing the residential and small commercial markets.

- Participating in the Electric Vehicle Infrastructure Council established by the legislature, and signed into law by the Governor, pursuant to Senate Bill 176 with the Final Report completed on February 13, 2012, as required by legislation.
- Participating with electric vehicle industry stakeholders to assess an electric vehicle pilot program presented by BGE pursuant to Senate Bill 176.
- Monitoring activities of the RGGI Program Review Committee, Electricity Monitoring Group and the Modeling Subgroup.
- Participating in NARUC activities.
- Monitoring, and where appropriate, participating in initiatives of the PJM, FERC, and OPSI.

4. Engineering Division

The Commission's Engineering Division monitors the operations of public service companies. Engineers check the operation of utilities for safety, efficiency, reliability, and quality of service. The Division's primary areas of responsibility include: Electric Distribution and Transmission; Metering; Electric, Private Water and Sewer Distribution; Certification of Solar Renewable Energy Facilities; and Natural Gas and Hazardous Liquid Pipeline Safety.

In 2012, the Engineering Division was deeply involved in creating and implementing the new Reliability Regulations known as RM43 and published as COMAR 20.50.12. Evaluation of the reports required of each utility includes:

- Operations and Maintenance Manuals;
- Vegetation Management Plans; and
- Major Outage Event Plans

The Contact Voltage regulations were implemented during 2012, and the Engineering Division spent significant resources evaluating the Contact Voltage Risk

Zone maps and forms submitted by the utilities and analysis of the Contact Voltage Plans filed by each utility.

In 2012, Maryland adopted regulations to include solar water heating equipment in its Renewable Portfolio Standard (RPS) Program. The Engineering and Information Technology Divisions established an electronic application portal to enable a paperless application and certification process for solar water heating equipment. During 2012 the Engineering Division certified 425 solar water heating systems to participate in the RPS Program.

The Division managed and improved the efficiency of the Solar Renewable Energy Facility (REF) certification process for small level 1 and larger level 2 photovoltaic (PV) Solar Systems deployed in the State. In collaboration with the solar industry and other agency members, an electronic Web based portal was developed that has established a paperless Solar PV REF application process that is saving significant time and resources for both the users as well as the Commission Staff. Solar PV REF application volume increased from 98 in 2008 to 396 in 2009, 922 in 2010, 1,863 in 2011 and 1,776 in 2012. From 2008 to 2012, this represents a 1712% increase in applications processed.

The Division's field department was active throughout the State monitoring PSC-ordered replacement of bare steel propane piping on the Eastern Shore, evaluating the progress of mitigation of leaks caused by failed mechanical gas couplings in Prince Georges County, Baltimore Gas and Electric's construction of its new transmission line in Howard County and assessing the plans for bare steel replacement in Western Maryland. All of the Commission's Pipeline and Hazardous Liquid Safety Engineers are

fully trained for their roles in enforcement of Federal pipeline safety regulations within the State.

The Division worked with the transmission owners and other relevant State agencies to review the plans for several transmission lines proposed in Maryland. Although PJM peak load forecasts overall have been reduced due to the continued economic downturn, demand response programs, and solar installations, the Division reviewed transmission plans to provide adequate capacity in those specific areas where growth is projected to exceed electric supply.

Commensurate with lower consumer energy bills for both gas and electricity, the Division saw a decrease in meter referee test requests in 2012, considering a comparison of the past five years. Twelve requests for gas meter referee tests were received in 2012, compared to 6 in 2011, 12 in 2010, 32 in 2009, and 27 in 2008. Electric meter referee test requests decreased to 39 in 2012 compared to 72 in 2011; 11 in 2010, 223 in 2009, and 105 in 2008.

During 2012, the Engineering Division devoted an increasing amount of staff time and effort to storm-related activities resulting from the Commission's participation in the Maryland Emergency Management Agency's (MEMA) emergency preparedness and response efforts. This included participating in state-wide emergency training sessions and coordination meetings, preparing a MEMA Event Storm Manual that outlines the Commission's contacts and procedures for staffing the State's Emergency Operations Center (SEOC), and staffing the SEOC during emergencies. During Major Outage Event Restoration Emergencies, the Commission is required to provide sufficient staff coverage to ensure that MEMA's SEOC is covered on a 24-hour basis whenever it is

activated in response to an actual or perceived emergency. In 2012, Engineering and other Commission staff contributed approximately 400 hours to the SEOC in the aftermath of the derecho and before, during and after Hurricane Sandy.

5. Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation of Technical Staff's position in all matters pending before the Commission, under the supervision of the Executive Director. In performing its duties, the Staff Counsel Division evaluates public service company applications for identification of issues, legal sufficiency, and compliance with the Public Utilities Article, the Code of Maryland Regulations, utility tariffs, and other applicable law. In addition, the Staff Counsel may support Staff in initiating investigations or complaints. The Staff Counsel Division attorneys are the final reviewers of Technical Staff's testimony, reports, proposed legislation analysis 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 2012, Staff attorneys participated in a wide variety of matters involving all types of public service companies regulated by the Commission. The Staff Counsel Division's work included review of rates charged and requested by public service companies, follow-up matters from the Exelon/Constellation merger case, and participation in several matters investigating utility reliability. The Staff Counsel Division was also involved in a variety of efforts intended to address the EmPOWER

Maryland Act of 2008, smart meters proceedings, transmission line approvals, Sandy storm outage proceedings, the setting of tolls for a privately-owned toll bridge, and the continued development of the Maryland Renewable Energy Portfolio Program.

6. Telecommunications, Gas and Water Division

The Telecommunications, Gas, and Water Division assists the Commission in regulating the delivery of wholesale and retail telecommunications services and retail natural gas services and water services in the state of Maryland. The Division's output generally constitutes recommendations to the Commission, but also includes publication of industry status reports, responses to inquiries from elected officials, media representatives, members of the public, and industry stakeholders. In addition, the Division assists the Commission's Office of External Relations in the resolution of consumer complaints and leads or participates in industry working groups. The Division's analyses and recommendations to the Commission may appear as written comments, expert testimony in formal proceedings, special topical studies requested by the Commission, formal comments on filings submitted by the utilities or by other parties, comments on proposed legislation, proposed regulations and public presentations. During 2012, the Division reviewed 300 tariff filings, including rate revisions, new service offerings and related matters. Of those, 264 were telecommunications, 34 were natural gas, and 2 were water.

In telecommunications, the Division reviews applications for authority to provide telephone services from local and intrastate toll service providers, reviews tariff filings from such providers, monitors the administration of telephone numbering resources for the State, administers the certification of all payphone providers in the state and monitors

the provision of low income services, E911 and telecommunications relay services. In 2012, the Commission authorized 10 new local exchange and 13 additional long distance carriers, and certified 63 payphone service providers and 1,978 payphones in Maryland. In addition, Staff recommended and the Commission approved 2 additional eligible telecommunication carriers making them eligible to receive federal universal service funds for providing service to low-income households. In 2012, Staff participated in several cases involving significant consumer issues including the provision of voice services over next generation fiber optic facilities, quality of service, and the regulation of retail service offered by the largest incumbent carrier in the State. Additionally, Staff participated in several cases involving carrier-to-carrier compensation and compensation for traffic in voice over internet protocol.

In the natural gas industry, the Division focuses on retail natural gas competition policy and implementation of customer choice. The Division participates as a party in contested cases before the Commission to ensure that safe, reliable and affordable gas service is provided throughout the State. Staff contributes to formal cases by providing testimony on rate of return, capital structure, rate design and cost of service. In addition, the Division provides recommendations on low-income consumer issues, consumer protections, consumer education, codes of conduct, mergers, and debt and equity issuances. The Division also conducts research and analysis on the procurement of natural gas for distribution to retail customers.

In the water industry, the Division focuses on retail prices and other retail issues arising in the provision of safe and affordable water services in the State. During 2012,

Division personnel testified in several cases involving water company franchises and rates.

7. 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 (total 1,144), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland and Hagerstown (total 1,405). The Commission is also responsible for licensing drivers (total 7,249) 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 (total 5,164), 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 civil penalties.

During 2012, the Transportation Division continued to conduct vehicle inspections and report results via on-site recording of inspection data and electronic transmission of that information to the Commission's databases and to the Federal Motor Carrier Safety Administration's Safety and Fitness Electronic Records (öSAFERö)

System. SAFER provides carrier safety data and related services to industry and the public via the Internet.

The Division maintained its regular enforcement in 2012 by utilizing field investigations and joint enforcement projects efforts with local law enforcement officials, Motor Vehicle Administration Investigators, and regulators in other jurisdictions.

Administratively, the Division continued to develop, with the Commission's Information Technology staff, projects designed to streamline processes through automation, electronic filings by the industry, and better intra-agency communication among the Commission's internal databases.

