



Maryland Energy Administration

TO: Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee
FROM: MEA
SUBJECT: HB 518 - Public Service Commission - Performance-Based Regulation - Study
DATE: February 8, 2024

MEA Position: Letter of Information

This bill would require the Maryland Public Service Commission (PSC) to study the feasibility of and develop a framework for transitioning to performance-based utility regulation.

In general, MEA supports the use of performance-based utility regulation to the extent that it can increase transparency of utility operations, support state policy goals, and ultimately lower ratepayer costs. Utility ratemaking is an important area of inquiry. A new legislative requirement, however, is likely not necessary at this time since the PSC is currently reviewing its approach to alternative ratemaking –including performance-based regulation– in several dockets. MEA, along with several other State and non-State stakeholders, are active in those dockets.

In 2019, after a technical conference (PC 51) and workgroup process into alternative rate-making, the PSC decided to allow Maryland's regulated utilities to use a combination of multi-year rate cases with a type of performance-based regulation called performance incentive mechanisms. (Order 89638, Case No. 9618). Among the proposals considered was performance-based utility regulation, standing alone or combined with other alternative approaches.

In 2023, MEA supported the use of performance incentive mechanisms in the most recent multi-year rate cases filed by the Baltimore Gas and Electric Company (BGE), Case No. 9692, and Potomac Electric Power Company (Pepco), Case No. 9701. In both cases, MEA and other parties supported the concept of performance-incentive mechanisms, though not the particular mechanisms proposed by the utilities. In December, 2023, the PSC rejected BGE's proposed performance incentive mechanisms and stated that the topic of performance-based regulation will be further addressed in the upcoming Lessons Learned docket before the PSC. *See* Errata to Order No. 90948. Case No. 9692 (ML 307006), p. 210.

MEA thanks the Committee for considering this testimony. For additional information, please contact Joyce Lombardi, Energy Policy Manager, at joyce.lombardi1@maryland.gov.