STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

Chair Marc Korman
Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, MD 21401

RE: **HB 1164 - Information – Water Companies, Sewage Disposal Companies, and Water and Sewage Disposal Companies - Rate Consolidation and Limited-Income Mechanisms**

Dear Chair Korman and Committee Members:

The Public Service Commission (the "Commission") appreciates the opportunity to provide this informational testimony for HB 1164. This bill would require the Commission to approve any rate consolidation application between two or more water or sewage disposal systems, which would allow those systems to aggregate their revenues and costs for the purpose of establishing rates. The bill would also allow water and sewage companies to propose a limited-income mechanism. The purpose of this testimony is to provide the Committee with information about the Commission's current processes related to these applications.[1]

With respect to rate consolidations, under current Public Utilities Article § 4-307, the Commission may approve a rate consolidation request between two water or sewage disposal systems if those systems have common ownership and if, after holding a public comment hearing and an evidentiary hearing, the Commission finds the rate consolidation request is in the public interest. The Commission's assessment of the public interest necessarily occurs within the context of the specific rate case at bar and factors in many considerations, including whether the additional burden of subsidized costs on some ratepayers is just and reasonable given the overall revenue requirement, and whether consolidating costs across particular systems would allow customers to benefit from economies of scale. The current statutory scheme gives the Commission the discretion to accept, reject, or modify a rate consolidation request.

With respect to low-income mechanisms, there are many customers of water companies that the Commission regulates that would benefit from having a limited income mechanism to lower their bills. The Commission notes that the current limited income mechanism design and process that was recently approved by the Commission for electric and gas companies may not be

[1] In order to ensure adherence to ethical standards of impartiality for cases that may be open before it, the Commission's ability to comment further may be limited.

WILLIAM DONALD SCHAEFER TOWER · 6 ST. PAUL STREET · BALTIMORE, MARYLAND 21202-6806

410-767-8000 · Toll Free: 1-800-492-0474 · FAX: 410-333-6495

MDRS: 1-800-735-2258 (TTY/Voice) · Website: www.psc.state.md.us

implementable by water utilities.[2] This mechanism relies on the relatively large size of the participating electric and gas utilities to alleviate the effects of bill cross-subsidization. Due to the smaller size of the water companies under its jurisdiction, the Commission would likely have to initiate a new proceeding to address a limited income mechanism that could be used by water companies.

Please contact Niki Wiggins, Director of Legislative Affairs, at irene.wiggins3@maryland.gov if you have any questions related to this informational testimony.

Sincerely,

Kumar P. Barve
Chair, Maryland Public Service Commission

[2] *Limited Income Mechanisms for Utility Customers,* Order No. 91290 on Limited income Mechanism, PSC Administrative Docket PC 59 (2026).

WILLIAM DONALD SCHAEFER TOWER · 6 ST. PAUL STREET · BALTIMORE, MARYLAND 21202-6806

410-767-8000 · Toll Free: 1-800-492-0474 · FAX: 410-333-6495

MDRS: 1-800-735-2258 (TTY/Voice) · Website: www.psc.state.md.us/psc/