

PUBLIC SERVICE COMMISSION OF MARYLAND

2011 ANNUAL REPORT

For the Calendar Year Ending December 31, 2011

Pursuant to Section 2-122 of the Public Utilities
Article, *Annotated Code of Maryland*



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I. MEMBERSHIP OF THE COMMISSION

The Public Service Commission (“PSC” or “Commission”) consists of the Chairman and four Commissioners, each appointed by the Governor with the advice and consent of the Senate. The term of the Chairman and each of the Commissioners is five years and those terms are staggered. All terms begin on July 1. As of the December 31, 2011, the following persons were members of the Commission:

	Term Expires
Douglas R. M. Nazarian, Chairman	June 30, 2013
Harold D. Williams, Commissioner	June 30, 2012
Lawrence Brenner, Commissioner	June 30, 2015
Kelly Speakes-Backman, Commissioner	June 30, 2014
W. Kevin Hughes, Commissioner	June 30, 2016

II. OVERVIEW OF THE COMMISSION

A. General Work of the Commission

In 1910, the Maryland General Assembly established the Commission to regulate public utilities and for-hire transportation companies doing business in Maryland. The categories of regulated public service companies and other regulated or licensed entities are listed below:

- ◆ electric utilities;
- ◆ gas utilities;
- ◆ combination gas and electric utilities;
- ◆ competitive electric suppliers;
- ◆ competitive gas suppliers;
- ◆ telecommunications companies;
- ◆ water, and water and sewerage (privately-owned) companies;
- ◆ bay pilots;
- ◆ docking masters;

- ◆ passenger motor vehicle carriers (e.g. buses, limousines, sedans);
- ◆ railroad companies;
- ◆ taxicabs operating in the City of Baltimore, Baltimore County, Cumberland, and Hagerstown;
- ◆ hazardous liquid pipelines; and
- ◆ other public service companies.

The jurisdiction and powers of the Commission are found in the Public Utilities Article, *Annotated Code of Maryland*. The Commission's jurisdiction, however, is limited to intrastate service. Interstate transportation is regulated in part by the U.S. Department of Transportation; interstate and wholesale activities of gas and electric utilities are regulated by the Federal Energy Regulatory Commission; and interstate telephone service, Voice over Internet Protocol and cable services are regulated by the Federal Communications Commission.

Under its statutory authority, the Commission has broad authority to supervise and regulate the activities of public service companies and for-hire carriers and drivers. It is empowered to hear and decide matters relating to, among others: (1) rate adjustments; (2) applications to exercise or abandon franchises; (3) applications to modify the type or scope of service; (4) approval of issuance of securities; (5) promulgation of new rules and regulations; (6) mergers or acquisitions of electric companies or gas companies; and (7) quality of utility and common carrier service. The Commission has the authority to issue Certificates of Public Convenience and Necessity to construct or modify a new generating plant or an electric company's application to construct or modify transmission lines designed to carry a voltage in excess of 69,000 volts. In addition, the Commission collects and maintains records and reports of public service companies, reviews plans for service, inspects equipment, audits financial

records, handles consumer complaints, issues passenger-for-hire permits and drivers' licenses, enforces its rules and regulations, defends its decisions on appeal to State courts, and intervenes in relevant cases before federal regulatory commissions and federal courts.

B. 2011 Accomplishments of the Commission

During the calendar year 2011, the Commission initiated 37 new administrative dockets, conducted approximately 90 en banc hearings (either legislative-style, evidentiary, or evening hearings for public comments as well as status conferences, discovery disputes, and prehearing conferences), held 15 rule making sessions, participated in 3 public conferences, and presided over 45 regularly-scheduled administrative meetings. Also, during the 90-day General Assembly Legislative Session for 2011, the Commission actively participated by submitting comments on bills affecting public service companies, participating in work groups convened by Senate or House committees or sub-committees, and testifying before various Senate or House committees or sub-committees. In addition, the Commission welcomed two new Commissioners on September 12, 2011, to return the Commission to a quorum of five Commissioners.

Section III of this Report highlights the major activities of the Commission during the calendar year 2011. One of the major issues facing the Commission during the calendar year related to the reliability of the electric distribution systems in the State. As noted in the Annual Report of 2010, an investigation was initiated into the reliability of the Potomac Electric Power Company's ("Pepco") distribution service and the quality of service it was providing its customers, due to the number of customer complaints received on the frequency and length of service interruptions – not necessarily associated with major storm events. The Commission found that Pepco had not complied with the

rules and regulations in effect, and Pepco was assessed a \$1 million civil penalty. A more comprehensive summary of the proceeding is found in Section III, Subsection D.

The concerns about Pepco's system's reliability led the Commission to initiate a rule making docket (RM43) to consider implementing more specific and stringent rules to improve service reliability of all the electric utilities in Maryland. After conducting four rule making sessions to consider the proposed regulations, on December 15, 2011, the Commission adopted for publication a comprehensive set of regulations designed to improve and maintain the reliability of the electric distribution systems across the State. A more detailed discussion of the rule making docket is found in Section III, Subsection Q.

The Commission also initiated a number of administrative dockets for enforcement purposes. It issued a show cause order to Verizon Maryland Inc. ("Verizon") because of concerns with the outages that had occurred on its 9-1-1 network, which resulted in individuals being unable to contact applicable Public Safety Answering Points ("PSAPs") to report emergency situations with potential life-threatening consequences. The Commission has not reached a decision in the Verizon matter, as the pleading cycle closed just prior to the end of the calendar year. Additionally, as part of its consumer protection responsibilities associated with customers' ability to choose competitive electric suppliers, the Commission issued show cause orders to two competitive suppliers that Staff alleged had engaged in fraudulent or misleading marketing practices, among other violations of the Commission regulations. One of the competitive suppliers was assessed a \$100,000 civil penalty based on a finding that it

incurred 19 violations of the consumer protection regulations, and an order in the other proceeding is expected in 2012.

Under the EmPOWER Maryland Act (“Act”), the utilities subject to the Act were required to submit updated and enhanced EmPOWER Maryland programs for the upcoming three-year period, 2012 – 2014, by September 1, 2011. Pursuant to the Act, the Commission was required to consider these filings and issue its decision on the programs by December 31, 2011. After conducting approximately 8 days of legislative-style hearing and receiving comments from over 19 parties (with certain parties participating in all the proceedings), the Commission issued Order No. 84569 on December 22, 2011. The Order is discussed more fully in Section III, Subsection A.

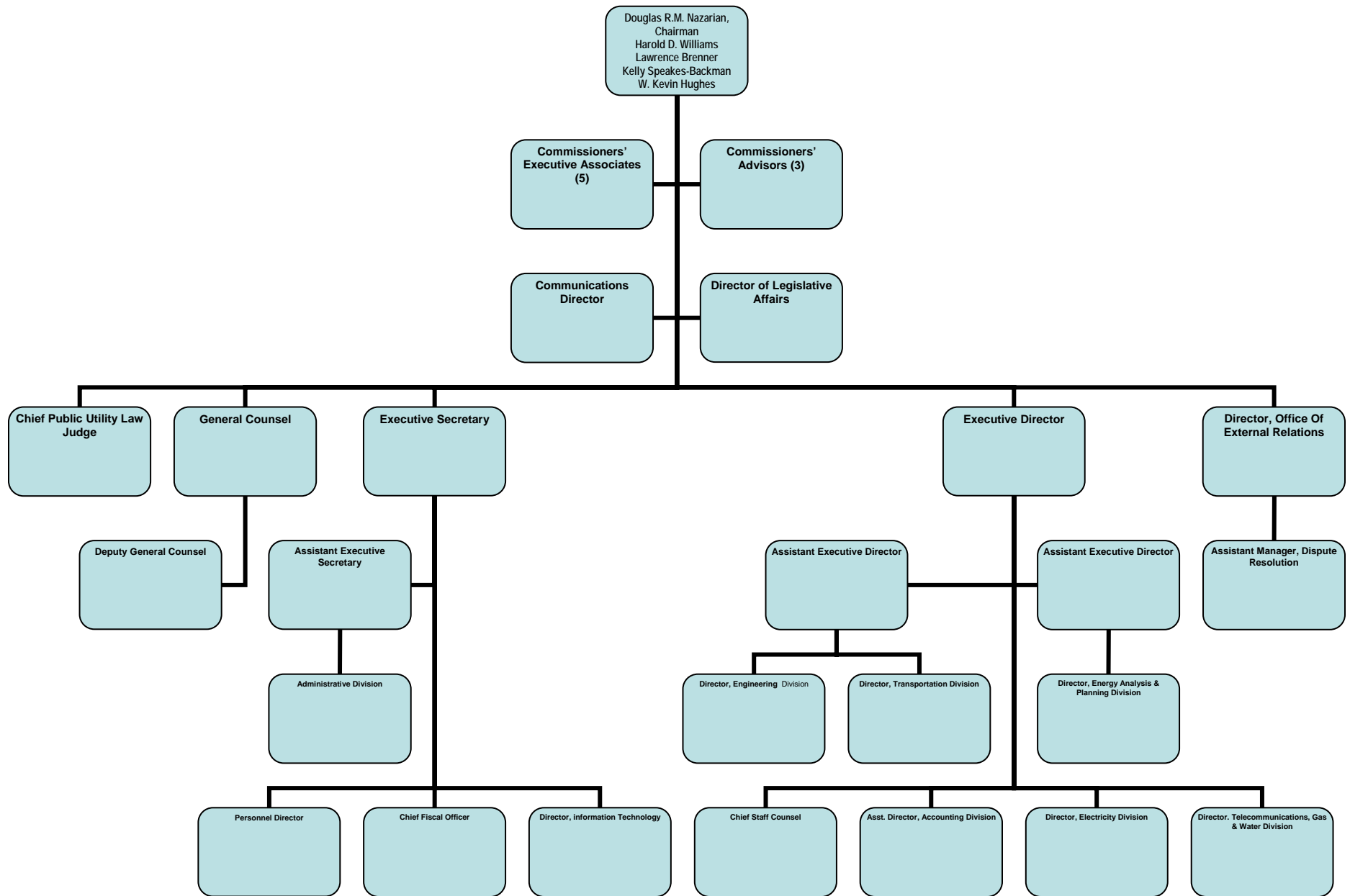
Not only did the Commission have before it the EmPOWER Maryland proceedings with a mandated decisional deadline, the Commission also received two major cases in the first half of 2011; each with statutory deadlines: (1) Washington Gas Light Company (“WGL”) application for a rate increase, with a request for approval of an Accelerated Pipeline Replacement Program with an associated surcharge rider;¹ and (2) Constellation Group and Exelon Corporation (“Exelon”), among other applicants, submitted an application for approval of their merger, which would result in the potential for Exelon to acquire the power to exercise substantial influence over the policies and actions of Baltimore Gas and Electric Company (“BGE”).²

¹ The WGL application, submitted on April 15, 2011, required a Commission decision by November 14, 2011. The Commission issued its order on November 14, 2011.

² The Constellation Exelon merger application, submitted on May 25, 2011, originally required a Commission decision by January 5, 2012. The Applicants submitted a stipulation to extend the decision deadline to February 17, 2012, after reaching a settlement agreement with a majority of the parties. After further evidentiary hearings in January 2012, the Commission issued its decision on February 17, 2012, conditionally approving the merger.

In addition to the Commissioners' duties associated with regulating the public service companies, the Commissioners also served on, or participated in, other boards, commissions or other organizations. Section III, Subsections U and V summarize the Commission's participation in these organizations.

C. Maryland Public Service Commission Organization Chart – 12/31/2011



III. MAJOR ACTIVITIES AND SPECIAL PROJECTS

A. EmPOWER Maryland – Case Nos. 9153, 9154, 9155, 9156, 9157

In 2011, the five largest electric utilities in the State³ (hereinafter “EmPOWER MD Utilities”) fully implemented their suite of programs under their Commission-approved EmPOWER Maryland Energy Efficiency and Conservation (“EE&C”) portfolios⁴ and four utilities continued to offer Demand Response (“DR”) programs.⁵ Throughout 2011, the utilities enhanced various elements and broadened the outreach of their programs in order to generate higher participation and energy savings.