D. 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 2012, the OER investigated 5,734 consumer complaints, an increase of 8% from the 2011 number of consumer complaints investigated (5,318). Out of those complaints 4,870 involved gas and electric issues (an approximate 38% increase from the 2011 gas and electric-related issues, 3539), while 689 were telecommunication complaints (a decrease of 32% from the 2011 telecommunications complaints, 1012), 66 complaints related to water companies (an approximate 78% increase in water complaints from 2011, 37), and 229 complaints involved issues outside of the PSC's jurisdiction (almost doubling the complaints of this nature received in 2011, 115). The majority of complaints against gas and electric local distribution 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 fulfilled 592 requests for information concerning the Commission, utilities and suppliers (a decrease of 23% from the 2011 requests for information fulfilled, 770). The OER intake unit received 11,139 telephone calls that resulted in 7,137 requests for payment plans or extensions. Overall, OER received 33,059 telephone calls in 2012, or approximately 3% more than in 2011 (32,224).

OER staff members work proactively to provide the public with timely and useful utility-related information based on the feedback received from consumers. During 2012, OER met with all utilities that have deployed the AMI metering for training in order to respond accurately to customer inquiries and answer questions on this issue. OER continued to have regular meetings with the utilities to ensure that all parties are responding appropriately to customer concerns.

E. Public Utility Law Judge Division

As required by the Public Utilities Article, the Division is a separate organizational unit reporting directly to the Commission, and is comprised of four attorney Public Utility Law Judges, including the Chief Public Utility Law Judge, a part-time License Hearing Officer, and two administrative support personnel. Typically, the Commission delegates proceedings to be heard by the Public Utility Law Judges which pertain 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 review; bus, passenger common carrier, water, and sewage disposal company proceedings; plant and equipment depreciation

proceedings; and consumer as well as other complaints which are not resolved at the administrative level. The part-time License Hearing Officer hears matters pertaining to certain taxicab permit holders and also matters regarding Baltimore City, Cumberland, and Hagerstown taxicab drivers, as well as passenger-for-hire drivers. The Public Utility Law Judges also hear transportation matters.

While most of the Division's activity concerns delegated cases from the Commission, the Commission may also conduct its proceedings in three-member panels, which panels may include one Public Utility Law Judge. As a panel member, a Public Utility Law Judge 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.

The Public Utility Law Judges and the License 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 2012, 239 cases were delegated by the Commission to the Division: 29 non-transportation-related matters; and 210 relating to transportation matters of which 92 were taxicab-related. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of civil penalties against carriers for violations of applicable statutes or regulations.

The Division held 285 hearings and issued 252 Proposed Orders. 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 as noted in the Proposed Order, which may be no less than 7 days and

no more than 30 days. There were 31 appeals/requests for reconsideration filed with the Commission resulting from the Proposed Orders ó the Commission issued 2 orders reversing a Proposed Order and 8 orders remanding the matter to the Division for further proceedings.

IX. RECEIPTS AND DISBURSEMENTS FY 2012

Receipts and Disbursements

C90G001 ó General Administration and Hearings

| | | |
|--|--------------|-------------------|
| Salaries and Wages | \$ | 6,186,598 |
| Public Utility Regulation Fund | \$6,186,598 | |
| Federal Fund | \$0 | |
| Technical and Special Fees | | 291,596 |
| Public Utility Regulation Fund | \$159,731 | |
| Federal Fund | \$131,865 | |
| Operating Expenses | | <u>5,407,811</u> |
| Public Utility Regulation Fund | \$5,299,373 | |
| Federal Fund | \$108,438 | |
| Total Disbursements for Fiscal Year 2012 | \$ | 11,886,005 |
| Public Utility Regulation Fund | \$11,645,702 | |
| Federal Fund | \$240,303 | |
| Reverted to State Treasury | | <u>488,963</u> |
| Public Utility Regulation Fund | \$292,304 | |
| Federal Fund | \$196,659 | |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>12,374,968</u> |
| Public Utility Regulation Fund | \$11,938,006 | |
| Federal Fund | \$436,962 | |

C90G002 ó Telecommunications Division

| | | |
|--|----|----------------|
| Salaries and Wages | \$ | 586,861 |
| Operating Expenses | | <u>1,373</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 588,234 |
| Reverted to State Treasury | | <u>18,246</u> |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>606,480</u> |

