HB 327

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 327 (Delegate Korman)
Economic Matters

Public Service Commission Reform Act

This bill makes several changes to the Public Service Commission (PSC), including (1) specifying additional requirements for commissioners and their staff; (2) requiring PSC staff to actively participate in the testing of electric or gas meters at the request of a consumer; (3) requiring PSC to participate in a specified customer service program; (4) increasing the maximum amount that PSC and the Office of People's Counsel (OPC) may assess public service companies; and (5) establishing the Division of Customer Complaints and Affairs as the successor to the Office of External Relations and specifying the legislative intent that PSC allocate 20 positions to the division. The Department of Legislative Services (DLS) must complete a related study and report.

Fiscal Summary

State Effect: Special fund expenditures from the Public Utility Regulation Fund increase by $1.6 million in FY 2017 for staff and related expenses necessary for PSC to implement the bill. Future year expenditures reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. General fund expenditures for DLS increase by $25,000 beginning as early as FY 2017 for contractual services necessary to complete the required study and report. OPC revenues and expenditures are not directly affected – although the amount that may be assessed by PSC on behalf of OPC in the future is increased. State expenditures for utility services are not materially affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	$1,612,700	$2,044,900	$2,120,500	$2,199,200	$2,281,000
GF Expenditure	$25,000	$0	$0	$0	$0
SF Expenditure	$1,612,700	$2,044,900	$2,120,500	$2,199,200	$2,281,000
Net Effect	($25,000)	$0	$0	$0	$0

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

Local Effect: Local government finances and operations are not materially affected.

Small Business Effect: Minimal. Assessments imposed on public service companies are generally passed through to consumers, including small businesses. However, a minimal increase in utility rates is not anticipated to materially affect small businesses.

Analysis

Bill Summary/Current Law

PSC Commissioners – Political, Geographic, Ethics Limitations, and Required Staff

The Bill: No more than three (of five) commissioners may be of the same political party, and no more than two commissioners may be appointed from a single county. An individual may not be appointed to serve as a commissioner if, within one year preceding the appointment, the individual has:

- represented a public service company before PSC;
- appeared before PSC on behalf of a party to a PSC proceeding;
- appeared before PSC on a matter within PSC's jurisdiction; or
- received a financial benefit that is not otherwise generally available to the public as a customer of a public service company from (1) a public service company that is subject to PSC's jurisdiction or (2) a person that directly or indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with a public service company that is subject to PSC's jurisdiction.

Each commissioner must be assigned at least two personal staff members, at least one of whom may assist the commissioner in policy matters. Other staff members who directly or indirectly serve the commissioners may be pooled.

Current Law: All five PSC commissioners are appointed by the Governor with the advice and consent of the Senate. Appointments are for five years and expire on a staggered basis. PSC must be broadly representative of the geographic and demographic diversity of the State and the public and composed of individuals with diverse training and experience. Each commissioner must devote full time to the duties of office. The Governor may remove a commissioner for incompetence or misconduct.

Until at least two years have passed after leaving service as a commissioner or the People's Counsel, an individual may not:

- represent a public service company before PSC;
- appear before PSC on behalf of a party to a PSC proceeding; or
- appear before PSC on a matter within PSC's jurisdiction.

Until at least one year has passed after leaving service with PSC as a commissioner, an individual may not receive financial benefit that is not otherwise generally available to the public as a customer of a public service company from:

- a public service company that is subject to PSC's jurisdiction; or
- a person that directly or indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with a public service company that is subject to PSC's jurisdiction.

PSC must hire personal staff members for each commissioner as required to provide advice, draft proposed orders and rulings, and perform other personal staff functions. The number of staff is not specified.

PSC and OPC Assessment Limit Increased

The Bill: The total amount that may be charged to a public service company for a State fiscal year, as a percentage of the company's gross operating revenues derived from intrastate utility and electricity supplier operations in the preceding calendar year, is increased from 0.17% to 0.2% for PSC and from 0.05% to 0.055% for OPC. The assessment covers the costs and expenses of PSC and OPC.

Required In-person Inspections of Electric or Gas Meters

The Bill: At the request of the consumer, a representative of PSC (1) must actively participate in performing the test of the consumer's meter and (2) may not rely on testing conducted by personnel of the electric company or gas company. The provisions of the bill and related current law may not require a consumer to provide access by a representative of PSC to the consumer's private property. Separately, the bill authorizes PSC and its personnel and contractors to have access to equipment on the customer's premises to investigate a customer complaint.

Current Law: By written request, a consumer may compel PSC to inspect and test the consumer's electric meter or gas meter. The consumer is entitled to be present for the test.

To inspect the plant (*i.e.*, the infrastructure/equipment) of a public service company, PSC may (1) have access to the plant; (2) set up and use equipment in the plant as needed; and (3) occupy space in the plant as PSC considers reasonably necessary to inspect or test.

Customer Service

The Bill: To enhance customer service and outreach activities, PSC must conduct at least two customer service meetings each year in different regions of the State, either in conjunction with or separate from regular PSC business meetings.

PSC must also participate in the State Customer Service and Business Development Efforts Training Program, which is administered by the Office of the Business Ombudsman within the Governor's Office. As part of the program, as is required of other participating agencies, PSC must:

- create a customer service improvement plan;
- review and incorporate the State customer service standards in its customer service improvement plan;
- develop and conduct customer service training for each employee who interacts with businesses and members of the public on a regular basis;
- adopt and distribute a standard customer service satisfaction survey for each person PSC serves;
- establish an incentive or recognition program for employees who provide excellent customer service; and
- report each year on the training provided to employees, the responses received from customer service satisfaction surveys, the progress of its customer service, and its measurable goals for continuing to improve customer service for the upcoming year.