Combined, the EmPOWER MD Utilities are not on target to reach the 5 percent per capita reduction goal in energy usage by 2011.⁶ However, the EmPOWER Maryland programs achieved, on a program-to-date basis, the following results through September 30, 2011:

- The utilities’ EmPOWER Maryland programs have saved a total of 926,715 megawatt hours (“MWh”) and 803 megawatts (“MW”), and either encouraged the purchase of or installed approximately 15.6 million energy-efficient measures.
- 5,907 low-income customers participated through the Residential Low-Income Programs.
- The EmPOWER MD Utilities have spent over \$466 million on the EmPOWER Maryland programs, including approximately \$195 million on EE&C programs and \$271 million on DR programs.

³ The utilities are: The Potomac Edison Company (“PE”); BGE; Delmarva Power & Light Company (“DPL” or “Delmarva”); Pepco; and Southern Maryland Electric Cooperative, Inc. (“SMECO”).

⁴ The five utilities with approved EE&C programs are: BGE (Case No. 9154, Order No. 82384 dated December 31, 2008); Pepco (Case No. 9155, Order No. 82836 dated August 13, 2009); DPL (Case No. 9156, Order No. 82835 dated August 13, 2009); PE (Case No. 9153, Order No. 82825 dated August 6, 2009); and SMECO (Case No. 9157, Order No. 82834 August 13, 2009).

⁵ The four utilities with approved DR programs are: BGE; Pepco; DPL; and SMECO.

⁶ These estimations only include energy and demand savings from EE&C and DR programs.

- The expected savings associated with EmPOWER Maryland programs is approximately \$127 million annually or \$1.3 billion over the life of the installed measures for the EE&C programs
- The average monthly residential bill impact of EmPOWER Maryland surcharges⁷ for 2011 were as follows:

	EE&C	DR	Total
BGE	\$0.73	\$1.77	\$2.50
Pepco	\$0.78	\$1.09	\$1.87
DPL	\$0.76	\$1.06	\$1.82
PE	\$0.10	\$0.00	\$0.10
SMECO	\$1.45	\$1.79	\$3.25

The following table summarizes the actual electric consumption reduction numbers achieved by each EmPOWER MD Utility and calculates that reduction as a percentage of the 2010 interim benchmark and as a percentage of the 2011 EmPOWER Maryland goal.

	Program-to-Date Reduction	2011 EmPOWER Maryland Goal	Percentage of 2011 Goal
PE			
Electric Consumption Reduction (MWh)	37,341	122,664	30.4%
BGE			
Electric Consumption Reduction (MWh)	616,556	2,052,948	30.0%
Pepco			
Electric Consumption Reduction (MWh)	205,688	685,378	30.0%
DPL			
Electric Consumption Reduction (MWh)	34,912	205,846	17.0%
SMECO			
Electric Consumption Reduction (MWh)	32,218	94,229	34.2%

⁷ Assumes an average monthly usage of 1,000 kilowatt hours (“kWh”), and the figures do not include customer savings.

Energy Efficiency and Conservation

As mandated by the EmPOWER Maryland Act of 2008, the EmPOWER MD Utilities are responsible for achieving a 10 percent reduction in the State's energy consumption and a 15 percent reduction of peak demand by 2015. To generate a portion of this savings, the five EmPOWER MD Utilities each developed EE&C portfolios, based on a three-year planning cycle beginning with the Program Planning Year ("PY") 2009-2011, followed by a second cycle for 2012-2014.

The five EmPOWER Maryland Utilities, Maryland Energy Administration ("MEA"), the Office of the People's Counsel ("OPC") and Staff (hereafter referred to as the "Planning Group") began preparations for the 2012-2014 EmPOWER Plan filings (individually, "Plan", and collectively "Plans") in the summer of 2010. On September 2, 2010, Staff filed the "Invitation to Stakeholders to Propose New or Revised Programs, Measures or Products" on behalf of the Planning Group ("Invitation"). The Invitation clarified that all cost-effective programs would be considered; however, the EmPOWER MD Utilities would determine what they include in these filings, and would have the right to modify, adapt, incorporate and/or implement, as they deemed appropriate, any ideas presented on this process and during the stakeholder sessions. The Invitation included a template intended to examine all elements for the implementation of a proposed program or product.

Over 30 proposals were submitted on October 4, 2010 to Staff and MEA. The majority came from organizations or firms that had little or no prior association with demand-side stakeholder or work group activities in Maryland. The Planning Group

scored proposals largely on the completeness of information provided. Eight organizations or firms were rejected prior to the presentation of proposals, in most cases, because proposals lacked cost or savings estimates.

Four workgroup meetings starting November 1, 2010, open to all stakeholders, were noticed to Staff's contact list and in a planning framework filed with the Commission. The Planning Group met a number of times during the winter to discuss the merits of the proposals and whether they were likely to be included in some form in the draft Plans. Planning Group and workgroup meetings continued into 2011 with a culmination in July 2011. As required under the statute, each EmPOWER MD Utility and any parties wishing to take part in the hearing process were required to file proposals with the Commission by September 1, 2011. The subsequent EmPOWER Maryland hearing process lasted eight days and included presentations from the five Utilities, Maryland Department of Housing and Community Development ("DHCD"), Staff, OPC, and MEA, as well as trade organizations and contractors.

On December 22, 2011, the Commission approved, with some modifications, the utilities' proposed plans in Commission Order No. 84569 ("December 22 Order"), which provided increased guidance and framework for the 2012-2014 program cycle. This included the creation of various workgroups to enhance and expand program offerings, standardization of incentive structures, the transition of Limited Income Energy Efficiency programs to the DHCD, and necessary updates to budgets and surcharges associated with the EmPOWER Maryland program.

The December 22 Order, also changed the reporting process for the 2012-2014 cycle. Previously, EmPOWER MD Utility reporting was done on a quarterly basis with

an annual summary report filed in January of the following year. The new requirements set forth a semi-annual, formal filing process with required metric submissions filed informally with Staff each quarter.

The PSC, in consultation with MEA, also will continue to provide an annual report to the General Assembly regarding the status of the programs, a recommendation for the appropriate funding level to adequately fund the programs and services, and the per capita electricity consumption and peak demand for the previous year.

Demand Response

The EmPOWER Maryland Act also requires the five EmPOWER MD Utilities to implement cost-effective demand response programs designed to achieve a reduction in their peak energy demand (measured in kW) of 5 percent by 2011, 10 percent by 2013, and 15 percent by 2015. In instances of system reliability concerns or high electricity prices during critical peak hours, these programs commonly involve the use of a switch or thermostat for a central air conditioning or an electric heat pump to briefly curtail usage. The Commission approved four residential DR programs in early 2008 (BGE's DR program was approved in December of 2007), and all were operational by the end of 2009.⁸

BGE, Delmarva, Pepco, and SMECO all have bid demand response resources into the 2013/2014 PJM Reliability Pricing Model ("RPM") Capacity Auction and cleared 803 MW of demand reduction. Legacy Demand Response Initiative ("DRI") programs also remain in place for BGE and SMECO.

⁸ The Commission did not approve a DR program for PE similar to those implemented for BGE, Pepco, DPL and SMECO because PE's program was not cost-effective.

July 22, 2011 was the first time PJM had declared an emergency event in Maryland since the EmPOWER MD Utilities' current direct load control ("DLC") programs were approved by the Commission in 2008. BGE was the only utility in the State to have an emergency event declared by PJM. This was primarily due to the overheating of a transformer at one of BGE's substations (forcing BGE to take that transformer out of service) as well as the extremely high temperatures the State was experiencing. Because of this emergency event, BGE initiated its DLC program at all three cycling levels (50%, 75%, and 100%).⁹ Consequently, it was the first time that those customers who signed up for the 75 percent and 100 percent cycling options actually had their thermostat or switch cycling at the 75 percent or 100 percent level, as applicable. The combination of the extremely high temperatures, participants activated for cycling for the first time at their selected cycling level, paging signals to DLC devices unable to transmit due to system overloading, and the length of the event (7.75 hours)¹⁰ led to a significant increase in the volume of calls to both the BGE call center and the DLC call center, which led to longer than average wait times and increased customer dissatisfaction.

Pepco, DPL, and SMECO activated their DLC programs for economic reasons during this time period, but did not experience any above-average duration times or number of calls at their call centers. Pepco, DPL, and SMECO also reported no problems with overloads on their communication systems.

⁹ For non-PJM Emergency events, BGE cycles all participants at a 50 percent level.

¹⁰ This total of 7.75 hours was the average time the DLC program was activated, and consisted of two events. The first event was the PJM-declared emergency which lasted for 6 hours and 34 minutes. For the second event, BGE switched all participants to cycle at the 50 percent level in order to scale down from the emergency event. The second event lasted for 1 hour and 11 minutes.

By Order No. 84234 issued on August 5, 2011, the Commission directed the EmPOWER Maryland Utilities with DLC Programs to submit a report responding to a series of data requests set forth in the Order. Each of the Utilities submitted the report by August 29, 2011, as directed. On September 28, 2011, the Commission held a legislative-style hearing to consider the reports.

Based on BGE's report and its presentation at the September 28, 2011 hearing, the major problems of that day were attributed to shortcomings in participant education and communication. The following is a list of education and communication problems identified and the proposed corrections to avoid these issues in future activations events:

1. **Participants forgot what level of cycling they were signed up for** - BGE (and all the EmPOWER MD Utilities) need to remind the participants of their cycling level prior to the summer season, when these devices are most likely to be activated. Additionally, BGE should describe situations when a participant might want to select or change to a lower cycling level, such as medical conditions or homes with elderly people and small children.
2. **Participants were unaware of the PJM emergency event** – BGE should attempt to contact participants the evening prior to an event (PJM Emergency or BGE initiated), similar to the commitment BGE has made for customer contact for Smart Energy Pricing. A participant, therefore, will be aware of the event beyond the message on the thermostat or the light on the switch.
3. **Participants had never been cycled at more than 50 percent prior to July 22** – BGE may want to consider cycling participants at their selected cycling level during BGE-declared events. Since BGE-declared events generally do not last longer than four hours, a 100 percent participant, for example, may have a better idea of the interior temperature change to expect for a potential PJM-declared emergency event.
4. **Long time spent on hold while contacting call center** – BGE has committed, in its report, to increase call center staff during a PJM-declared emergency.
5. **Paging signals to DLC devices unable to transmit due to system overloading** – BGE has indicated that it is already working with its signal

vendor to configure the system to enable the prioritization of system-wide device commands.

BGE has been working on improving the education and communication issues identified during the July 22 DLC activation event in order to provide more transparency and be more responsive to program participants, during future PJM-declared emergency events.

B. Deployment of Advanced Meter Infrastructure/Smart Grid - Case Nos. 9207 and 9208

In 2010, the Commission approved the Smart Grid Initiative (“SGI”) for BGE, granted conditional approval for Pepco’s SGI, and deferred the approval of DPL’s SGI until DPL is able to demonstrate the cost-effectiveness of a revised business case for its SGI. In 2011, the Commission authorized Pepco to deploy its SGI project and held additional evidentiary hearings on DPL’s revised business case.

In Order Nos. 83531 and 83571 in Cases Nos. 9208 and 9207, respectively, the Commission directed BGE and Pepco to develop a comprehensive set of installation, performance, benefits and budgetary metrics that will allow the Commission to assess the progress and performance of each of the SGIs. Additionally, the Commission directed BGE and Pepco to develop comprehensive customer education plans for Commission approval.

Following the Commission’s direction to establish workgroups bringing stakeholders together with the BGE and Pepco for the development of metrics, educational programs, and security standards, a number of initiatives were undertaken in 2010 and 2011. In a letter order dated February 18, 2011, the Commission approved Pepco’s implementation of its “Proposed Phase I” customer education plan. In a letter

order dated July 18, 2011, BGE received approval from the Commission to implement its “Smart Grid Customer Education and Communication Plan.” In a letter order dated August 18, 2011, the Commission granted approval for the Phase I Metrics for both BGE and Pepco. The work group continues to develop plans for cyber security, Phase II metrics, and Phase II customer education and communication. It is expected that consensus filings and specific plans will be filed for approval on each of these issues in 2012.

Separate from Case Nos. 9207 and 9208, SMECO has proposed a two-phase Advanced Metering Infrastructure (“AMI”) Pilot Program (“Pilot” or “Program”) to test the operational benefits of AMI deployment. Phase I of the Pilot includes the installation of 1,000 meters in one section of the territory, and is intended to assist SMECO in quantifying the level of operational benefits attainable through deployment of AMI. Phase I of the Pilot was operational during 2011, and SMECO will file a status report with the results on Phase I of the Project to the Commission in early 2012.

