STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

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Fiscal Year 2022 Operating Budget
Response to Department of Legislative Services Budget Analysis

House Appropriations Committee
Subcommittee on Transportation & Environment
Delegate Marc Korman
February 1, 2021

Senate Budget & Taxation Committee
Subcommittee on Public Safety, Transportation, & Environment
Senator Cory McCray
February 1, 2021

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Good afternoon.

The Public Service Commission ("PSC" or "Commission") thanks Ms. Zimmerman for the analysis that she prepared. As the subcommittees can see from the analysis, the PSC continues to be extremely busy addressing the filings by public service companies and other interested parties. The matters before the PSC during 2020 ranged from routine matters to more complex cases, such as alternative forms of ratemaking, including the Baltimore Gas and Electric Company's and the Potomac Electric Power Company's Multi-Year Rate Plan filings (Case Nos. 9645 and 9655), and cases regarding the investigation of certain energy suppliers' practices and/or customer complaints.

Like many other State agencies, the PSC continues to meet the challenges of an increasing work load and limited resources. The Commission is very proud of its track record of meeting those challenges as evidenced by its continued high performance in exceeding its Managing for Results goals. The PSC is recognized as a leader in applying regulatory oversight over new technologies/applications, including development of its two new retail electric and gas choice websites, as well as ensuring that the rates of Maryland utilities' customers remain just and reasonable.

In addition, the PSC continues to play a visible and active role in proceedings before the Federal Energy Regulatory Commission to ensure that the procedures of the regional grid operator, PJM Interconnection, are reasonable and just, and do not have an unintended consequence of increasing the price of electricity for our retail customers or reducing the reliability or capacity of electricity supply in Maryland.

Responses to specific comments identified in Ms. Zimmerman's budget analysis are addressed below:

<u>Personnel Data:</u>

1. Vacancy Levels.

PSC should comment on the reason for the continuing high level of vacancies and plans to address any issues that have led to the high level of vacancies.

Response:

As Ms. Zimmerman indicated in her analysis, as of December 31, 2020, the Commission had 17 vacant positions. Unfortunately, 6 of those 17 vacancies have occurred during the last quarter of 2020, accentuating a higher than normal vacancy level at this time. In addition, the current pandemic, mandatory teleworking, and hiring freeze instituted last year have also contributed to a slower than normal recruitment and hiring effort by the PSC. However, the Commission has been actively seeking hiring exception requests from the Department of Budget and Management for certain positions as vacancies arise and is currently in the process of either interviewing and/or completed the job posting for 4 of the 17 positions. The PSC anticipates filling those vacant positions no later than March 15, 2021. Furthermore the PSC has submitted additional hiring freeze exceptions and is preparing job postings for 5 additional positions.

As you are aware, the Public Service Commission is a specialized quasi-judicial entity, with several job classifications that are exclusive to the agency. The Commission employs a professional technical staff who are required to provide expertise in all aspects of utility regulation, including: rate design, cost allocation, equity and debt finance, market design, renewable programs, safety and reliability, cost efficiency analysis, low income program design, consumer protections, legal sufficiency and enforcement. These topics typically require multidisciplinary education and work experience. The topics and types of analysis are constantly changing with rapidly evolving industry developments and new regulatory requirements driven by state and federal legislative changes.

Our employees typically require utility operational experience and degrees in economics, engineering, finance, accounting, law and physical sciences at both the undergraduate and advanced graduate levels. In addition to subject matter expertise, these positions require proficiency in written analysis, verbal presentation and working group facilitation. Many of these employees provide written and oral testimony, under sworn oath, which not only imparts a recommended action but also critiques the positions taken by other parties employing highly experienced and frequently nationally recognized subject matter experts and consultants. This type of expertise is highly specialized and is difficult at times to find in applicants to satisfy the Commission's requirements, as certain skill sets are in high demand in the utility and consulting industries. After employees have achieved exposure to technical topics and gained regulatory experience, PSC employees are often recruited by utilities, consulting firms, the federal government, and other regulatory commissions.

