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PUBLIC SERVICE COMMISSION

January 23, 2019

Chair Dereck E. Davis
Vice Chair Kathleen Dumais
Economic Matters Committee
House Office Building, Room 231
Annapolis, MD 21401

RE: SUPPORT – House Bill 102 – Public Service Commission – Public Utility Regulation Fund – Cap


Dear Chairman Davis, Vice Chair Dumais and Committee Members:

The Maryland Public Service Commission's operating budget is funded through special funds. These funds are generated by an annual assessment on all public service companies that are regulated in Maryland. The total amount assessed is based on a statutorily capped percentage of the companies' reported intrastate operating revenues. HB 102 increases the cap on this assessment percentage from 0.17% to 0.25%. This increase is necessary to ensure that the Commission is able to collect sufficient revenues to fund the agency's budget as approved by the Maryland General Assembly.

This legislation is necessary due to stagnant and/or falling revenue levels as reported by the regulated companies. Specifically, Maryland has been experiencing a drop in electricity and natural gas regulated revenues partly resulting from successful programs including EmPOWER MD and solar photovoltaic applications/net metering. In addition, regulated intrastate telecommunications revenues have dropped due to a significant reduction in regulated landline telephones.

The Maryland General Assembly last increased this statutory cap in 1977. Raising the ceiling on the assessment factor does not necessarily increase the Commission's revenues. However, this legislation will enable the Commission to adequately assess the public service companies during the fiscal year to secure the necessary funds for the Commission's operating budget as appropriated by the Legislature. Additional supporting information can be found in the attached fact sheet.

I respectfully request a favorable vote on HB 102. Please contact Director of Legislative Affairs Lisa Smith at 410-336-6288 with any questions.

Sincerely,

Jason M. Stanek
Chairman

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Maryland Public Service Commission Statutory Revenue Cap

Proposal: Increase PSC assessment factor to a maximum of .25% to accommodate the agency's existing budget and falling public service company revenues

Current Law: Maryland Public Utilities Article

- The PSC may assess up to .17% of a public service company's gross intrastate operating revenues in the preceding calendar year.¹ **The General Assembly last increased this statutory cap in 1977.**
- The Public Utility Regulation Fund consists of all revenue received through the collection of assessments and fees.² The purpose of the Fund is to pay expenses the PSC incurs, as authorized in the PSC's budget.

Decreasing Utility Revenues Have Resulted in Budget Shortfalls

- Utility revenues declined by over 14% in ten years, decreasing total assessments the PSC may collect. This has resulted in budget shortfalls for the past five consecutive years.
- The PSC's most recent Ten-Year Plan shows that energy sales will continue to decline over the next decade.

Table 1 MD PSC Public Utility Regulation Fund

Appropriation Year	Revenues (a)	Public Utility Regulation Fund Cap (b)	Max Collectable Under Current Cap (c) <i>c = a*b</i>	PSC Appropriation (Budget) (d)	Difference b/w Cap and Budget (e) <i>e = c-d</i>
2010	\$12,391,084,790	0.0017	\$21,064,844	\$14,746,586	\$6,318,258 (42.85%)
2011	\$11,845,068,933	0.0017	\$20,136,617	\$17,023,689	\$3,112,928 (18.29%)
2012	\$11,802,247,133	0.0017	\$20,063,820	\$17,747,775	\$2,316,045 (13.05%)
2013	\$11,092,515,945	0.0017	\$18,857,277	\$15,813,430	\$3,043,847 (19.25%)
2014	\$9,843,448,660	0.0017	\$16,733,863	\$16,754,772	-\$20,909 (-0.12%)
2015	\$10,504,814,978	0.0017	\$17,858,185	\$16,387,553	\$1,470,632 (8.97%)
2016	\$11,004,533,186	0.0017	\$18,707,706	\$18,924,746	-\$217,040 (-1.15%)
2017	\$11,222,487,631	0.0017	\$19,086,729	\$19,333,566	-\$246,837 (-1.28%)
2018	\$10,871,109,767	0.0017	\$18,480,887	\$18,921,895	-\$441,008 (-2.33%)
2019	\$10,494,168,487	0.0017	\$17,840,086	\$19,147,345	-\$1,307,259 (-6.83%)
2020	\$10,628,793,550	0.0017	\$18,068,949	\$19,567,021 ³	-\$1,498,072 (-7.66%)