C. The Matter of Whether New Generating Facilities are Needed to Meet Long-Term Demand for Standard Offer Service – Case No. 9214

As reported in the 2009 Annual Report, pursuant to Order No. 82936 (issued September 29, 2009), the Commission initiated Case No. 9214 to investigate whether the Commission should exercise its authority to order electric utilities to enter into long-term contracts to anchor new generation or construct, acquire or lease, and operate new electric generating facilities in Maryland. Order No. 82936 also sought proposals related to investor-owned utilities meeting Standard Offer Service obligations with respect to new Maryland-located electric generating facilities. After issuance of Order No. 82936,

the Commission's Staff requested clarification of the scope of the proposals to be submitted as directed by Order No. 82939, and others filed comments as well. In response to these filings, on October 15, 2009, the Commission set a comment period to allow parties and interested persons the opportunity to comment on Staff's request and to provide any additional elements that any party or interested person believed would be helpful to the Commission's proposal review. On November 10, 2009, the Commission issued a notice which tolled the proposal filing date set in Order No. 82936.

After review of the comments submitted in response to the October 15th notice, the Commission determined that a more formal request for proposals ("RFP") was required to seek offers for new generating facilities in and around Maryland, including the possibility that electric distribution companies could be required to enter into long-term contracts with persons that construct these new generating facilities. Consequently, on December 29, 2010, the Commission issued a draft RFP for comment, including form of contracts, to solicit offers from persons for new generating facilities. In response to the Commission's request for comments on the draft RFP, approximately 30 persons filed comments. After considering the submitted comments, on September 29, 2011, the Commission approved an RFP for new generation and directed each of the Maryland electric distribution company to issue it by October 7, 2011. The RFP required certain elements, among others: proposals for generation capacity resources must include capacity and energy and be located within the Southwest MAAC zone; the generation capacity resources must be new, natural-gas fired units; a maximum 20-year term of agreement; and the generation capacity resource proposed could not exceed 1,500 MW and must not have cleared any prior PJM Base Residual Auction for capacity.

The RFP for new generation also established a procedural schedule, including, but not limited to, the date by which the proposals were to be submitted (November 11, 2011) and a Commission hearing date (January 31, 2012). On December 8, 2011, the Commission approved an Amended RFP for new generation, which, among other things, extended the proposal due date to January 20, 2012, and revised the scoring system to account for fixed price proposals. The Commission hearing on the matter was held on January 31, 2012.

D. In the Matter of an Investigation into the Reliability and Quality of the Electric Distribution Service of Potomac Electric Power Company – Case No. 9240

As reported in the 2010 Annual Report, on August 12, 2010, the Commission initiated the docketed Case No. 9240 for the purpose of investigating the reliability of Pepco's electric distribution system and the quality of electric distribution service that Pepco is providing to its customers. Initiation of the investigation was based on the unusually large number of complaints from Pepco's customers and their elected officials alleging frequent and lengthy service outages during and after storm events, as well as during "blue sky" conditions. Further, customers expressed frustration with the failure of Pepco's communications system during storm events, which resulted in the customers being unable to obtain estimated times of restoration or report outages. The Commission, in addition to holding a legislative-style hearing in August 2010 for the purpose of questioning the Company's senior executive responsible for system reliability, storm restoration, and customer communications:

- held two evening hearings for public comment to permit members of the public and elected officials to provide their views on Pepco's service quality and reliability;

- issued extensive data requests to the Company to produce documents and information;
- required Pepco to hire an independent consultant to evaluate Pepco's distribution system and communication system ("Consultant"), and directed the Consultant to submit a report of its findings and recommendations to the Commission; and
- held four days of evidentiary hearings at which the Consultant presented its findings and all parties, as well as the Commission, were able to cross-examine the Consultant, the Company's witnesses and the other parties' witnesses on their pre-filed testimony.

Prior to the hearings in August 2010, the Company submitted its Reliability Enhancement Plan for Montgomery County, Maryland ("REP"). According to the Company, the REP was designed to significantly increase the reliability of its distribution system in Maryland over a five-year period and included the following six-point reliability programs: enhanced vegetation management; priority feeders; load growth; distribution automation; URD cable replacement; and selective undergrounding. The Company committed to making adjustments to plan as necessary, as the plan was implemented.

In May 2011, Montgomery County filed its Pepco Work Group Final Report, which contained a series of findings and recommendations by a 12-member Work Group assembled by Montgomery County tasked with investigating the causes of Pepco's frequent electricity outages in the County. The filing of this Work Group Report resulted in a contentious discovery dispute between Pepco and the County. After holding a hearing on the discovery dispute, the Commission issued a subpoena compelling Montgomery County to present a witness or panel of witnesses at the evidentiary hearing to sponsor and answer questions related to the Work Group Report. Montgomery County also responded to the discovery requests.

In addition to the Company's witnesses' pre-filed testimony and the Work Group Report, pre-filed testimony was submitted by the Commission's Staff, Maryland OPC, MEA, and the City of Gaithersburg. The City of Gaithersburg did not sponsor a witness and its testimony was not admitted into the administrative record. The Apartment and Office Building Association of Metropolitan Washington intervened in the matter, but did not file testimony. The Office of People's Counsel of the District of Columbia petitioned to intervene, but was ultimately granted status as an interested person rather than a party.

On December 21, 2011, the Commission issued Order No. 84564 in which it concluded that, as alleged by its customers, Pepco had failed to provide an acceptable level of reliable service during 2010 as well as several of the preceding few years. Similar to the findings of the Consultant, the Commission found that a direct cause of Pepco's low level of reliability was its poor and ineffective maintenance of the vegetation surrounding its sub-transmission and distribution system. Specifically, the Commission pointed to the evidence in the record that Pepco failed to adequately fund its vegetation management, failed to meet its own annual tree trimming goals, and failed to adopt a more aggressive tree trimming practice similar to the practices adopted by other Maryland electric companies after 2001. Moreover, the Commission cited the decline of Pepco's System Average Interruption Frequency Index ("SAIFI") figures (adjusted for major outages) during each year from 2004 to 2010 as proof of the steadily deteriorating level of reliability which coincided with Pepco's poor vegetation management practices. These documented failures and deteriorating level of reliability as measured by the System Average Interruption Duration Index ("SAIDI") and SAIFI were evidence of the Company's neglectful conduct and poor engineering practices sufficient to constitute a

violation of its obligations to provide reliable service to its customers. Further, the Commission found that Pepco failed to conduct periodic inspections of its sub-transmission and distribution lines or to direct after-storm inspections or patrols as required by the National Electrical Safety Code (“NESC”) and COMAR 20.50.02.02. Although the Commission held that NESC Rule 214 does not require any precise intervals between inspections, it does require that the Company inspect at intervals that experience shows is necessary. The lack of any procedure establishing an interval for periodic inspections reflected that the Company was not complying with the NESC rules or COMAR. Accordingly, based on Pepco’s failure to provide its customers reliable service and its violation of the regulations requiring it to periodically inspect its sub-transmission and distribution line, the Commission assessed Pepco a civil penalty of \$1 million.

Many of the parties in the matter requested that the Commission, in addition to fining the company, reduce Pepco’s authorized return on equity, restrict its payment of dividends to PHI Holdings, Inc. (Pepco’s parent company), and direct Pepco to waive its monthly customer charge, or modify or revoke Pepco’s authority to exercise its franchise. The Commission declined to adopt any of these additional penalties, but it agreed with the MEA, OPC, and Montgomery County that it is inequitable for Pepco to have caused significant reliability problems and escalating costs of its Enhanced Integrated Vegetation Management (“EIVM”) as a result of years of poorly executed and underfunded vegetation management programs. The Commission further found that it was inequitable

for the Company's ratepayers to be burdened with full repayment for the EIVM programs that are now required as a direct result of the company's imprudence.¹¹

Specifically, the Commission found that Pepco acted imprudently by: failing to execute adequate vegetation management; neglecting to conduct periodic inspection or after-storm patrols; engaging in uncertain and at times contradictory tree trimming practices between 1999 and 2010; and refusing to transition to a four-year tree trimming cycle, consistent with other Maryland utilities and the recommendations of the Tree Trimming Working Group.¹² Because the Commission found that it was highly probable this imprudence increased the cost to ratepayers of the Company's vegetation management programs beyond what they should have been if Pepco had acted prudently, the Commission determined that, in a future rate case, it will disallow recovery of any incremental amounts expended for Pepco's vegetation management programs that is demonstrated to have been caused by Pepco's imprudence.

Additionally, the Commission designed a series of reporting requirements to ensure Pepco is implementing its REP in a manner that significantly increases reliability. Also, in light of the Commission's finding that Pepco's ineffective communications system contributed significantly to customer dissatisfaction, the Commission directed quarterly reports on Pepco's effort to reform its communications issues. The Commission did not modify Pepco's REP as requested by certain parties, but encouraged Pepco to consider the comments or suggestions of these parties as it conducts its annual review of the REP, to determine further updates to improve reliability. Finally, the Commission warned Pepco that, in the event the periodic reports filed by the Company

¹¹ Order No. 84564 at 59.

¹² *Id.*

did not reflect improvement of service reliability, the Commission may consider a larger civil penalty or other additional penalties as justified by the circumstances.

E. Application of Delmarva Power & Light Company for an Increase in its Retail Rates for the Distribution of Electric Energy – Case No. 9249

As reported in the Commission's 2010 Annual Report, the Commission docketed Case No. 9249 to consider Delmarva Power & Light Company's application for authority to increase its distribution rates by \$17.803 million. On February 3, 2011, the Commission held a prehearing conference to establish the procedural schedule in the matter, with evidentiary hearings to begin May 31, 2011 through June 7, 2011.

On May 25, 2011, the parties filed a *Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement*. The Settlement provided that Delmarva could file new base rate schedules that increase electric distribution rates by \$12.2 million, and the agreed-upon allocation of base rates among all customer classes, subject to verification by Staff. Additionally, the Settlement established a Regulatory Lag Work Group to address Delmarva's claims that regulatory lag prevents it from having an opportunity to earn its authorized return and that its approved rates should include certain regulatory lag mitigation measures. The parties also stipulated to details regarding regulatory cost rates, the amortization of February 2010 winter storm costs and future cost of service studies. The parties also stipulated that all issues identified in pre-filed testimony were settled and agreed that the resolution of the issues, taken as a whole, resulted in just and reasonable rates and were in the public interest.

On June 6, 2011, the Commission held an evidentiary hearing about the proposed Settlement. Evening hearings to receive public comments were held on June 13, 14 and 15, 2011 in Chestertown, Salisbury and Wye Mills, Maryland, respectively.

On July 8, 2011, the Commission issued Order No. 84170 in which it: (1) denied the Application seeking to increase electric distribution rates by \$17,803,000 in its Maryland service territory; (2) granted the Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement; (3) directed the Company to file new tariffs that increase rates by no more than \$12.2 million, consistent with the Settlement and effective with service provided on or after the date of the Order; and (4) established a Phase II for the purpose of considering the regulatory lag issues pursuant to the terms of the Settlement and the terms of the Order.

On October 18, 2011, pursuant to the terms of the Settlement Agreement, the Company submitted a report of the results of the Regulatory Lag Work Group. According to the Company, despite good faith efforts by the parties participating, no consensus on the regulatory lag issues was reached.

On December 9, 2011, also pursuant to the Settlement Agreement, Delmarva submitted Distribution Studies prepared by Management Application Consulting Inc. Under the terms of the Settlement Agreement, the Company had agreed to conduct Minimum Distribution System and Zero-Intercept studies. In its filing, Delmarva noted that it did not support or endorse the use of these methods for determining cost of service.

F. In the Matter of National Cab Association, Inc. and National Transportation, Inc. Operation of Taxicabs without Proof of Insurance as Required by the Public Service Commission of Maryland – Case No. 9250

On January 6, 2011, the Commission issued a Summary Cease and Desist Order and Order Initiating Investigation to National Cab Association, Inc., National Transportation, Inc. and affiliated subsidiaries (so-called “alphabet companies”) ordering the companies to cease operating any vehicle under the taxi permits issued by the Commission because of a lack of valid insurance certificates for each vehicle. Prior to the date the Summary Cease and Desist Order became final, one of the principles of the companies requested an evidentiary hearing on the matter. On February 1, 2011, an evidentiary hearing was held in the matter, and the Commission finalized the Cease and Desist Order, setting the conditions by which the companies were required to meet to have the Cease and Desist Order lifted.