C90G003 ó Engineering Investigations Division

| | | |
|--|-------------|------------------|
| Salaries and Wages | \$ | 1,241,215 |
| Public Utility Regulation Fund | \$986,581 | |
| Federal Fund | \$254,634 | |
| Technical and Special Fees | | 449 |
| Public Utility Regulation Fund | \$449 | |
| Operating Expenses | | <u>86,885</u> |
| Public Utility Regulation Fund | \$25,230 | |
| Federal Fund | \$61,655 | |
| Total Disbursements for Fiscal Year 2012 | \$ | 1,328,549 |
| Public Utility Regulation Fund | \$1,012,260 | |
| Federal Fund | \$316,289 | |
| Reverted to State Treasury | | <u>107,032</u> |
| Public Utility Regulation Fund | \$29,016 | |
| Federal Fund | \$78,016 | |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>1,435,581</u> |
| Public Utility Regulation Fund | \$1,041,276 | |
| Federal Fund | \$394,305 | |

C90G004 ó Accounting Investigations Division

| | | |
|--|----|----------------|
| Salaries and Wages | \$ | 491,894 |
| Operating Expenses | | <u>1</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 491,895 |
| Reverted to State Treasury | | <u>41,483</u> |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>533,378</u> |

C90G005 ó Common Carrier Investigations Division

| | | |
|---|-------------|-------------------------|
| Salaries and Wages | \$ | 1,223,658 |
| Public Utility Regulation Fund | \$1,223,658 | |
| For-Hire Driving Services Enforcement Fund | \$0 | |
| | | |
| Technical and Special Fees | | 149,824 |
| Public Utility Regulation Fund | \$24,100 | |
| For-Hire Driving Services Enforcement Fund | \$125,724 | |
| | | |
| Operating Expenses | | <u>48,899</u> |
| Public Utility Regulation Fund | \$36,008 | |
| For-Hire Driving Services Enforcement Fund | \$12,891 | |
| | | |
| Total Disbursements for Fiscal Year 2012 | \$ | 1,4,22,381 |
| Public Utility Regulation Fund | \$1,283,766 | |
| For-Hire Driving Services Enforcement Fund | \$138,615 | |
| | | |
| Reverted to State Treasury | | <u>145</u> |
| Public Utility Regulation Fund | \$145 | |
| For-Hire Driving Services Enforcement Fund | \$0 | |
| | | |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>1,422,526</u> |
| Public Utility Regulation Fund | \$1,283,911 | |
| For-Hire Driving Services Enforcement Fund | \$138,615 | |

C90G006 ó Washington Metropolitan Transit Commission

| | | |
|---|-----------|-----------------------|
| Operating Expenses | \$ | <u>215,183</u> |
| | | |
| Total Disbursements for Fiscal Year 2012 | \$ | 215,183 |
| | | |
| Reverted to State Treasury | | <u>58,107</u> |
| | | |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>273,290</u> |

C90G007 ó Rate Research and Economics Division

| | | |
|--|----|----------------|
| Salaries and Wages | \$ | 832,943 |
| Operating Expenses | | <u>4,322</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 837,265 |
| Reverted to State Treasury | | <u>3,783</u> |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>841,048</u> |

C90G008 ó Hearing Examiner Division

| | | |
|--|----|----------------|
| Salaries and Wages | \$ | 549,656 |
| Operating Expenses | | <u>1,286</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 550,942 |
| Reverted to State Treasury | | <u>5,132</u> |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>556,074</u> |

C90G009 ó Office of Staff Counsel

| | | |
|--|----|----------------|
| Salaries and Wages | \$ | 760,231 |
| Operating Expenses | | <u>2,501</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 762,732 |
| Reverted to State Treasury | | <u>20,976</u> |
| Total Appropriation for Fiscal Year 2012 | \$ | <u>783,708</u> |

C90G0010 ó Integrated Resource Planning Division

| | | |
|--|----|---------------|
| Salaries and Wages | \$ | 342,526 |
| Operating Expenses | | <u>208</u> |
| Total Disbursements for Fiscal Year 2012 | \$ | 342,734 |
| Reverted to State Treasury | | <u>12,552</u> |

Assessments collected during Fiscal Year 2012: \$ 18,332,145

Other Fees collected during Fiscal Year 2012:

| | |
|--|--------------|
| 1) Fines & Citations | \$ 1,345,684 |
| 2) For-Hire Driving Services Permit Fees | \$ 189,289 |
| 3) Meter Test | \$ 440 |
| 4) Filing Fees | \$ 229,120 |
| 5) Copies | \$ 1,309 |
| 6) Miscellaneous Fees | \$ 27 |

Total Other Fees \$ 1,765,869

Assessments collected that were remitted to other State Agencies during Fiscal Year 2012:

| | |
|--------------------------------|--------------|
| 1) Office of People(s) Counsel | \$ 2,722,647 |
| 2) Railroad Safety Program | \$ 278,257 |