The report is subject to review by the Office of the Business Ombudsman.

Current Law: PSC is not required to participate in the State Customer Service and Business Development Efforts Training Program. PSC must meet at the times and places in the State as it considers necessary.

Division of Customer Complaints and Affairs Established as Successor to the Office of External Relations – Legislative Intent of 20 Positions

The Bill: The Division of Customer Complaints and Affairs is established in PSC as the successor of the former Office of External Relations in PSC. The continuity of the office is retained in the division, and all personnel, regulations, policies, transactions, assets, liabilities, obligations, and actions of the office are continued in the division without any change in substance. The division may participate separately or with other PSC staff in proceedings before the commission. The division must:

- investigate complaints from consumers concerning gas, electric, telephone, and water service;
- mediate disputes between consumers and utility companies based on applicable laws, regulations, and tariffs; and
- provide educational information about the commission and its decisions, utilities, and suppliers to consumers and consumer groups, trade organizations, financial institutions, elected officials, and the public.

The bill specifies that it is the intent of the General Assembly that PSC allocate at least 20 full-time equivalent positions to the division and fill those positions by July 1, 2017.

Current Law: The Office of External Relations is not established in statute. The State budget must provide sufficient money for PSC to hire, develop, and organize a staff to perform the functions of PSC. As PSC considers necessary, it must hire experts, including economists, cost of capital experts, rate design experts, accountants, engineers, transportation specialists, and lawyers. PSC must also hire public utility law judges and may retain additional experts on a case-by-case basis.

Review of PSC by DLS

The Bill: DLS must review the structure, responsibilities, and functions of PSC. The purposes of the review are to:

- evaluate the activities PSC to determine whether the activities are necessary for and responsive to the public interest;
- identify areas that may no longer be appropriate for governmental activity or that require increased governmental activity and regulation; and
- develop recommendations to (1) align the activities of PSC with the current and anticipated needs of the State, the entities regulated by PSC, and the citizens of the State and (2) curtail or eliminate activities that have become obsolete.

In conducting the review, DLS may consult with interested parties and may convene advisory working groups of persons with experience and expertise in the regulation of public utilities and related services.

PSC, OPC, and all other units of State government must cooperate with DLS in furtherance of the review. By December 31, 2018, DLS must report the results of the review, including any recommendations and proposed legislative and regulatory changes, to the General Assembly.

Bill Applies Prospectively, Has No Effect on Existing Obligations or Contract Rights

The bill must be construed to apply only prospectively and may not be applied or interpreted to have any effect on or application to the term, party affiliation, or residence of any commissioner in office before the effective date of the bill. Further, a presently existing obligation or contract right may not be impaired in any way by the bill.

Background: 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.

PSC's Office of External Relations investigates and responds to consumer complaints relating to gas, electric, water, and telephone services. Office staff work proactively to provide the public with timely and useful utility related information based on the feedback received from consumers. Office investigators act as mediators in order to resolve disputes between consumers and utility companies based on applicable laws and tariffs. Office staff also meet regularly with the utilities to ensure that all parties are responding appropriately to customer concerns.

Overall, the office received 33,949 telephone calls in 2014. The office investigated 5,258 consumer complaints, a slight decrease from 2013 (5,278). Of those complaints, 4,809 involved gas and electric issues, 330 involved telecommunication issues, 48 involved water companies, and 71 involved other issues. The office also received 8,287 requests for payment plans or extensions and fulfilled 1,194 requests for information.

State Fiscal Effect: The bill requires that each commissioner be assigned two staff and expresses the legislative intent that PSC allocate at least 20 full-time equivalent positions to the Division of Customer Complaints and Affairs (the successor to the Office of External Relations). The commissioners do not currently have full-time, individually dedicated, advisory staff; they each have one administrative staff and share advisory staff. The Office of External Relations has 13 full-time budgeted positions.

Assuming the intent of the bill is that each commissioner be assigned two new policy advisors and that sufficient staff are hired to conform to legislative intent for staffing levels within the Division of Customer Complaints and affairs, PSC special fund expenditures increase by $1.6 million in fiscal 2017, which accounts for the bill's October 1, 2016 effective date. This estimate reflects the cost of hiring 10 commissioner advisers and

7 administrative staff to meet the staffing requirements established under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, including additional rent.

Positions	17
Salaries and Fringe Benefits	$1,495,177
Other Operating Expenses	117,489
Total FY 2017 PSC Expenditures	**$1,612,666**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies. PSC advises that the maximum assessment increase – from 0.17% to 0.2% – allows sufficient revenue recovery to fund the new positions. This estimate does not include any costs associated with PSC's participation in the State Customer Service and Business Development Efforts Training Program or other minor operational impacts associated with the bill, which are likely minimal and absorbable within existing budgeted resources.

General fund expenditures for DLS increase by $25,000 beginning as early as fiscal 2017 for contractual services necessary to complete the required study and report. The expenditures may be spread over fiscal 2017 through 2019. DLS advises that the study requires the effort of one full-time equivalent position for approximately 1.5 years, which can be met with existing resources.

OPC revenues and expenditures are not directly affected – although the amount that may be assessed by PSC on behalf of OPC in the future is increased.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Department of Commerce, Department of Legislative Services

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