Based on a motion filed by Staff, the Commission held a hearing on May 20, 2011, to consider whether the taxi permits of the companies should be revoked based on the violation of the Summary Cease and Desist Order. At the conclusion of the hearing, the Commission revoked all of the taxi permits held by the companies. Petitions for rehearing were filed by each of the principles of the companies. On August 30, 2011, the Commission heard oral arguments on the petitions for rehearing, and denied each petition.

G. Alleged Violations of Consumer Protection Laws of the Public Utilities Article by Licensed Competitive Electric Suppliers

1. In the Matter of the Complaint of the Staff of the Public Service Commission Against North American Power and Gas, LLC - Case No. 9253

By Order No. 83785, issued January 14, 2011, the Commission directed North American Power and Gas, LLC (“NAP”) to show cause why: 1) the Commission should not suspend or revoke the Company’s license to provide electricity or electricity supply services; 2) the Commission should not preclude the Company from soliciting additional customers; and 3) the Company should not be subject to a civil penalty under § 7-507 and § 13-201 of the Public Utilities Article for committing fraud and engaging in deceptive practices and for failing to comply with the Commission’s consumer protection regulations as contained in COMAR 20.53.07.

After evidentiary hearings, the Commission issued Order No. 84096, on June 9, 2011, in which it found that NAP had engaged in multiple practices that violated State law and Commission regulations, imposed a civil penalty of \$100,000, and required NAP to undertake various practices as set out in a Joint Recommendation of Staff and NAP, and as suggested by the Office of People’s Counsel at hearing. While observing that some of NAP’s violations were the result of rapid growth rather than intent to deceive, the Order noted that the case should be read to stand for the proposition that the Commission would not tolerate misleading or deceptive advertising or sales tactics in the retail market.

2. In the Matter of the Complaint of the Staff of the Public Service Commission against Viridian Energy PA, LLC -Case No. 9255

By Order No. 83816, issued January 26, 2011, the Commission directed Viridian Energy PA, LLC, to appear before the Commission to determine whether the Company was engaged in misleading and deceptive marketing practices as alleged by Staff in its Complaint. The Company submitted various documents regarding its policies and training materials, and appeared at hearing to answer the Commission's questions. A second hearing was held in accordance with a procedural schedule that provided for discovery. At that hearing, Staff introduced a Joint Recommendation of Viridian and Staff that provided for, among other things, monthly reporting for one year beginning in April, 2011. A Commission Order is pending.

H. Investigations into Electric Utilities' Major Storm Performance

1. Potomac Electric Power Company and Baltimore Gas and Electric Company during the January 26-27, 2011 Snow Storm – Case No. 9256

By Order No. 83832, issued on February 1, 2011, the Commission initiated a new docket, Case No. 9256, to investigate the performance of Pepco and BGE during a snow storm occurring on January 26 and 27, 2011, which resulted in large number of customers being without electric service for a significant period of time, far exceeding 24 hours as well as to inquire as to the continued failure of Pepco's communications system during a storm event. Each company was required to submit a major storm report, and several comments of interested persons were submitted. A legislative-style hearing was conducted on March 3, 2011, at which senior executives from each company appeared and responded to questions from the Commission. The Commission directed each

company to submit additional information as a result of the Commission's questioning, which each company submitted by March 21, 2011.

2. Electric Service Interruptions Due to Hurricane Irene in the State of Maryland Beginning August 27, 2011 – Case No. 9279

By Order No. 84306, issued on September 1, 2011, the Commission initiated a new docket, Case No. 9279, to review the preparedness and performance of the four investor-owned utilities, SMECO, and Choptank Electric Cooperative in responding to the extensive electric outages throughout Maryland caused by Hurricane Irene. Each utility was required to submit a major storm report. Comments also were filed by several interested persons.

In addition to the legislative-style hearing held by the Commission on October 3, 2011, to hear from each of the senior executives of each utility, the Commission held two evening hearings to provide for the general public to provide comments – one in Towson on September 27, 2011; and the other in Baltimore City on October 11, 2011. As a result of the hearings, the Commission issued Order No. 84445 (issued on October 31, 2011, with Commissioner Williams dissenting in part),¹³ in which the Commission: (1) directed each utility to file a detailed report of its lessons learned by November 22, 2011, along with an associated remedy plan and schedule of implementation target dates, and gave OPC, Staff and the utilities an opportunity to comment on the lessons learned reports and remedy plans; (2) directed OPC, Staff and the utilities to convene a working group to evaluate and propose standards for utilities when establishing estimated times of restoration (“ETR”), and directed the utilities to submit, for the benefit of the work group,

¹³ Order No. 84460 issued on November 2, 2011, modified the original filing dates in Order No. 84445 from November 23, 2011 to November 22, 2011.

their existing detailed ETR procedures as well as a survey of best practices of ETR implementation across the electric transmission and distribution industry; and (3) directed each utility to file a report by November 22, 2011, describing in detail its priority protocols for restoration, including that for public safety infrastructure, hospitals, licensed nursing home providers, and other persons.

As directed, each of the utilities submitted the ETR materials as well as the priority protocol report on November 22, 2011. On December 21, 2011, Staff submitted, on behalf of the Work Group, a Status Report. The matter remains pending as of December 31, 2011.

I. In the Matter of the Investigation into the Justness and Reasonableness of Rates as Calculated under the Bill Stabilization Adjustment Rider of Potomac Electric Power Company; the Southern Maryland Electric Cooperative; the Delmarva Power & Light Company and as Calculated under Baltimore Gas and Electric PSC MD E-6, Rider 25 - Monthly Rate Adjustment – Case Nos. 9257, 9258, 9259, 9260

The Commission initiated four new dockets, Case Nos. 9257, 9258, 9259, and 9260, to investigate whether the manner that each of the named electric utilities (Pepco, Delmarva, SMECO and BGE) calculated the monthly rate as a result of the applicable decoupling mechanism set forth in the utility's tariff is just and reasonable, and whether the calculations or determinant factors for calculating the monthly rates should be modified, and, if so, what modification(s) should be made. The Commission became concerned in late 2010 that these decoupling mechanisms, which were intended to remove a disincentive for the utility to install energy conservation and efficiency measures, might allow a utility to recover sales revenues during extended outages and

thus may have inadvertently eliminated a critical incentive for the utility to restore service to its customers. On February 1, 2011, the Commission established a procedural schedule which sought comments from interested parties on adjustments to the electric service tariffs that would resolve the issue of the collection of revenues during extended outages. A legislative-style hearing was conducted on July 22, 2011. Besides the four utilities, comments were provided by Montgomery County, OPC, and Staff.

On January 25, 2012, by Order No. 84653 (“Order”), the Commission issued its decision addressing whether modification to the electric utilities’ decoupling mechanism was needed. In the Order, the Commission stated that it “[found] that the decoupling mechanisms as currently designed, do not appropriately align the company’s financial incentives with reliability goals.”¹⁴ The Commissioner determined that the existing decoupling mechanism required modification to prevent recovery of lost revenues due to electric outages occurring as a result of Major Storms.¹⁵ By definition, a “Major Storm” does not occur until a specified number of customers are out of service for more than 24 hours. Consequently, under the Commission’s ruling, once the Major Storm threshold has been met, the utility is no longer permitted to recover any lost revenues due to these outages until the utility has restored service to its pre-Major Storm threshold.

Pursuant to the Order, BGE, Pepco, Delmarva and SMECO were directed to modify their decoupling mechanisms to prevent collection of decoupling revenue, including customer and demand charges, if electric service is not restored to pre-Major

¹⁴ Order No. 84653 at 2.

¹⁵ “Major Storm” currently means a weather-related event during which more than 10% or 100,000, whichever is less, of the electric utility’s Maryland customers experience a sustained interruption of electric service; and restoration of electric service to these customers takes more than 24 hours. Included in the Reliability Regulations (RM43), the Commission proposed to replace the term “Major Storm” with a slightly more inclusive term “Major Outage Event.” If the proposed language is finally adopted, the requirement of the Order will apply to Major Outage Events.

Storm levels within 24 hours of the commencement of a Major Storm. Further, to the extent service is not restored within 24 hours of the commencement of a Major Storm, each of these utilities was directed to modify its decoupling mechanisms to prevent the imposition of a decoupling surcharge for revenue losses beginning 24 hours after the commencement of the Major Storm and continuing until all Major Storm-related sustained interruptions are restored. Under the Commission's ruling, the utilities are not precluded from decoupling recovery for outages occurring during so-called "Blue Sky" conditions, short-term outages of less than 24 hours, and outages during storms that do not meet the Major Storm threshold.

The Commission, however, recognized that storms may vary in size and strength as well as damage that may be imposed within a utility's service territory. Accordingly, the Commission will allow the electric utility to file a waiver of the prohibition of decoupling recovery for Major Storms if the utility can affirmatively demonstrate that the electric outage was not due to inadequate emphasis on reliability and that the utility's restoration efforts were reasonable under the circumstances. The Commission cautioned that waiver requests should be filed, and will be granted, only in rare and extraordinary circumstances that could impose significant financial hardship on the utility.

J. In the Matter of the Commission's Investigation into the Outages of Verizon Maryland Inc. 9-1-1 Network in Maryland – Case No. 9265

On March 25, 2011, the Commission initiated a new docket, Case No. 9265, by issuing a Show Cause Order to determine whether problems with Verizon's 9-1-1 service between Maryland citizens and certain Maryland PSAPs constituted violations of § 5-303 of the Public Utilities Article and, if so, whether the Commission should impose civil

penalties on Verizon pursuant to either § 13-201 or § 13-202 of the Public Utilities Article, or to both. The Commission held evidentiary hearings on April 5 and April 12, 2011, as a result of this Show Cause Order. On July 12, 2011, the Commission issued Order No. 84181 to notice a continuation of the Show Cause hearing receive evidence about the causes, nature, and extent of 9-1-1 call problems to the Maryland PSAPs on May 30, 2011. In this Order, Verizon also was directed to provide evidence as to the difficulty, if any, the Maryland PSAPs encountered in receiving notification from Verizon about the problem and/or the difficulty encountered by Maryland PSAPs in reporting the failure to Verizon. The pleading schedule ended shortly before the end of the 2011 calendar year. A decision is expected in 2012.

K. Application of the Washington Gas Light Company for Authority to Increase its Existing Rates and Charges and to Revise its Terms and Conditions for Gas Service – Case No. 9267

On April 15, 2011, WGL filed an application for authority to increase its existing rates and charges for gas service delivered to its Maryland customers and for approval to implement an Accelerated Pipeline Replacement Plan (“APRP”) and cost recover mechanism (“APRP Rider”). Along with the application, WGL filed revised tariffs designed to increase annual revenues by \$30.0 million (which was subsequently revised to \$27.8 million), with an overall rate of return of 8.59 percent and a return on common equity of 10.45 percent. On April 18, 2011, by Order No. 83977, the Commission initiated an administrative docket as Case No. 9267 to consider the application, suspended the revised tariffs for an initial period of 150 days from the effective date of the revised tariffs, and scheduled a prehearing conference for the purpose of establishing a procedural hearing in the matter. On May 16, 2011, by Order No. 84036, the

Commission noticed the procedural schedule established for the matter and extended the suspension period by an additional 30 days.

Evidentiary hearings were held on September 6-9, 15-16, and 19-20, 2011, for the purpose of conducting cross-examination on pre-filed testimony. Evening hearings for public comments were held on September 13, 22 and 27, 2011 in Hyattsville, Frederick, and Rockville, Maryland, respectively.

On November 14, 2011, the Commission¹⁶ issued Order No. 84475, which reflected each of the issues considered by the Commission, the position of the parties, and the Commission's ultimate ruling on each issue. It authorized the company to file revised tariffs to increase gas distribution rates by no more than \$8,408,128 for service rendered on or after November 14, 2011, an amount less than one-third of the amount originally sought by WGL in its application.

