

FREDERICK H. HOOVER, JR.
CHAIR

MICHAEL T. RICHARD
ANTHONY J. O'DONNELL
KUMAR P. BARVE
BONNIE A. SUCHMAN



PUBLIC SERVICE COMMISSION

February 6, 2024

Chair C.T. Wilson
House Economic Matters Committee
231 House Office Building
Annapolis, MD 21401

RE: HB 518 – Information - Public Service Commission – Performance Based Regulation - Study

Dear Chair Wilson and Committee Members:

The proposed legislation requires the Public Service Commission (“Commission”) to study the feasibility of and to develop a framework for transitioning to performance-based utility regulation in Maryland. Performance-based regulation is a financial tool that the Commission believes it already has the authority to exercise, if necessary, in its oversight of public utilities.

The Commission has previously conducted a stakeholder process and issued orders to establish a structure by which utilities can pursue performance incentive mechanisms (“PIM”) (also known as performance-based regulation). The Commission issued Order No. 89638 on September 29, 2020, that established the parameters for a utility to propose a PIM within a rate case. To date, the Commission has not approved any PIM proposals included in rate cases but continues to encourage utilities to put forth possible programs. Currently, there is a PIM proposal within the Commission’s energy efficiency program, EmPOWER, and the Commission has delegated this PIM to a work group for further development.

The areas of study prescribed in HB 518 have been contemplated during the course of various Commission proceedings. If the sponsors believe additional study is warranted after reviewing the Commission’s previous and current efforts related to PIMs, the Commission requests an opportunity to collaborate with the sponsors to amend the proposed legislation to develop study goals that align with the Commission’s work to date.

Sincerely,

Frederick H. Hoover, Chair
Maryland Public Service Commission