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PUBLIC SERVICE COMMISSION

**PUBLIC SERVICE COMMISSION
OF MARYLAND**

C90G00

**Fiscal Year 2023 Operating Budget
Response to Department of Legislative Services Budget Analysis**

**Senate Budget & Taxation Committee
Subcommittee on Public Safety, Transportation, & Environment
Senator Cory McCray
February 11, 2022**

**House Appropriations Committee
Subcommittee on Transportation & Environment
Delegate Marc Korman
February 14, 2022**

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Good afternoon.

The Public Service Commission (“PSC” or “Commission”) thanks Mr. Quist for the analysis that he 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. Some of the more significant matters before the PSC during 2021 included the awarding of additional Offshore Wind Renewable Energy Credits to two wind developers (Case No. 9666), distributing \$83 million in arrearage assistance to twenty utilities to assist needy customers (Public Conference 53), and investigating the practices of third-party retail energy suppliers.

Like many other State agencies, the PSC continues to meet the challenges of an increasing workload and limited resources. The Commission is very proud of its track record of meeting those challenges. The PSC embraces innovation and is recognized as a leader in supporting new technologies and applications, including the development and enhancement of its two new retail energy choice websites, in furtherance of its statutory mandate to ensure that the rates of Maryland utilities’ customers remain just and reasonable.

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

Responses to specific comments identified in Mr. Quist’s budget analysis are addressed below:

Operating Budget Summary – Fiscal 2022

- ***Infrastructure and Investment Jobs Act (IIJA)***

While the exact allocation of federal funds through most energy related-provisions of the IIJA to Maryland and details on their incorporation into the State budget are not yet known, it is anticipated that PSC may receive some funds directly and will play a role in determining the usage and allocation of those funds or additional funds received by utilities due to its regulatory authority over electric utilities in the State. Further details on allocation amounts and federal regulations on how IIJA funds can be spent will be available later in 2022. **PSC should comment on how it is preparing to use or oversee federal funds available to it or the utilities to support electric grid resiliency and reliability.**

PSC Response:

The PSC is monitoring the anticipated distribution of federal funds associated with the IJA. As Mr. Quist noted, details regarding the allocation of federal funds under the IJA are unknown at this time. If the PSC receives funds directly, the agency has a record of success securing and managing federal funding. This includes the distribution of \$83 million in federal funds to reduce utility arrearages across the state in June 2021, pursuant to the RELIEF Act.

Personnel Data

- ***Vacancy Levels***

For the fourth consecutive year, PSC is experiencing a high percentage of vacancies related to its budgeted turnover. As of December 31, 2021, PSC had 4 positions vacant for over one year. **PSC should comment on the reasons for these vacancies, the issues that have prevented the filling of these positions, and planned strategies to address the ongoing issue of vacancies.**

PSC Response:

As Mr. Quist indicated in his analysis, as of December 31, 2021, the Commission had 14 vacant positions, with four of those positions vacant for over one year. However, the Commission has been actively advertising, recruiting, and filling vacant positions as they occur at the agency. In fact, over the past 13 months, while the Commission had seven resignations, it filled 13 vacant positions with external candidates. Two of the four positions that Mr. Quist identified in his analysis were filled effective January 12, 2022. The two remaining positions are in the interview stage. As of February 8, 2022, the Commission has only nine vacant positions. All of those vacancies, except two, are currently in the applicant review/interviewing stage. The remaining two open positions are being reposted on the DBM and Commission employment websites to attract additional candidates due to either the job offer being declined, or no acceptable candidates applied for the position. As a result of the Commission's proactive recruiting actions this past year, the Commission anticipates that during the Spring of 2022, the Commission's vacancy rate will be at or near its expected turnover ratio.

As you are aware, the 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 type of analysis are constantly changing with rapidly evolving industry developments and new regulatory requirements driven by state and federal legislative changes.

PSC employees typically require utility operational experience and degrees in economics, engineering, finance, accounting 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 provides a recommended action but also critiques the positions taken by other parties employing highly experienced and nationally recognized subject matter experts and consultants. This type of expertise is highly specialized, and it is difficult at times to find 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 heavily 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 necessary personnel required to fulfill its statutory duties. 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 sometimes be lengthy and may require several postings to acquire a suitable pool of applicants. While it may take longer to fill a certain position than the Commission may like, especially during this challenging job market, it is critical from the Commission's perspective to obtain personnel with the necessary skills to provide Maryland ratepayers with the best service and protection they deserve.