In its decision, among other things, the Commission deviated from its normal average test year methodology, in recognition of the importance it placed on gas system safety and reliability, and allowed the Company to recover known and measurable safety and reliability expenditures that it incurred outside of the test year. The Commission, however, did not allow the company to recover non-safety and non-reliability costs incurred outside the test year or its implementation costs for its outsourcing initiative. Further, the Commission found that the company had the operational and financial ability to accelerate the replacement of its existing pipe, but did not find that the company had justified a recovery of the costs through a surcharge. Consequently, the Commission

¹⁶ Commissioner Speakes-Backman and Commissioner Hughes did not participate in the evidentiary hearings or in the deliberations resulting in the issuance of the Order.

authorized the company to implement the initial five-year phase of its APRP, but the APRP Rider was rejected.

After considering the parties' positions on the appropriate cost of capital, the Commission rejected the hypothetical capital structures proposed by Staff and the Apartment and Office Building Association of Greater Metropolitan Washington D.C. ("AOBA") and OPC's proposed capital structure, and adopted the capital structure that was based on the WGL's actual capital structure at the end of the year (although it indicated that it might modify the actual capital structure if there was evidence that a company manipulated it to make it higher for a rate case). The Commission, consistent with its preference for the Discounted Cash Flow analysis for cost of equity, found the most appropriate estimate of return on equity in the matter was 9.60 percent. Accordingly, the Commission found the resulting overall rate of return supported by its adopted capital structure was 8.09 percent.

Further, the Commission accepted the company's cost of service study for purposes of the proceeding, but directed WGL to provide not only a coincident peak demand-based Cost of Service Study, but also a non-coincident peak demand-based Cost of Service Study in its next rate case. The Commission also directed the company to meet with Staff to resolve issues regarding the proper methods and analyses to be used in the company's next Cost of Service Study, including demand and weather studies, and directed Staff to file a report by June 30, 2012, that details the agreed-upon changes and any areas of disagreement requiring Commission resolution.

The Commission also adopted the WGL's rate design, finding that it moved the class rates of return towards parity. It also directed that, consistent with its recent policy,

the revenue increase directed by the Order shall be recovered exclusively from volumetric rates without any increase in system charges. Finally, it accepted AOBA's comments regarding GMA and Commercial and Industrial ("C & I") non-heating/cooling sub-classes rates, and directed these rates to remain constant, with no part of the authorized revenue increase to be recovered from these subclasses.

On November 22, 2011, WGL submitted alternative proposed revised tariff pages to implement the rate changes as set forth in Order No. 84475. The Commission scheduled that portion of the tariff revisions that implemented the increase approved by the Order, for consideration at its Administrative Meeting on December 7, 2011. The Commission, however, treated the other proposed tariff revision, which sought to modify portions of the Order, as a petition for reconsideration. By Notice dated December 1, 2011, the Commission established a comment period for parties to the proceeding to respond to WGL's request for modification, rejecting the tariff revisions that modified the Commission's decision in its Order.

On December 14, 2011, WGL filed a Petition for Rehearing and Clarification. The petition sought rehearing on three aspects of the Order: (1) correction of an apparent error in calculating the Interest Synchronization adjustment; (2) correction of the omission of an adjustment related to "Other Tax Adjustments" proposed by the company in its original filing as a component of Adjustments 6, 7 and 8 and uncontested by any other party; and (3) reversal of the decision to disallow \$953,016 of the company's test period costs to initiate the outsourcing agreement with Accenture LLC. Finally, WGL requested clarification as whether it needed to notify the Commission if the company decided to implement the APRP and, if it did, if there were any applicable annual

reporting requirements. The requests for reconsideration, rehearing, and clarification remain pending as of December 31, 2011.

L. Merger of Exelon Corporation and Constellation Energy Group, Inc. – Case No. 9271

On May 25, 2011, pursuant to § 6-105 of the Public Utilities Article (“Statute”), Exelon Corporation, Constellation Energy Group, Inc., and BGE submitted an application requesting authorization for Exelon to acquire the power to exercise substantial influence over the policies and actions of BGE (subsequently, Exelon Energy Delivery Company, LLC was added as an applicant). On May 26, 2011, by Order No. 84058, the Commission initiated an administrative docket, Case No. 9271, to consider the application and scheduled a prehearing conference on June 28, 2011 for the purpose of establishing a procedural schedule for the proceeding.

Order No. 84154 issued on June 28, 2011, set forth the procedural schedule adopted by the Commission at the prehearing conference. The procedural schedule set dates for the evidentiary hearings to begin on October 31, 2011 and to continue, as needed, through November 10, 2011. In the Order, the Commission extended the 180-day statutory period by which it required to issue an order on the application by an additional 45 days as permitted by the Statute for good cause shown.

On October 25, 2011, the Commission held a scheduling conference, as it had become apparent that the dates set aside for the evidentiary hearings would not be sufficient due to the number of witnesses scheduled to testify in the matter. On October 31, 2011, the Commission modified the procedural schedule to add additional dates to conduct the evidentiary hearings: November 11, 18, 21 and 22, 2011. In addition, the briefing schedule was modified to accommodate the additional hearing dates.

On December 15, 2011, after conclusion of the evidentiary hearings and after initial briefs had been filed in the matter, the applicants, the State of Maryland and the MEA, the Mayor and City Council of Baltimore, and the Baltimore Building and Construction Trades Council, AFL-CIO, filed a Joint Petition for Approval of Settlement (“Joint Petition”). On December 16, 2011, the Commission held a status conference to establish an amended procedural schedule to consider the Joint Petition. Additional evidentiary hearing dates were scheduled for January 25 – 27, 2012. To allow the Commission additional time to consider the Joint Petition, on December 19, 2011, the applicants filed a Stipulation with the Commission, in which the applicants re-set the date as to when the application was deemed filed, which extended the deadline by which the Commission’s final order was due to February 17, 2011. A final order (Order No. 84698) was issued on February 17, 2011, conditionally approving the merger.

M. Electric Competition Activity – Case No. 8378

By letter dated September 13, 2000, the Commission ordered the four major investor-owned utilities in the State – PE; BGE; Delmarva; and Pepco - to file Monthly Electric Customer Choice Reports. The reports were to show the number of customers served by suppliers, the total number of utility distribution customers, the total megawatts of peak demand served by suppliers, the peak load obligation for all distribution accounts, and the number of electric suppliers serving customers. These data were to be collected for both residential and non-residential customers.

At the end of December 2010, electric suppliers in the state served 350,729 commercial, industrial and residential customers. Through December 2011, this number increased to 488,004.

**Number of Customer Accounts Enrolled with Electric Suppliers
As of December 31, 2011**

Residential	Non-Residential	Total
395,368	92,638	488,004

**Total Number of Distribution Service Accounts
Eligible for Choice as of December 31, 2011**

Residential	Non-Residential	Total
1,995,940	238,573	2,236,552

**Percentage of Customers Accounts Enrolled with an Electric Supplier
As of December 31, 2011**

Residential	Non-Residential
19.8%	38.8%

At the end of December 2010, the overall demand in megawatts of peak load obligation served by all electric suppliers was 6,162 MW. Through December 2011, this number increased to 6,625 MW.

**Total Demand in MW (Peak Load Obligations) Served by Electric Suppliers
As of December 31, 2011**

Residential	Non-Residential	Total
1,565 MW	5,060 MW	6,625 MW

**Total MW Peak Load Obligation for all Distribution Accounts
As of December 31, 2011**

Residential	Non-Residential	Total
7,276 MW	6,495 MW	13,771 MW

**Percentage of Peak Load Obligation Service Eligible for Choice
by Electric Suppliers as of December 31, 2011**

Residential	Non-Residential
21.5%	77.9%

BGE had the highest number of residential (260,911) accounts served by suppliers as well as the highest number (35,327) of commercial accounts served by suppliers as well as the highest peak-load served by suppliers (3,877 MW).

**Number of Electric Suppliers Serving Enrolled Customers
By Class as of December 2011**

	Residential	Small C&I	Mid-Sized	Large C&I
BGE	37	41	41	20
DPL	21	25	26	16
PE	13	18	22	14
Pepco	30	35	34	22

N. Results of the Standard Offer Services Solicitations for Residential and Type I and Type II Commercial Customers – Case Nos. 9056 and 9064

For the 12-month period beginning June of 2011, Standard Offer Service (“SOS”) rates for residential and small commercial customers declined significantly compared with the previous year. Rate changes expressed as a percentage change in the total annual cost for an average customer are shown below. The Commission reviews SOS rates in Case Nos. 9064 and 9056. The statistics in the table below are taken from the Commission Staff reports in those Cases.

Residential

- BGE -10% decrease
- DPL -12% decrease
- Pepco -15% decrease
- Potomac Edison -5% decrease

TYPE I SOS (Small Commercial Customers)

- BGE -12.5% decrease
- DPL -13.7% decrease
- Pepco -14.6% decrease
- Potomac Edison (did not bid)

O. The Reliability Pricing Model (RPM) 2014/2015 Delivery Year Base Residual Auction (BRA) Results

PJM conducted the 2014/2015 BRA in May 2011. It is the first BRA under the new rules that established two additional demand resource products.¹⁷ The new BRA rules recognize the greater reliability value of more flexible resources.

The 2014/15 BRA cleared sufficient capacity resources in PJM to provide a 20.6 percent reserve margin. The total quantity of demand resources offered into the 2014/2015 BRA increased 20 percent over the demand resources that offered into the 2013/2014 BRA. The majority of the increased participation by demand response was driven by the expectation of receiving capacity resource payments.

The BRA annual resource clearing prices changed dramatically in 2014/2015 when compared to 2013/2014 results. Three of Maryland's investor-owned utilities – BGE, DPL and Pepco – experienced dramatic declines in resource prices of 40 to 45 percent, while PE experienced an almost 400 percent increase in resource clearing prices. The price increase in PE is largely attributable to the increase in electric transmission transfer capability into previously constrained zones such as BGE, DPL and Pepco. The increased transfer capability allows capacity resources that may be in excess of a given zone's load requirements, to serve load in another zone that was not accessible in the

¹⁷ FERC Order ER11-2288, dated January 31, 2011, accepted PJM's filing that established two additional demand resource products - one available throughout the year (Annual DR) and another available for an extended summer period (Extended Summer DR). These new products have fewer limitations than the current Limited Demand Resource product (Limited DR).

prior year due to transmission limitations thereby equalizing prices. This is demonstrated by all Maryland utilities experiencing the same resource clearing price in 2014/2015. A comparison of utility clearing prices for the last two BRAs for each of the investor owned utilities is shown in the following table.

Annual Resource BRA Clearing Prices (\$/MW-day)

Utility	2014/15 Clearing Price	2013/14 Clearing Price	Increase / (Decrease) 2014/15 vs. 2013/14	Percent Change 2014/15 vs. 2013/14
BGE	\$136.50	\$226.15	(\$89.65)	(39.6 %)
DPL	\$136.50	\$245.09	(\$108.59)	(44.3 %)
PE	\$136.50	\$27.73	\$108.77	392.2 %
Pepco	\$136.50	\$247.14	(\$ 110.64)	(44.8 %)

In summary, the main factors impacting 2014/2015 clearing prices relative to 2013/2014 BRA clearing prices are:

- Lower reliability requirements due to lower forecasted load;
- Increased capacity transfer limits due to addition of transmission upgrades; and
- Higher level of participation from demand resources.

Other Significant Changes to RPM Design Implemented During 2011

In addition to the new demand resource products, pursuant to FERC Order ER11-2875, dated April 12, 2011, PJM’s February 11, 2011, Minimum Offer Price Rule (“MOPR”) filing was accepted. Two of the most significant changes included in PJM’s filing were the updated Cost of New Entry values for natural gas fueled combined cycle

and combustion turbine resources and a clarification of which resources will be subject to the MOPR.

P. RM41 – Regulations in Connection with Electricity – Net Energy Metering – Credits – COMAR 20.50.10

In 2010, § 7-306 of the Public Utilities Article was amended by Chapter 438, Laws of Maryland 2010, entitled “Net Energy Metering – Credits,” and Chapter 437, Laws of Maryland 2010, also entitled “Net Energy Metering – Credits” (collectively, “Acts”). The Acts altered the net energy metering program by changing the manner by which an eligible customer-generator may accrue excess generation credits from a kilowatt basis to a dollar basis. The Acts also repealed the requirement that an accrued generation credit expired at the end of a 12-month period and required that the value of generation credits be based on the prevailing market price of electricity in the PJM Interconnection energy market. The Acts also specified the conditions under which an electric company was required to provide payment to an eligible customer-generator for excess credits. Finally, the Acts required the Commission to adopt regulations to implement the provisions of the Acts, and mandated the Commission to convene a technical work group to assist the Commission in developing the required regulations. On May 7, 2010, the Commission initiated Administrative Docket, RM41, for the purpose of conducting a rule making to adopt regulations as required by the Acts and to convene the technical working group with directions to the working group to submit its findings and recommendations, including proposed regulations, by August 1, 2010.

