SB 618

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 618 (Senators Pipkin and Astle)
Finance

Public Service Companies - General Utility Commission and Public Energy Commission

---

This bill restructures regulatory duties of the Public Service Commission (PSC) through the creation of two new agencies, the Public Energy Commission (PEC) and the General Utility Commission (GUC). PEC will be responsible for regulation of electric, gas, and liquefied natural gas industries and GUC will be responsible for all other duties currently handled by PSC. The existing PSC would be abolished.

Fiscal Summary

State Effect: Special fund expenditures would increase by $2.2 million in FY 2008 for increased personnel and facilities expenses. Out-years include annualization and inflation. Special fund expenditures for PSC are reimbursed by assessments on public service companies.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	$2,218,900	$2,640,200	$2,767,200	$2,901,300	$3,043,000
SF Expenditure	2,218,900	2,640,200	2,767,200	2,901,300	3,043,000
Net Effect	$0	$0	$0	$0	$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: By October 1, 2007, GUC, PEC, and the Department of Budget and Management must develop and implement a plan for the reconstruction and transfer of the personnel and technical staff for the functions taken over by PEC and for the reconstruction of PSC as GUC and PEC.

The Public Energy Commission (PEC) will have exclusive jurisdiction over electricity, gas, the regulation of liquefied natural gas facilities and hazardous liquid pipeline facilities. PEC will have all of the membership, terms, and duties previously granted to PSC within areas it is granted exclusive jurisdiction. All provisions for staffing granted to PSC are granted to PEC. With advice and consent of the Senate, the Governor will appoint five commissioners, one of them being chosen as chairman by July 1, 2007.

The *General Utility Commission* (GUC) is created from the existing PSC. GUC will have jurisdiction over any class of public service companies other than electric companies, electricity suppliers, gas companies, and liquefied natural gas companies, or any combination of those companies. GUC will have all of the membership, terms, and duties previously granted to PSC within areas it is granted exclusive jurisdiction.

PEC and GUC may act jointly for some duties. The commissions acting jointly may grant, amend, or revoke the certification of a person operating a one-call system (a communications network that allows for a one-number utility protection system). Commissions may also act jointly in resolving a disagreement with a political subdivision and a service provider.

Personnel, records, files, furniture, fixtures, and other properties and all appropriations, credits, assets, liabilities, and obligations of PSC are continued as the personnel, records, files, furniture, fixtures, properties, appropriations, credits, assets, liabilities, and obligations of GUC and PEC.

The bill takes effect July 1, 2007 with some exceptions. Provisions requiring implementation plans for the reconstruction of PSC and the transfer of personnel and duties are effective June 1, 2007. Also, provisions for appointing commissioners to the newly created PEC are effective June 1, 2007.

Current Law: PSC, established in 1910, is an independent unit in the executive branch. The commission regulates public service companies and is charged with ensuring an adequate and reliable supply of utility services at just and reasonable rates. Public service companies include electric companies and suppliers, gas companies and suppliers, combination gas and electric companies, telecommunications companies, water and sewage disposal companies, common carriers (passenger-for-hire motor vehicle companies, for-hire railroad companies, taxicab permits that are held by taxicab companies, passenger-for-hire water companies, and toll bridge companies), and liquefied gas facilities. **Exhibit 1** shows the public service entities regulated by the commission in calendar 2006.

Exhibit 1
Public Service Entities Regulated by the PSC
Calendar 2006

Electric Companies	12
Gas Companies	7
Combined Gas and Electric Companies	2
Electric Suppliers	57
Gas Suppliers	33
Telecommunications Companies	404
Water Companies	20
Water and Sewage Disposal Companies	3
Railroad Companies	6
Passenger-for-hire Motor Vehicle Companies	1,181
Passenger-for-hire Water Companies	13
Toll Bridge Companies	1
Taxicab Permits	1,481

Source: Public Service Commission

Background: Five major work units carry out the commission's administrative and regulatory duties.

Office of General Council – provides legal advice, represents the commission in external administrative proceedings, and defends commission orders in State and federal courts. The office plays an active role in the commission's regulatory enforcement activities, serves as the commission's legislative liaison, responds to requests for information, and reviews legal issues such as those involving the Environmental Trust Fund and the implementation of the federal Telecommunications Act of 1996.

Hearing Examiner Division – conducts formal proceedings in matters referred by the commission and files proposed orders on behalf of the commission. Division proceedings involve 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; matters relating to bus, trucking, passenger common carrier, water, and sewage disposal companies; plant equipment and depreciation; and consumer complaints not resolved at the administrative level.

Administrative Division – consists of five sections: management information systems; fiscal and budget; personnel; purchasing, procurement, and administrative services; and document management. The division establishes the commission's docket, maintains official records, and carries out the commission's directives regarding the assignment and completion of duties within the commission. Within the division, the Office of the Executive Secretary is responsible for the commission's case management, order preparation, regulations, tariff maintenance, and affirmative action planning. The executive secretary is also a member of a team of policy advisors to the commission.

Office of External Relations – investigates and responds to consumer inquiries and complaints relating to gas, electric, and telephone services. The office also provides timely information about the commission's decisions and actions regarding utility regulation to consumer groups, the general public, and the media.

Technical Staff – coordinates the analysis of utility filings and operations and the presentation of testimony in formal and informal proceedings. The office provides expertise on accounting and financial issues; manages the statewide utility meter accuracy quality control program; assures electric utility compliance with national reliability and safety standards; ensuring hazardous liquid and gas pipeline safety; and conducts economic, financial, and policy analyses relevant to utility regulation. The office oversees the seven divisions of the commission's technical staff: Accounting investigations, engineering, integrated resource planning, rate research and economics, staff counsel, telecommunications, and transportation.

State Fiscal Effect: PSC has 144 authorized positions and $12.9 million in operating funding in the proposed fiscal 2008 State budget. Pursuant to this legislation, the newly created PEC and GUC will replace the existing PSC and will fulfill all of the duties currently carried out by PSC.

The new PEC will be comprised of approximately two-thirds of the current PSC employees, while the new GUC will be comprised of the remaining employees plus an additional 32 employees. The new personnel includes five new commissioners and additional management, technical, and administrative staff. The two new agencies will be located at separate facilities, since the current office does not have enough space to accommodate the new employees.

Special fund expenditures could increase by an estimated $2.2 million in fiscal 2008, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring 32 employees to create the two new agencies. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$1,780,984
Moving and Renovation Expenses	80,000
Operating Expenses	357,915
Total FY 2008 State Expenditures	**$2,218,899**

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), Public Service Commission, Maryland Department of Transportation, Office of People's Counsel, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2007
ncs/hlb

Analysis by: Erik P. Timme

Direct Inquiries to:
(410) 946-5510
(301) 970-5510