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PUBLIC SERVICE COMMISSION

Maryland Public Service Commission

C90G00

Fiscal Year 2026 Operating Budget Response to Department of Legislative Services Budget Analysis

Senate Budget & Taxation Committee
Subcommittee on Public Safety, Transportation, And Environment
Senator Michael A. Jackson
February 7, 2025

House Appropriations Committee
Subcommittee on Transportation & Environment
Delegate Courtney Watson
February 13, 2025

Good afternoon,

The Public Service Commission (Commission or PSC) thanks Ms. Bhujel for the analysis that she prepared. The Commission continues to address the numerous annual submissions and filings by public service companies and other interested parties. There was a high volume of rate cases during calendar year 2024 including requests filed by Easton Utilities Commission, Chesapeake Utilities, Sandpiper Energy, and Elkton Gas, Maryland Water Service, Southern Maryland Electric Cooperative, Hagerstown Light Department, Nine Southern Maryland Water Utilities, and Columbia Gas of Maryland along with the continuation of the rate case for Potomac Electric Power Company. Other matters before the PSC ranged from routine matters to more complex cases including distribution system planning, EMPOWER Maryland, rulemakings on several issues, future of natural gas, limited income mechanisms, offshore wind, co-location, and resource adequacy. Looking forward to 2025, the Commission will be reviewing the Piedmont certificate of public convenience and necessity application, electric vehicle proposals, and the energy storage program.

Like many other State agencies, the Commission continues to meet the challenges of an increasing workload with existing resources. The Commission is recognized as a national leader in applying regulatory oversight to emerging and important issues, including grid modernization¹ and energy efficiency², while ensuring that the rates of utility 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 (FERC) to ensure that wholesale electric and natural gas prices and terms and conditions of service are just and reasonable. On behalf of Maryland ratepayers, the PSC is actively engaged in FERC dockets that address wholesale electric prices, including PJM's³ capacity and energy markets, as well as resource adequacy issues, including the litigation of reliability-must run agreements between PJM and retiring generators that PJM deems essential to electric reliability. The PSC has also intervened in FERC dockets that address electric transmission pricing. In addition to advocacy directly before FERC, the PSC participates frequently in the stakeholder processes of the regional grid operator, PJM Interconnection, and meets regularly with other state public utility commissions through the Organization of PJM States (OPSI) to advance just and reasonable wholesale outcomes.

Responses to specific comments identified in the budget analysis are addressed below:

Personnel Data:

1. Vacancy Levels.

¹ <https://gridwise.org/gmi-readiness/>

² <https://database.aceee.org/state-scorecard-rank>

³ PJM Interconnection, LLC

PSC should comment on efforts to fill long-term vacancies and the status of recruitment for the new positions.

Response:

As Ms. Bhujel indicated in her analysis, as of December 31, 2024, the Commission had 33 vacant positions. Of the 33 positions, two have been filled. Most of the positions were posted for hiring before the end of 2024 and are in various stages of the interview process. The Commission has been working with its HR partners at the Department of Budget and Management (DBM) to continue to fill vacancies and try new recruitment techniques to fill vacancies that have been more difficult to fill.

The Commission has three main issues when it comes to vacancies: finding qualified applicants, satisfying salary requirements for qualified candidates, and retaining experienced employees. The Commission employs technical professionals who are required to provide expertise in all aspects of utility regulation.⁴ The Commission's employees typically require advanced degrees in economics, engineering, finance, accounting, law, and physical sciences. Employees also require proficiency in written analysis, verbal presentation, and stakeholder facilitation. Many 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. These skills and expertise are highly specialized, and it is difficult at times to find applicants to satisfy the Commission's requirements. 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 ideal, 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.

Often when the Commission identifies a candidate for a position and makes an offer, the candidate declines because the agency is unable to meet their salary requirements. While the Commission has some independent salary setting authority, there are still limitations based on the classification of the position being hired and the corresponding salary grade. For example, the Commission has lost several candidates for its Chief Engineer position over the last year for this reason. The maximum salary the Commission can offer a candidate currently is \$176,552. However, the average salary for an equivalent position elsewhere is well over \$200,000. Given the specific experience required for the position, the pool of potential candidates is also smaller than an average managerial engineering position. The Commission is working with DBM to re-grade certain PSC-specific classifications and to add additional professional classifications to try to address this issue.

⁴ Topics include but are not limited to rate design, cost allocation, equity and debt finance, market design, renewable programs, energy efficiency programs, grid modernization, cybersecurity, safety and reliability, cost efficiency analysis, low-income program design, consumer protections, legal sufficiency, and enforcement.