On August 2, 2010, Staff, on behalf of the technical working group, submitted the required report, which included two alternative versions of proposed regulations for the

Commission consideration: one of the proposals was offered by the electric distribution companies participating in the working group; and the other proposal was offered by the solar system developers participating in the working group. On October 26, 2010, the Commission held a rule making session at which it considered each of the alternative versions of proposed regulations. At this rule making session, the Commission adopted a set of proposed regulations to be published in the *Maryland Register* for notice and comment, which among other things, allowed a customer to net meter using facilities that are sized to produce up to 200 percent of a customer's annual baseline kilowatt hours of use and allowed aggregation of net metered loads either by using physical interconnection of service points or by summing the total from two or more meters (virtual aggregation). The proposed regulations were published for notice and comment in the February 25, 2011 *Maryland Register*, and a number of comments were submitted within the 30-day comment period from the date of publication.

Prior to the Commission considering these published proposed regulations for final adoption, Chapter 406, Laws of Maryland 2011 ("Ch. 406"), was enacted which amended § 7-306 of the Public Utilities Article to clarify the accrual of net excess generation credits by eligible customer-generators, as well as how and when eligible customer-generators could be compensated for any net excess. These amended provisions required the published proposed regulations to be revised to conform to the newly-enacted statutory language. On June 29, 2011, Staff submitted recommended revised proposed regulations to respond to the change in the statutory language. On August 16, 2011, the Commission held a rule making session at which it: (1) finally adopted the portion of the published proposed regulations that were not affected by the

2011 statutory change; and (2) adopted the revised proposed regulations submitted by Staff for publication in the *Maryland Register* for notice and comment. The revised proposed regulations were published on October 21, 2011, for notice and comment, and subsequently were finally adopted by the Commission in a rule making session held on January 19, 2012.

Q. RM43 – Reliability Regulations (COMAR 20.50.12)

The Commission instituted Rule making No. 43 to adopt service quality and reliability standards. During the pendency of the rule making, the Legislature enacted Chapter 167 of the 2011 Laws of Maryland also requiring the institution of service quality and reliability standards. The Commission convened a working group in this rule making to make recommendations, which were presented to the Commission on October 27, 2011. The Commission considered the working group’s recommendations and other comments submitted thereon, and adopted a set of comprehensive service quality and reliability standards.¹⁸

The standards include several major categories. The Commission adopted system-wide System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) reliability metrics for each of the four investor-owned utilities and the two largest electric cooperatives. The SAIDI and SAIFI metrics are for calendar years 2012-2015, after which the Commission will institute company proceedings to determine future SAIDI and SAIFI reliability metrics. In order to ensure that groups or pockets of customers do not receive poor reliability, the Commission adopted standards to monitor utility feeders and protective devices that

¹⁸ For purposes of this section, “adopt” means approved for publication in the *Maryland Register* for notice and comment.

activate multiple times. These two reliability standards require the utilities to improve the performance of the poorest three percent of the utility's feeders and protective devices that operate five or more times.

Additionally, the Commission adopted standards governing a utility's effort to restore service interruptions. The service interruption standards call for electric service to be restored within certain time periods during normal conditions and when major outage events occur. Major outage events are weather-related or other events that cause an interruption in electric service to 100,000 or 10 percent of a utility's customers, whichever is less.¹⁹ To ensure adequate utility response to downed electric wires, the Commission also adopted standards to direct utility response to hazardous downed wire events.

The reliability and service quality standards also establish customer communication metrics related to how long it takes a utility representative to answer a customer's calls, how many calls are abandoned and how much telephone line capacity is maintained for customer inquiries. These standards establish the minimum level of expected service quality. Finally, the Commission adopted comprehensive vegetation management and periodic equipment standards. These two categories establish minimum practices for utilities when maintaining and operating their electric facilities.

The electric utilities are required to submit annual performance reports to the Commission summarizing electric service quality and reliability results. By July 1st of each year, the Commission shall determine whether each company has met its service quality and reliability standards. The first review will be concluded by July 1, 2013, after

¹⁹ The interruption must last for 24 or more hours.

considering utility performance during 2012.²⁰ If a utility fails to meet one or more of its standards, the utility must file a corrective action plan. The Commission will undertake appropriate corrective action against a utility that fails to meet a standard, including imposition of appropriate civil penalty.

Electric utilities will need to develop implementation plans or supplement existing plans to ensure their level of performance meets or exceeds the new service quality and reliability standards discussed above.

R. RM44 - Deanna Camille Green Rule (Contact Voltage Survey Requirement and Reporting Regulations – COMAR 20.50.11)

On April 7, 2011, the Commission initiated Administrative Docket, RM44, to consider proposed regulations submitted by Anthony and Nancy Green as comments in the Administrative Docket, RM43, in which the Commission was considering adopting regulations implementing certain reliability standards applicable to Maryland electric companies. At the March 24, 2011, rule making session associated with RM43, Mr. and Ms. Green appeared and testified as to the circumstances resulting in the death of their daughter, Deanna Camille Green, by contact voltage shock while she was participating in a softball game at Druid Hill Park located in Baltimore City, Maryland. After reviewing the proposed regulations submitted by the Greens, the comments supporting the adoption of these regulations, and the testimony of the Greens at the March 24, 2011 rule making session associated with RM43, the Commission agreed that proposed regulations should proceed and not be delayed by linking these proposed regulations with the reliability

²⁰ The standards adopted by the Commission are anticipated to become effective on July 1, 2012. Thus, the first performance review will cover the portion of 2012 during which the standards are effective.

standard proposed regulations being considered in RM43. Accordingly, the Commission initiated RM44.

By a notice issued April 7, 2011, in RM44, Staff was directed to convene a meeting of interested persons to discuss the proposed regulations; to gather any relevant, technical or other information about stray voltage and contact voltage as well as potential ways of detecting and remedying the issues each raises; and to submit its report based on its research along with proposed regulations for the Commission to consider for publication by June 3, 2011. On July 7, 2011, the Commission held a rule making session to consider the proposed regulations that Staff filed in this docket in June 2011 and adopted proposed regulations, as revised during the rule making session, for publication in the *Maryland Register*. The proposed regulations were published in the September 9, 2011 edition of the *Maryland Register* for notice and comment. Several comments were filed. On October 28, 2011, the Commission held a rule making session in the matter and finally adopted the proposed regulations as published in the *Maryland Register*, which became effective on November 28, 2011.

The regulations, as adopted, require each electric company to have a Commission-approved voltage survey plan, in which it must conduct an initial contact voltage survey as well as periodic subsequent surveys of identified contact voltage risk zones (areas served by an underground electric distribution plant and having substantial pedestrian traffic or population density) and in publicly accessible electric distribution plants and electric company-owned or –maintained streetlights that are capable of conducting electricity; municipal-owned or governmental-owned streetlights and traffic signals that are publicly accessible and are capable of conducting electricity (upon

consent by the municipality or other governmental authority); and all objects and surfaces that are publicly accessible in public parks and playgrounds and that are capable of conducting electricity (upon consent of municipality or other governmental authority). Each electric company is required to file a certified annual compliance report with the Commission. A civil penalty may be imposed under the Public Utilities Article against any electric company that fails to comply with these regulations.

S. Supplier Diversity Memorandum of Understanding – PC16

As reported in the 2009 and 2010 Annual Reports, 16 utilities²¹ entered into a Memoranda of Understanding (“MOU”) with the Commission in which each utility agreed voluntarily to develop, implement and consistently report on its activities and accomplishments in promoting a strategy to support viable and prosperous women, minority, and service-disabled-veteran-owned business enterprises (“Diverse Suppliers”). In 2011, Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC and Veolia Transportation Services, Inc. agreed to these principles. These MOUs contained the utilities’ commitment to use their best efforts to achieve a goal of 25 percent Diverse Supplier contracting, standardized the reporting methodology, and instituted uniform annual plans and annual reports, in order to track the utilities’ compliance with the MOU.

In March of 2011, the majority of the signing utilities provided the first annual reports on the results of their supplier diversity programs. The results, summarized

²¹ Association of Maryland Pilots; Baltimore Gas and Electric Company; Delmarva Power & Light Company; First Transit’s Baltimore Washington International Thurgood Marshall Airport Shuttle Bus Contract; Potomac Edison Company d/b/a/ Allegheny Power; Potomac Electric Power Company; Qwest Communications Corporation; Verizon Maryland Inc.; Washington Gas Light Company; XO Communications Services, Inc; Southern Maryland Electric Cooperative, Inc.; Choptank Electric Cooperative, Inc.; Chesapeake Utilities Corporation; Columbia Gas of Maryland, Inc.; Easton Utilities; and Pivotal Utilities Holdings, Inc. d/b/a Elkton Gas.

below, were tabulated by the Commission Staff and presented to the Commission in June. The results reflect data filed with the Commission by the ten initial MOU signatories. Of these ten signatories, three exceeded the 25 percent goal.²² The others were significantly below the 25 percent threshold, but continued to make progress on their mid- and long-term goals. Since the MOU was originally signed, an additional nine companies have committed to its principles. For the first time in 2012, all MOU signatories will file their annual reports and plans by March 31, 2012.

Table 1 - Achieved vs. Target

This table shows the program spend by utility compared with each company's total spending. Certain types of spending are excluded from the total because those expenses are single sourced or are not applicable to the diversity program.²³

Table 1 - 2010 Utility Diverse Supplier Procurement Achievement

Utility	Total Diverse Supplier Procurement (\$)	Utility Procurement	Percentage of Diverse Supplier \$ to Utility Procurement \$	2010 Target
Assoc. Of MD Pilots	\$196,275	\$713,325	27.52%	25%
BGE	\$90,578,903	\$704,692,461	12.85%	10%
DPL	\$31,231,742	\$219,534,248	14.23%	9%
First Transit BWI Airport	\$4,254,562	\$14,575,088	29.19%	n/a
PE	\$4,124,735	\$35,824,819	11.51%	8%
Pepco	\$37,170,058	\$307,103,741	12.10%	10%
QWEST	\$392,242	\$5,927,458	6.62%	n/a
Verizon	\$103,440,849	\$233,483,907	44.30%	n/a
WGL	\$22,635,043	\$171,693,353	13.18%	11%
Sum	\$294,024,408	\$1,693,548,400	17.36%	

²² Attaining the 25 percent goal relieves a company from the MOU requirement to file an Annual Plan reflecting their outreach plans for the year, within 45 days of the company's fiscal year. However, the company must still file an Annual Report, which presents all of their data included in the charts presented here.

²³ Sources of exempted spend are agreed to in advance and can be found in the respective utility's MOU.

Actual achievements are shown against short term goals in 2010. Most participants reached and surpassed the 2010 goal. Three companies, First Transit BWI Airport, Verizon, and Association of Maryland Pilots met or surpassed the Commission's ultimate goal, 25 percent of diverse procurement dollar to the total utility procurement spend. Overall the total diverse procurement statewide accounted for over 17 percent of the total utility procurement.

Table 2 - Procurement by Diversity Group

In Table 2, the dollars and percentages from Table 1 are further broken down into spending by diversity classification. The percentage shown on the bottom row compares each spending for all companies in each classification with the total diversity spending for all companies.²⁴

Table 2 - 2010 Procurement by Diverse Group

UTILITY	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT-FOR-PROFIT WORKSHOPS	TOTAL DIVERSE SUPPLIER (\$)
BGE	\$45,474,920	\$38,857,695	\$6,189,109	\$57,178	\$90,578,903
DPL	\$11,659,710	\$19,342,046	\$146,593	\$83,393	\$31,231,742
First Transit BWI Airport	\$4,218,248	\$36,314	\$0	\$0	\$4,254,562
PE	\$2,169,668	\$1,946,977	\$8,089	\$0	\$4,124,735
Pepco	\$30,592,600	\$6,534,876	\$0	\$42,582	\$37,170,058
QWEST	\$167,870	\$96,084	\$0	\$0	\$263,954
Verizon	\$33,121,148	\$31,848,093	\$38,471,608	\$0	\$104,440,849
WGL	\$16,693,495	\$5,895,096	\$4,452	\$42,000	\$22,635,043
Sum	\$127,404,164	\$98,662,085	\$44,815,399	\$183,153	\$271,064,802

²⁴ The Association of Maryland Pilots is not required to break down their annual spend by diversity classification.

