

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 975
 Economic Matters

(Delegate Kramer, *et al.*)

Public Service Commission - Membership

This bill expands the membership of the Public Service Commission (PSC) from five commissioners to nine by specifying that PSC membership consists of one commissioner from each of the State’s eight congressional districts and a chairman who serves at large and does not represent a congressional district. A commissioner who represents a congressional district must be a resident of that district.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: Special fund expenditures from the Public Utility Regulation Fund increase by \$2.1 million in FY 2014 for staff and renovation expenses. Expenditures increase by approximately \$1.2 million annually beginning in FY 2015 which reflects inflation and ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies.

| (\$ in millions) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|------------------|---------|---------|---------|---------|---------|
| SF Revenue | \$2.1 | \$1.2 | \$1.2 | \$1.3 | \$1.3 |
| SF Expenditure | \$2.1 | \$1.2 | \$1.2 | \$1.3 | \$1.3 |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: In accordance with the bill, the Governor must appoint four new commissioners for terms commencing July 1, 2013. To the extent practicable, the new commissioners must be appointed from congressional districts not already represented by the members of PSC as of June 30, 2013. The initial appointments of the four new commissioners are staggered as specified in the bill.

The members of PSC as of June 30, 2013, continue to serve the terms to which they were appointed. As the terms of those commissioners expire, the Governor must make appointments from any congressional districts that remain unrepresented.

Current Law: PSC consists of five commissioners appointed by the Governor with the advice and consent of the Senate. The commission must be (1) broadly representative of the geographic and demographic diversity of the State and of the public and (2) composed of individuals with diverse training and experience. Terms of commissioners last five years and are staggered.

PSC regulates gas, electric, telephone, water, sewage disposal, and certain passenger transportation companies doing business in Maryland. PSC is authorized to hear and decide matters relating to (1) rate adjustments; (2) applications to exercise or abandon franchises; (3) approval of issuance of securities; (4) promulgation of new rules and regulations; and (5) quality of utility and common carrier service. PSC sets utility rates, collects and maintains records and reports of public service companies, reviews plans for service, inspects equipment, audits financial records, handles consumer complaints, and promulgates and enforces rules and regulations.

Background: There are eight congressional districts in the State.

As shown below in **Exhibit 1**, many surrounding states have public service commissions (or their equivalent) of approximately the same membership as the current PSC.

Exhibit 1
Public Service Commission Membership – Selected States

| <u>Commission</u> | <u>Membership</u> |
|---|-------------------|
| Delaware Public Service Commission | 5 |
| New Jersey Board of Public Utilities | 5 |
| New York Public Service Commission | 5 |
| Pennsylvania Public Utility Commission | 5 |
| Virginia State Corporate Commission | 3 |
| West Virginia Public Service Commission | 3 |

Source: Department of Legislative Services

State Fiscal Effect: Special fund expenditures from the Public Utilities Regulation Fund increase by \$2.1 million in fiscal 2014, which reflects the bill's July 1, 2013 effective date. This estimate reflects the cost of hiring four commissioners, four management associates, and two commissioner advisors. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---|--------------------|
| Positions | 10 |
| Salaries and Fringe Benefits | \$1,108,111 |
| Renovations | 697,040 |
| Temporary Rent | 211,030 |
| Equipment/Other Operating Expenses | 68,340 |
| Total FY 2014 State Expenditures | \$2,084,521 |

PSC advises that there are no available offices or additional floor space in its building, and that its main hearing room cannot accommodate four additional commissioners without renovations. Therefore, PSC must renovate its main hearing room to accommodate an expanded commission at hearings and must also renovate its existing location to create additional office space for the commissioners and associated staff hired under the bill. PSC must rent a hearing room large enough to accommodate the expanded commission and must also rent office space for the commissioners and staff until the renovations are complete.

Future year expenditures reflect annual increases in salaries and employee turnover as well as annual increases in ongoing operating expenses.

Special fund revenues increase correspondingly in each year from assessments imposed on public service companies to recoup costs incurred by PSC as authorized under current law.

Additional Information

Prior Introductions: SB 22 of the 2012 second special session, a similar bill, was referred to the Senate Rules Committee. No further action was taken.

Cross File: None.

Information Source(s): Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2013
mlm/lgc

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