Finally, the Commission offers employees exposure to a variety of technical topics and valuable regulatory experience. Accordingly, the Commission can run into employee retention issues as Commission employees are often recruited by utilities, consulting firms, FERC, the Washington Suburban Sanitary Commission (WSSC), and other entities for their skills. The Commission always attempts to provide an opportunity for advancement with existing personnel, if available, and offers training and ongoing education opportunities for employees so they can continue their career development. It can be difficult for the Commission to compete with the benefits and salaries offered by competing entities for experienced employees. For example, the maximum salary a PSC Staff Attorney can make is \$136,003 before having to go into a management position. The same attorney could make a minimum of \$20,000 more at the WSSC, FERC, or DC Public Service Commission. As discussed above, the Commission is working with DBM to add additional attorney, engineer, economist, and auditor classifications to expand the career growth opportunities at the agency to retain employees for longer.

For the new positions, the Commission was able to begin hiring for these positions in October 2024. One has been filled, and the others have all been posted and are in various stages of the interview process. The Commission had a very busy fall and is trying to balance filling openings with its other duties. The Commission is confident that the new positions will be filled by the end of the current fiscal year.

Key Observations:

1. Utility Terminations Increase and Arrearages Remain Elevated

PSC should comment on when the new portal will be completed and data from the portal will be available for viewing. PSC should also comment on the changes in residential utility terminations and arrearages since May 2024. The Department of Legislative Services (DLS) recommends adopting committee narrative requesting PSC to report data on residential terminations and arrearages.

Response:

The agency is in the process of creating a new way to house the terminations and arrearage data and anticipates the process being completed before the end of the year. In the interim, the data through November 2024 is on the PSC website here:

<https://www.psc.state.md.us/pc53-covid-19-utility-reports/>

Below are several data trends from May 2024 through November 2024. It is important to note that the Commission issued Order No. 91239 on July 23, 2024 in Case No. 9745 responding to a petition by the Office of People's Counsel requesting that the Commission prohibit utilities from shutting off service to residential customers until September 15, 2024. Commission Order No. 91239 ultimately directed electric utilities to add 16 days to any service termination notice given to customers before termination of service for non-payment. As a result of this Order, there were very few electric utility termination notices sent and terminations conducted for August

2024. This reaction to the Commission Order ultimately led to an increase in utility termination notices sent and terminations conducted for the month of September. Additionally, this reaction resulted in an increase in total customer arrearages in August 2024 and September 2024, highlighting a general inverse relationship between termination notices (and terminations) and total customer arrearages.

- A. Arrearages increased from May 2024 through November 2024 across non-low-income customers and low-income customers specifically for customers in arrears for 0-30 days, 30-60 days, and 60+ days.
- B. The total number of customers sent a termination notice decreased for non-low-income and low-income customers during this time. As discussed above, this data shows that in August 2024 termination notices reached a very low level as a result of Commission Order No. 91239, however termination notices subsequently increased in September 2024 and then leveled by November 2024.
- C. The total number of terminations decreased for non-low-income and low-income customers during this period. As discussed above, this data shows that in August 2024 terminations reached a very low level as a result of Commission Order No. 91239, however terminations subsequently increased in September 2024 and then leveled by November 2024.

2. Complaint and Enforcement Against Third-party Energy Suppliers

PSC should comment on the length of time after each quarter ends before the reports are available to be published on PSC's website.

Response:

The Commission's Consumer Affairs Division (CAD) investigates and responds to customer complaints related to utilities and energy suppliers as well as other regulated entities. CAD complaint investigations result in an initial decision rendered per the dispute resolution process outlined in Code of Maryland Regulations (COMAR) 20.32.01.04. CAD specialists collect information from customers and the companies to make an independent determination of whether companies are in compliance with relevant Maryland law, regulation, and utility tariff terms. CAD routinely updates the Commission when complaint patterns suggest larger problems with utility or supplier business practices.

As the analysis noted, CAD began reporting on complaints filed against Maryland's electric and gas utility companies and posting the report to the Commission's website in FY2023.⁵ CAD understands the importance of providing accurate, high-quality data to the public. CAD has been trying to balance the high number of complaints received by the Division with its other responsibilities while understaffed. CAD has prioritized handling complaints and hiring new employees over other projects to ensure customers are receiving timely responses.

⁵ CAD has been reporting supplier complaints since FY2020.

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The Commission is working to provide additional resources for CAD including compiling the reports for the website.

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