Percentage Of Total Diverse Suppliers					
\$	47.00%	36.40%	16.53%	0.07%	100%

**T. Consumer Education and Customer Choice Working Group --
PC25**

During the 2011 Legislative Session, the Maryland General Assembly passed HB 0587f / SB 0244f, codified in the Maryland Public Utilities Article as § 7-510.1, directing the Commission to “[E]ducate Customers about Customer Choice...”. In uncodified language, the General Assembly also directed the Commission to “[c]onvene a workgroup of interested parties to advise it on improvements to the Commission’s website information and presentation concerning customer choice as required by this Act....” On June 6, 2011, the Commission issued a Notice seeking nominations and recommended members. On July 5, 2011, after receipt of several responses from interested parties, the Commission empanelled the Consumer Education and Customer Choice (hereinafter “CECC” or “the Workgroup”) and directed it to file minutes and otherwise complete the tasks assigned to it in the uncodified language. The Workgroup held its inaugural meeting on July 12, 2011, and met regularly throughout the remainder of the year.

I. Description of Task

The uncodified language specifically set forth the responsibilities of the Workgroup as follows:

(1) study issues relating to:

- (i) development and improvement of materials concerning customer choice on the Commission’s website; and

(ii) options and recommendations for development of a customer education program by public units and private entities that will provide pertinent factual information to the public on the availability of customer choice, especially to customer classes that largely rely on standard offer service and to groups that may not adequately be able to rely on Web site-based sources of information on customer choice such as senior citizens and individuals with certain disabilities, and additional questions and issues that switching to or among competitive suppliers may present;

(2) develop recommendations for implementing suggested changes, new materials, and public outreach, including as appropriate, a schedule for developing, funding, and deploying customer education and materials on customer choice.

After surveying competitive electric Choice educational materials in other states and those produced by Maryland-based corporations and State agencies, the CECC filed a Report on December 28, 2011. In the Report, the CECC recommended that the Commission develop a comprehensive educational campaign centered on the overhaul of the current Commission website, and replace it with materials and resources developed by the CECC. The CECC also proposed several other offline educational efforts designed to draw attention to the availability of Choice. The CECC recommended that the Commission collect all costs for the development of the recommendations in the Report through the Commission's annual assessment on electric utilities and suppliers. Finally, the CECC recommended that the Commission empanel an Implementation Workgroup to carry out the recommendations in this Report, as approved by the Commission.

The Commission is currently reviewing the Report.

U. Regional Greenhouse Gas Initiative (“RGGI”)

Established in 2009, the Regional Greenhouse Gas Initiative (“RGGI”) is the first mandatory cap-and-trade program in the United States for carbon dioxide (“CO₂”). RGGI, Inc.²⁵ is a nonprofit corporation formed to provide technical and scientific advisory services to participating states in the development and implementation of these CO₂ budget trading programs.²⁶ Under RGGI, 10 Northeastern and Mid-Atlantic states jointly designed a cap-and-trade program that caps power plants’ CO₂ emissions, then lowers that cap by 10 percent by 2018. The participating states have agreed to use an auction as the means to distribute allowances²⁷ to electric power plants regulated under coordinated state CO₂ cap-and-trade programs. All fossil fuel electric power plants 25 MW or greater must obtain allowances.

RGGI took effect on January 1, 2009. From 2009 through 2014, the cap stabilizes emissions at current levels, approximately 188 tons annually until 2015. Beginning in 2015, the cap is reduced by 2.5 percent each year until 2018. The first compliance period is the period 2009-2011. The initial base annual emissions budget for the 2009-2014 period is as follows:

²⁵ The RGGI Board of Directors (“Board”) is composed of two representatives from each member state (20 total), with equal representation from the states’ environmental and energy regulatory agencies. Agency Heads (two from each state), also serving as board members, constitute a steering committee that provides direction to the Staff Working Group and allows in-process projects to be conditioned for Board Review.

²⁶ The RGGI offices are located in New York City in space collocated with the New York Public Service Commission at 90 Church Street.

²⁷ An allowance is a limited permission to emit one ton of CO₂.

Table VI.B.1: Annual Emissions Budget (2009 – 2014)²⁸

State	Carbon Dioxide Allowances (2009 – 2014 short tons)
Connecticut	10,695,036
Delaware	7,559,787
Maine	5,948,902
Maryland	37,505,984
Massachusetts	26,660,204
New Hampshire	8,620,460
New Jersey	22,892,730
Rhode Island	2,659,239
Vermont	1,225,830
Total	1,888,078,977

Source: *The Regional Greenhouse Gas Initiative: Memorandum of Understanding*. <http://www.rggi.org>.

This phased approach, with initially modest emissions reductions, is intended to provide market signals and regulatory certainty so that electricity generators begin planning for, and investing in, lower-carbon alternatives throughout the region, but without creating dramatic wholesale electricity price impacts and attendant retail electricity rate impacts. The RGGI MOU apportions CO₂ allowances among signatory states through a process that was based on historical emissions and negotiation among the signatory states. Together, the emissions budgets of each signatory state comprise the regional emissions budget or RGGI “cap.”

In 2011, RGGI held four auctions of CO₂ allowances. These auctions raised approximately \$38 million for the State’s Strategic Energy Investment Fund (“SEIF”). Pursuant to § 9-20B-05(g-1) of the State Government Article, *Annotated Code of*

²⁸ On May 27, 2011, New Jersey Governor Christie announced that New Jersey would withdraw from RGGI by December 31, 2011.

Maryland, the proceeds received from January 1, 2011 through June 31, 2011 by SEIF, were allocated as follows:

- (1) up to 50 percent shall be credited to an energy assistance account to be used for low-income energy assistance through the Electric Universal Service Program established under § 7-512.1 of the Public Utilities Article and other electric assistance programs in the Department of Human Resources;
- (2) 23 percent shall be credited to a rate relief account to provide rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers under § 7-211 of the Public Utilities Article, on a per customer basis and in a manner prescribed by the Commission;²⁹
- (3) at least 17.5 percent shall be credited to a low and moderate income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs, of conservation programs account for (i) the low-income residential sector at no cost to the participants of the programs, projects, or activities; and (ii) the moderate-income residential sector;
- (4) at least 6.5 percent shall be credited to a renewable and clean energy programs account for (i) renewable and clean energy programs and initiatives; (ii) energy-related public education and outreach; and (iii) climate change programs; and
- (5) up to 3.0 percent, but not more than \$4,000,000, shall be credited to an administrative expense account for costs related to the administration of the SEIF, including the review of electric company plans for achieving electricity savings and demand reductions that the electric companies are required under law to submit to MEA.

²⁹ During 2011, the Commission set the residential rate relief credit (“RGGI Credit”) as follows: \$0.36 per customer for the billing months of March, April and May 2011 (Order No. 83855 issued February 10, 2011); \$0.38 per customer for the billing month of June 2011 (Order No. 84022 issued May 5, 2011); \$0.38 per customer for the billing month of July and August 2011 (Order No. 84130 issued June 16, 2011); and \$0.16 per customer for the billing months of September and October 2011 (Order No. 84246 issued August 11, 2011). In Order No. 84647 issued on January 20, 2012, the Commission set the final RGGI Credit, until at least fiscal year 2015, at \$0.16 per customer for the billing month of March 2012. The total amount of the 2011 SEIF allocated to reimburse the electric companies for the 2011 RGGI Credits was approximately \$6.6 million.

Section 17 of Chapter 397 (Budget Reconciliation and Financing Act of 2011), Laws of Maryland 2011, re-allocated the proceeds of the RGGI auctions received by the SEIF for fiscal years 2012 through 2014. As a result of the re-allocation during the identified fiscal years, the amount allocated to provide rate relief by offsetting electricity rates of residential customers was eliminated and redistributed.

V. Organizations and Related Activities

1. Washington Metropolitan Area Transit Commission

The State of Maryland is a member of the Washington Metropolitan Area Transit Regulation Compact, an interstate agreement among this State, the Commonwealth of Virginia and the District of Columbia, which was approved by Congress in 1960 and amended in its entirety in 1990 at Maryland's behest and with the concurrence of the other signatories and Congress's consent. The Compact and the WMATC are codified in Title 10, Subtitle 2 of the Transportation Article, *Annotated Code of Maryland*.

The Washington Metropolitan Area Transit Commission ("WMATC") was created in 1960 by the Compact for the purpose of regulating certain transportation carriers on a coordinated regional basis. Today, the WMATC regulates private sector passenger carriers, including sightseeing, tour, and charter bus operators; airport shuttle companies; wheelchair van operators and some sedan and limousine operators, transporting passengers for hire between points in the Washington Metropolitan Area Transit District.

The Metropolitan District includes: the District of Columbia; the cities of Alexandria and Falls Church of the Commonwealth of Virginia; Arlington County and Fairfax County of the Commonwealth of Virginia, the political subdivisions located

within those counties, and that portion of Loudoun County, Virginia, occupied by the Washington Dulles International Airport; Montgomery County and Prince George's County of the State of Maryland, and the political subdivisions located within those counties; and all other cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of those counties, cities, and airports.

WMATC also sets interstate taxicab rates between signatories in the Metropolitan District, which for this purpose only, also includes Baltimore-Washington International Thurgood Marshall Airport ("BWI") (except that this expansion of the Metropolitan District to include BWI does not apply to transportation conducted in a taxicab licensed by the State of Maryland or a political subdivision of the State of Maryland or operated under a contract with the State of Maryland).

A Commissioner from the Commission is designated to serve on the WMATC. Governor O'Malley appointed Commissioner Lawrence Brenner to serve on the WMATC in November 2008. Commissioner Brenner currently serves as the Chair of WMATC.

In fiscal year ("FY") 2011, which is from July 1, 2010 through June 30, 2011, the WMATC accepted 171 applications to obtain, transfer, amend or terminate a WMATC certificate of authority and 1 application to obtain temporary authority. The WMATC also initiated 102 investigations of carrier compliance with WMATC rules and regulations and received two formal complaints. The WMATC issued 428 orders in formal proceedings in FY2011. There were 385 carriers holding a certificate of authority at the end of FY2011 – up from 329 at the close of FY2010, which is almost four times

the 97 that held authority at the end of FY1990, before the Compact lowered barriers to entry beginning in 1991. The number of vehicles operated under WMATC authority was approximately 4,595 as of June 30, 2011. The WMATC processed 41 informal complaints in FY2011, mostly concerning interstate taxicab overcharges.

The Public Service Commission includes its share of the WMATC budget in its own budget. Budget allocations are based upon the population of the Compact signatories in the Compact region. In Maryland, this includes Montgomery and Prince George's Counties, as noted above. The FY2011 WMATC budget was \$770,000 and Maryland's share was \$362,054 or 47 percent of the WMATC budget. In FY2011, the WMATC generated \$115,800 in non-appropriations revenue (fees and forfeitures), which was returned to the signatories on a proportional basis.

2. Mid-Atlantic Distributed Resources Initiative ("MADRI")

MADRI was established in 2004 by the state regulatory utility commissions of Delaware, District of Columbia, Maryland, New Jersey and Pennsylvania, along with the U.S. Department of Energy ("DOE"), the U.S. Environmental Protection Agency ("EPA"), Federal Energy Regulatory Commission ("FERC"), and PJM. In 2008, the regulatory utility commissions of Illinois and Ohio became members of MADRI.

MADRI's position is that distributed generation should be able to compete with generation and transmission to ensure grid reliability and a fully functioning wholesale electric market. It was established to facilitate the identification of barriers to the deployment of distributed generation, demand response and energy efficiency resources in the Mid-Atlantic region, and determine solutions to remedy these barriers. Institutional barriers and lack of market incentives have been identified as the primary

causes that have slowed deployment of cost-effective distributed resources in the Mid-Atlantic.