Key Observations:

1. Distribution of the RELIEF Act Arrearage Assistance

In addition to the \$83 million in arrearage assistance provided through PSC in fiscal 2021, additional supplemental arrearage assistance, including increased benefit levels, has also been provided in fiscal 2021 and 2022 through DHS OHEP using federal stimulus funding. **PSC should comment on any additional actions it or the utilities have taken since summer 2021 to continue assisting in reducing arrearages to prepandemic levels as well as other efforts undertaken to work with DHS OHEP to assist low-income customers in reducing arrearages.**

PSC Response:

The Commission continues to have protections in place to assist individuals who are experiencing difficulty in paying their utility bills or arrearages. These protections include: (1) requiring electric and gas utilities to provide 45 days of written notice prior to any disconnection of service for non-payment; (2) offering all residential customers the right to enter into a 12-

month plan to pay arrearages, or a 24-month payment plan if the customer is certified as low-income by DHS OHEP; and (3) waiving the requirement of a down payment or security deposit as a condition to start new service or enter into a repayment plan. While the Commission does not administer or provide any direct arrearage payment assistance, the Commission's Consumer Affairs Division works with customers in need to apply for assistance with DHS OHEP or local social services offices to access a number of energy assistance programs funded by state and federal dollars (*e.g.*, MEAP, EUSP, USPP, LIHEAP). In addition, the Commission has tasked a workgroup with exploring the removal of the budget billing requirement for EUSP in an effort to increase the acceptance rate for that financial assistance. Finally, the utilities and other non-profit organizations (*e.g.*, Maryland Fuel Fund, Washington Area Fuel Fund) offer programs to assist low-income customers to reduce arrearages balances.

2. Utility and Energy Supplier Complaint Data

PSC should comment on the status of its efforts to implement the new CDMS, including an estimated date by which the new consumer complaint portal and data regarding complaints filed against utilities will be available on its website. The Department of Legislative Services (DLS) recommends the adoption of committee narrative requesting that PSC submit a report on the status of implementing the new CDMS or an updated summary of complaint data by type for calendar 2021 depending on the availability of this data on its website.

PSC Response:

Status of efforts to implement the new CDMS, including an estimated launch date:

The Commission's Consumer Affairs Division (CAD) has been meeting with its IT developer on this project multiple times per week since early 2022. When migrating data for CAD's open complaints from its legacy system to the new CDMS, CAD encountered some unexpected challenges, but worked with the developer to find solutions. As a result, the Commission remains on target to launch its new CDMS in early 2022. While we cannot provide an exact cutover date at this time, the Commission anticipates the new system to be online during the 1st Quarter of 2022.

Status of submitting an updated summary of complaint data by type for calendar year 2021 depending on the availability of this data on its website:

On December 3, 2021, the Commission submitted a report in response to the 2021 Joint Chairmen's Report to address the Commission's progress towards publishing complaint-related performance metrics for regulated utilities. This report included data regarding complaints received by CAD which were filed against gas and electric utility companies from January 1, 2021 - June 30, 2021. The Commission is in the process of migrating more recent data to its new CDMS. Until this data is fully migrated, data from July 1, 2021, and onward will require manual

processing and review to ensure accuracy. Review of data for 3rd Quarter of 2021 is nearly finished. The data will be added to the previously prepared report for the first two quarters of 2021 and posted to the Commission's website.

Operating Budget Recommended Actions:

I. Adopt the following narrative:

Availability of Reporting of Complaints Filed Against Utilities: The committees continue to be interested in tracking complaints filed against utilities as a point of comparison to the data on complaints filed against energy suppliers currently reported by the Public Service Commission (PSC) on its website. The committees request that PSC provide an update on its implementation of its new complaint data management system, including the status of the availability of reporting of complaints filed against utilities. If not currently available on its website at the time of this report, PSC should indicate when this data will become available and provide an updated summary of complaint data by complaint type for utilities, suppliers, and other regulated entities as of the end of calendar 2021 and year-to-date data for calendar 2022.

PSC Response:

The Commission will comply with Committees' request.

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