The Commission prides itself in attracting and maintaining well-qualified candidates as it attempts to secure the personnel required to fulfill its statutory duties. The Commission always attempts first to provide an opportunity for advancement with existing personnel, if available. Otherwise, the Commission creates a job posting as soon as possible to seek outside candidates. Depending on the specific vacancy, the Commission uses a variety of outreach resources in addition to the traditional state job posting available on the Commission's and the Department of Budget and Management's websites. The recruitment process requires careful review of the applicant's writing and presentation skills, as well as excellent academic records and recommendations from references. For these reasons, the recruitment process can be lengthy and may require several postings to acquire a suitable pool of applicants. While at times it may take longer to fill a position than the Commission may like, it is critical from the Commission's perspective to obtain personnel with the necessary skills to provide Maryland rate payers with the best service and protection they deserve.

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Key Observations:

1. COVID-19 Impacts on Utilities and PSC Operations

PSC should comment on its ongoing monitoring of customer arrearages and payment plans as well as efforts by the agency to ensure that customers are not terminated from service as a result of the economic impacts of the pandemic.

Response:

The Commission agrees with the Report's assessment that arrearage balances per customer have increased during the pandemic. As a result of Public Conference 53, the Commission enacted several new customer protections including, most notably, a longer notice period prior to service disconnection and more lenient terms for customer payment plans. In addition, the Commission requires Utilities to report arrearage data, including: number of customers in arrears by age or arrearage, total dollars in arrears, notices of termination, customers entering payment plans, customers denied payment plans, failed payment plans, applications for energy assistance, and reconnections and disconnections. These monthly reports are compiled on the Commission's webpage for public viewing at https://www.psc.state.md.us/pc53-covid-19-utility-reports/.

The Commission's Consumer Affairs Division ("CAD") handles customer complaints, including those related to utility collection and account management practices. CAD mediates complaints between customers and the utility to determine whether all consumer protections have been fulfilled and to ensure safe and reliable service is provided. CAD routinely updates the Commission when complaint patterns suggest larger problems with utility or supplier business practices.

The Commission also monitors the availability of energy assistance funds through Case No. 8903 *In the Matter of the Electric Universal Service Program*. Through PC53 and 8903, the Commission is aware that energy assistance applications were down during FY2020. This is likely due to the moratorium on disconnections as well as the closing of OHEP's physical offices during much of 2020. This trend is likely to reverse as utility disconnection activities resume. As of November 2020, OHEP is monitoring its available funding to ensure adequate assistance is available. OHEP anticipates the following funds: Electric Universal Service Fund (up to $37M, with $9.3 M carryover), the Strategic Energy Investment Fund ($19.8M), the Maryland Energy Assistance Program and the Limited Income Home Energy Assistance Program ($78M with 10% carryover from FY2020) and Dominion Cove Point Settlement ($0.4M).

The Commission tracks the utility data, customer complaint trends and OHEP programs to ensure that utilities are complying with consumer protections and actively working towards keeping customers connected to essential services. While the Commission solicited bill payment assistance program proposals from electric and gas utilities under PC53, the proposals were not cost neutral for ratepayers and would have resulted in socialization of significant costs.

Operating Budget Recommended Actions:

1. Increase Turnover Expectancy to 6% to better reflect recent experience

Response:

The budget analyst recommends increasing the turnover expectancy of the Public Service Commission from 4% to 6% resulting in a recommended reduction of $290,993 in special funds from the Commission's FY22 allowance. As discussed earlier, the Commission recognizes the current higher than normal vacancy level for the reasons cited above. However, the PSC encourages the subcommittees to consider the following items as it decides an appropriate turnover expectancy for the Commission's FY22 Appropriation (effective July 1, 2021), a time when the COVID-19 pandemic hopefully will subside, and when the PSC and other state agencies will be able to return to regular operations at its offices in Baltimore:

a) The Commission's workload has steadily increased and, as a result, it is important that vacant positions are filled as quickly as possible to maintain the level of service that the PSC must provide to Maryland ratepayers and its citizens.

b) A 6% turnover expectancy rate effectively requires that the PSC maintain 9 vacant positions throughout the course of FY22. Given the Commission's workload, we believe this is not practical or realistic. As discussed earlier, the PSC is actively recruiting and anticipates only 8 vacant PINs on its payroll by April 15, 2021.

c) While the Commission recognizes the need for a turnover expectancy rate in any budget preparation, a more realistic assumption for the PSC is a 4-5% turnover expectancy based on anticipated requirements for the upcoming fiscal year.

d) Finally, the PSC's budget is primarily funded by special funds obtained through assessments to public service companies. Therefore, any reduction or increase in Commission's budget will have no impact on the State's general fund.

The Commission appreciates the opportunity to respond to the budget analysis and is happy to address any additional questions the subcommittees may have.

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