Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 102 (Delegate D.E. Davis)
Economic Matters Finance

Public Service Commission - Public Utility Regulation Fund - Cap

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This bill increases the maximum amount that the Public Service Commission (PSC) may assess each public service company to fund its operations each year. Specifically, the amount is increased, from 0.17% to 0.25%, of each company's gross operating revenues derived from intrastate utility and electricity supplier operations in the preceding calendar year. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: Increasing the percentage of public service company revenues that PSC may assess each year does not directly affect special fund revenues or expenditures, as discussed below.

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

Small Business Effect: Minimal.

Analysis

Current Law: The costs and expenses of PSC and the Office of People's Counsel (OPC) must be borne by the public service companies that are subject to PSC's jurisdiction. The costs and expenses for each upcoming fiscal year, as estimated by the PSC chair, are assessed each May and due the following fiscal year. Estimates are subject to mid-year revision and final costs for each fiscal year are accounted for in the following fiscal year, subject to specified requirements for revised billing.

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 may not exceed 0.17% for PSC. PSC is also authorized to assess up to 0.05% for the expenses of OPC. Assessed amounts accrue to the Public Utility Regulation Fund.

Background: PSC regulates gas, electric, telephone, water, sewage disposal, and certain passenger transportation companies doing business in Maryland. 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 adopts and enforces rules and regulations.

Revenue Caps in Other Jurisdictions

According to research conducted by PSC, Maryland is 1 of 28 states with a cap on revenues that a public utility commission can collect through assessment. Of those states, 21 have a higher cap than Maryland, with an average cap of 0.33% of public service company revenues. The remaining 22 states have no cap on assessments, except for the budget process that sets each commission's spending.

Assessment Revenues Have Decreased while PSC Responsibilities Have Increased

As shown in **Exhibit 1**, the maximum amount that PSC is able to assess public service companies has decreased over time. As the 0.17% limit has not been changed in more than four decades, this is entirely the result of declining public service company revenues. PSC advises that a majority of assessable revenues are from electric and gas companies, whose revenues are down due to energy efficiency programs, lower gas prices, and slow population growth. Regulated telephone company revenues are also down due to lower demand. Coincident with declining available revenues, PSC has undertaken a number of additional responsibilities, including offshore wind procurements, ongoing gas infrastructure surcharge cases, solar siting requests, pilot programs, and various studies, working groups, and technical conferences.

PSC's budget as approved by the General Assembly exceeded assessable revenues each year from fiscal 2016 through 2019 – although actual spending has been lower than both. A review of the differences between budgeted amounts and actual spending suggests that a significant portion can be attributed to PSC spending less than budgeted on consultant services. Fiscal 2020 amounts are not yet final – PSC is seeking a budget amendment of $2.3 million to supplement its $19.6 million budget due to recently passed legislation – but the overall trend is likely to continue.

Exhibit 1
Public Utility Regulation Fund Assessable Revenues, Appropriations, and Spending
Fiscal 2011-2019
($ Millions)

Fiscal Year	Maximum Assessable Revenue	Budget Appropriation	Difference	Actual Spending	Difference
2011	$20.1	$17.0	$3.1	$16.2	$3.9
2012	$20.1	$17.7	$2.4	$17.7	$2.4
2013	$18.9	$15.8	$3.1	$15.1	$3.8
2014	$16.7	$16.8	-$0.1	$15.9	$0.8
2015	$17.9	$16.4	$1.5	$17.1	$0.8
2016	$18.7	$18.9	-$0.2	$16.4	$2.3
2017	$19.1	$19.3	-$0.2	$17.2	$1.9
2018	$18.5	$18.9	-$0.4	$17.6	$0.9
2019	$17.8	$19.1	-$1.3	$16.9	$0.9

Source: Public Service Commission (Revenues); Department of Legislative Services (Actual Spending)

State Fiscal Effect: Increasing the percentage of public service company revenues that PSC may assess each year does not directly affect special fund revenues or expenditures. However, it does increase the likelihood that the assessment can collect a sufficient amount of revenues to fund PSC's budget if public utility revenues continue to decline.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 21, 2020
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