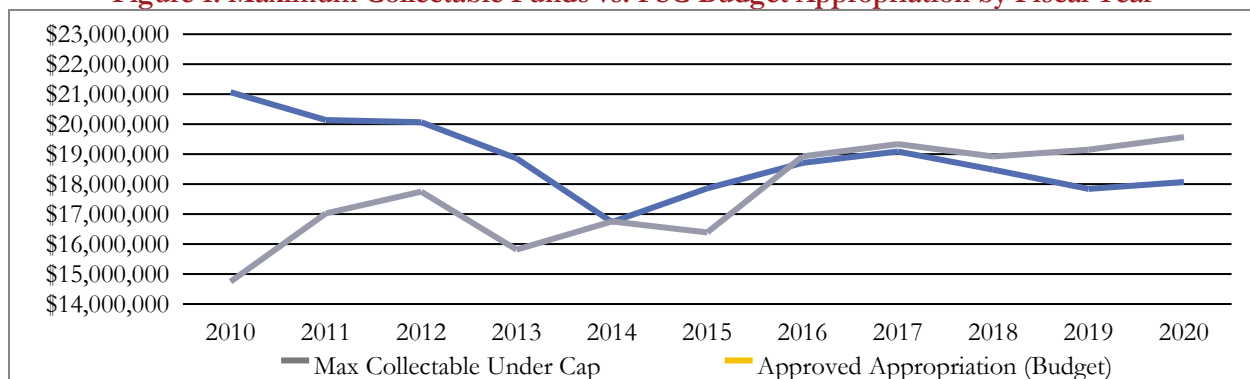
- Electric and gas company revenues make up the majority of assessments. Due to energy efficiency programs such as EmPOWER, lower gas prices, and slow population growth, these revenues are down. Regulated telephone company revenues are also down due to lower demand.
- The PSC workload has increased. Examples include transportation network company regulation, efficiency programs, grid modernization, energy storage, and the Clean Energy Jobs Act.

¹ MD Public Utilities Article, § 2-110(c)(12). For purposes of the assessment, public service companies include electric and gas suppliers, in addition to common carrier companies, electric companies, gas companies, sewage disposal companies, telegraph companies, telephone companies and water companies.

² MD Public Utilities Article, § 2-110.1.

³ The PSC is requesting a budget amendment of \$2.3M for FY20 resulting from the Clean Energy Jobs Act.

Figure 1. Maximum Collectable Funds vs. PSC Budget Appropriation by Fiscal Year



Revenue Caps in Other Jurisdictions

- MD is one of 28 states with a cap on total revenues a public utility commission can collect.
- Of those states, 21 (including neighboring DE, PA and WV) have higher caps than MD. The average revenue cap is 0.33%.
- There are 22 jurisdictions with no cap on assessments other than the budget (including neighboring VA and D.C).

Table 2. Revenue Caps by State

State	Revenue Cap
New York	1.00%
Alaska	0.70%
New Mexico	0.51%
Florida, Louisiana, Vermont, West Virginia	0.50%
Arkansas	0.40%
Nevada	0.35%
Delaware, Idaho, Oregon, Pennsylvania, Utah, Washington	0.30%
Alabama	0.285%
Arizona, Colorado, Hawaii, New Jersey	0.25%
Massachusetts	0.20%
Maryland, Texas	0.17%
Mississippi	0.16%
Indiana, South Dakota	0.15%
North Carolina	0.13%
Illinois	0.10%

Utility Sales and Revenues in Other Jurisdictions

- Sales and revenues are declining in regulated industries across the U.S.
- The majority of states experienced a drop in electricity and residential natural gas sales between 2010 and 2017.
- U.S. households with landline phones declined by 37% between 2010 and 2017.