Facilitation support is provided by the Regulatory Assistance Project funded by DOE. The Commission participates along with other stakeholders, including utilities, FERC, service providers, and consumers, in discussions and actions of MADRI. Commissioner Brenner currently is the Chair of MADRI.

3. Organization of PJM States, Inc.

The Organization of PJM States, Inc. (“OPSI”) was incorporated as a non-profit corporation in May 2005. It is an inter-governmental organization comprised of 14 utility regulatory agencies, including the Commission. OPSI, among other activities, coordinates data/issues analyses and policy formulation related to PJM, its operations, its Independent Market Monitor, and related FERC matters. While the 14 OPSI Members interact as a regional body, their collective actions as OPSI do not infringe on each of the 14 agencies' individual roles as the statutory regulators within their respective state boundaries.

4. Eastern Interconnection States' Planning Council

The Eastern Interconnection States' Planning Council (“EISPC”) has its initial funding by an award from the DOE pursuant to a provision of the American Recovery and Reinvestment Act (“ARRA”). The goal of EISPC is to create a collaborative among the states in the Eastern Interconnection. It is comprised of public utility commissions, Governors' offices, energy offices, and other key government representatives. The collaboration it intended to foster and produce consistent and coordinated direction to the

regional and interconnection-level analyses and planning. Significant state input and direction increases the probability that the outputs will be useful to the state-level officials whose decisions may determine whether proposals that arise from such analyses become actual investments. Chairman Nazarian serves on the EISPC Executive Committee and currently is President of EISPC.

5. National Association of Regulatory Utility Commissioners (“NARUC”)

NARUC is the national association representing the State Public Service Commissioners who regulate essential utility services, including energy, telecommunications, and water. NARUC members are responsible for assuring reliable utility service at fair, just, and reasonable rates. Founded in 1889, NARUC is an invaluable resource for its members and the regulatory community, providing a venue to set and influence public policy, share best practices, and foster innovative solutions to improve regulation. Chairman Nazarian serves on the NARUC Board of Directors and Executive Committee, and Commissioner Williams is the Chair of the Subcommittee on Utility Marketplace Access.

The Commission also is a member of the Mid-Atlantic Conference of Regulatory Utility Commissioners (“MACRUC”), a regional division of NARUC. Commissioner Brenner served as the Chair of MACRUC during 2010 – 2011.

IV. OTHER MAJOR CASES

A. ELECTRIC-OR-GAS-RELATED MATTERS

- 1. The Applications: (1) to Establish the Overall Need for Construction of a New Transmission Line Known as the Mid-Atlantic Power Pathway (MAPP) Project; (2) to Modify the CPCN in Case No. 6526 to Construct an**

Already Approved Second 500 kV Circuit on New Supporting Structures Across the Potomac River; (3) to Modify the CPCN in Case No. 6984 to Construct a Second 500 kV Circuit Between Chalk Point and Calvert Cliffs, Maryland and to Replace Certain Existing Structures for the Existing 500 kV Circuit in Calvert County – Case No. 9179

In March 2009, this matter was docketed as Case No. 9179 to consider the application for a CPCN submitted by BGE, Delmarva and Pepco (“MAPP Applicants”), and the Commission delegated the matter to the Public Utility Law Judge Division for hearing. The Commission’s 2009 and 2010 Annual Reports provided a status of the proceedings during calendar years 2009 and 2010, respectively.

Initially, as a result of a prehearing conference in January 2011, evidentiary hearings and evening public hearings were scheduled to be held on specific dates in September 2011, with a final order proposed to be issued by January 31, 2012. In May 2011, the procedural schedule was modified to delay the hearings until March 2012. On August 19, 2011, the MAPP Applicants filed a request to delay the procedural schedule for a period of one year from the date of the request or upon PJM’s issuance of its 2012 RTEP, whichever was later. On September 6, 2011, the Public Utility Law Judge issued a notice suspending the procedural schedule for a period of not less than one year from the date of the ruling.

2. Requests by Baltimore Gas and Electric Company, Delmarva Power & Light Company, and Potomac Electric Power Company for Recovery of Standard Offer Service Related Cash Working Capital Revenue Requirement – Case Nos. 9221, 9226, and 9232

As reported in the 2010 Annual Report, these three proceedings were initiated based on submissions of BGE, Pepco and DPL³⁰ asking for recovery of Standard Offer Service (“SOS”)-related cash working capital revenue requirement. Based on a request by Office of People’s Counsel, the scope of each proceeding was expanded to review all components of the SOS Administrative Charge. The proceedings were delegated to the Public Utility Law Judge Division for hearing.

Hearings for cross-examination in Case Nos. 9226 and 9232 were held on September 2, 2010, and September 13, 2010. Hearings for cross-examination in Case No. 9221 were held on January 20 and 24, 2011.

A Proposed Order in Case Nos. 9226 and 9232 was issued on February 4, 2011, and the Proposed Order in Case No. 9221 was issued on May 31, 2011. The decision of the Public Utility Law Judge (who presided over all the proceedings) was identical in each Proposed Order. The Public Utility Law Judge decided: (1) to eliminate the Administrative Charge and return components; (2) to require that all cash working capital costs be recovered in SOS rates and shall earn a rate of return as set in each company’s last rate case at the authorized rate of return, subject to an annual true-up proceeding; and (3) to direct that all SOS costs and revenues be examined as part of each company’s next rate case. Timely appeals of each of the Proposed Orders were filed by Pepco and Delmarva; BGE; Washington Gas Energy Services; OPC; Staff; and the Retail Energy

³⁰ Case No. 9226 and Case No. 9232 were conducted as consolidated proceedings.

Supply Association. No final order in the matters had been issued as of December 31, 2011.

3. Gas Price Hedging – Case No. 9224

As reported in the 2010 Annual Report, the Commission initiated Case No. 9224 to determine the appropriate amount of hedging to procure low priced gas to be injected into storage during the summer of 2010. After investigation and hearings, the Commission issued a series of Orders authorizing one gas utility, WGL, to conduct hedging for summer storage gas for the 2010 injection season as well as for the 2010-2011 winter heating season, and established reporting requirements on hedging transactions undertaken in both hedging plans.

On April 1, 2011, WGL filed an application for approval to operate ongoing summer and winter hedging programs (similar to the 2020 summer storage injection and 2010-2011 winter baseload hedging programs previously authorized by the Commission), and proposed revisions to its Maryland tariff to recover the costs associated with these continuing hedging programs through the company's purchased gas charge.³¹ After receiving comments and holding a legislative-style hearing on May 11, 2011, the Commission issued Order No. 84090 (dated June 8, 2011), in which it authorized the company to proceed with 2011 summer storage injection and 2011-2012 winter baseload hedging programs (directing reports to be submitted on each program at the end of the applicable hedging season). The Commission further set a procedural schedule by which it would consider a further request by the company to obtain approval for a hedging

³¹ At the hearing on May 11, 2011, the company agreed to withdraw its proposed tariff revision, which request the Commission granted.

program for the 2012 summer storage injection season and the 2012-2013 winter heating season, if the company wanted to pursue such hedging programs.

4. In the Matter of a Review of the Price to Compare Published by the Maryland Investor-Owned Electric Utilities – Case No. 9228

As reported in the 2010 Annual Report, the Commission initiated Case No. 9228 for the purpose of investigating the effectiveness of the “price to compare” calculated by the investor-owned utilities (“IOUs”) and set forth on customers’ monthly bills. On June 24, 2010, the Commission issued Order No. 83423 directing the IOUs to replace their existing “Price to Compare” message with a listing of current and known SOS prices and a weighted average of known SOS prices, including effective dates. The Commission required each IOU to make a compliance filing, including the description of certain pricing and cost information. The Commission considered these filings at its September 1, 2010 Administrative Meeting, and noted each of the filings. Additionally, the Commission directed Pepco and Delmarva to include all bypassable charges in the supply charge comparison language and again directed PE to eliminate any language referring to the “price to compare” as well as directed PE to include all bypassable charges in its supply charge comparison language and to include the supply charge comparison information on both residential and non-residential customers’ bills.

On February 9, 2011, OPC submitted a petition alleging that certain of the IOUs had erroneous SOS Pricing Information on their bills and websites, and asked the Commission for an order directing the IOUs to correct this information. Additionally, OPC proposed a four-step filing process for the IOUs to file SOS tariffs, update SOS

Pricing Information on their websites and customer bills, and submit a copy of the updated information to the Commission to verify compliance with the process.

After receiving comments and holding a legislative-style hearing, the Commission issued Order No. 84089 (dated June 8, 2011) in which it directed the IOUs to: (1) make certain changes to each of their customer bills and website as set forth in the Order; (2) submit revised tariff pages within five business days of the SOS contract approval reflecting the approved SOS prices; (3) update the SOS Pricing Information posted on the IOUs' websites within seven business days of the SOS contract approval, which shall appear on customers' bills; and (4) add substitute language to the SOS Pricing Information section on the customers' bills to inform customers when SOS prices will be updated next, in lieu of the language that states that the SOS price is unknown after a certain date.

5. Investigation of the Current Practice of Baltimore Gas and Electric Company and BGE Home Products & Services, Inc. – Case No. 9235

As reported in the Commission's 2010 Annual Report, the Commission issued Order No. 83467 initiating the docket (Case No. 9235) and delegating to the Public Utility Law Judge Division, the conduct of the investigation of the practices of sharing resources by BGE and BGE Home. After conducting the investigation, the Public Utility Law Judge was directed to submit a report to the Commission that contains findings of fact, including whether any violations of the Commission's regulations have occurred, and any recommendations the Public Utility Law Judge may have in connection with additional measures that the Commission may wish to consider for strengthening the

Commission's Code of Conduct regulations to ensure that cross-subsidization by a utility's ratepayers for unregulated affiliate activities do not occur.

A number of Motions were submitted in the matter between November 2010 and March 2011 by the parties. On May 12, 2011, the Public Utility Law Judge held a motions hearing to hear arguments on all pending motions. As of December 31, 2011, the matter remains pending.

6. Investigation of Demand Response Billing Service by Electric Utilities to Federal End-User Customers – Case No. 9236

As reported in the Commission's 2010 Annual Report, the Commission initiated Case No. 9236 to examine the demand response billing services utilized by Maryland electric utilities for federal end-user customers and to consider potential methods to increase the participation of these customers in demand response programs, including the use of utility billing credits. The Commission received eight written comments in the matter on August 28, 2010. On February 4, 2011, the Commission conducted a legislative-style hearing to obtain additional comments from the electric utilities. On August 19, 2011, the Commission issued Order No. 84262 in which it encouraged the Maryland electric utilities to explore mechanisms to enhance customer participation in demand response, including the use of third-party billing credits, but did not mandate the Maryland utilities to implement this billing option. Further, the Commission suggested that as the EmPOWER Maryland utilities prepare and file their new round of EmPOWER Maryland programs for the 2012-2014 planning cycle, they should expand their suites of demand response programs to reach and engage customers more effectively, especially for federal end-user customers. Additionally, the Commission directed that each

EmPOWER Maryland utility actively discuss and inform qualifying federal entities of the benefits of demand response programs offered through curtailment service providers or through the utility directly. Finally, the Commission directed Potomac Edison, in conjunction with its 2012-2014 EmPOWER Maryland planning, to investigate and report back to the Commission regarding the potential for the creation of a CSP program administered by Potomac Edison that is similar to its programs in West Virginia and Pennsylvania.

7. Application of the Potomac Edison Company d/b/a Allegheny Power for a Certificate of Public Convenience and Necessity to Modify the Monocacy-Ringgold-Carroll Transmission Line in Frederick, Washington and Carroll Counties, Maryland – Case No. 9239

As reported in the Commission's 2010 Annual Report, the Commission docketed Case No. 9239 to consider Potomac Edison's application for a CPCN to modify existing transmission lines located in Frederick, Washington and Carroll Counties, Maryland, and delegated the matter to the Public Utility Law Judge Division for hearing. An evidentiary hearing for cross-examination of witnesses was held on March 22, 2011. Evening hearings for public comment were held in Frederick on March 22, 2011; Carroll County on March 23, 2011; and Washington County on March 24, 2011. On May 19, 2011, a Proposed Order of Public Utility Law Judge was issued granting a Certificate of Public Convenience and Necessity to the Potomac Edison Company to construct and modify its Monocacy-Ringgold-Carroll Transmission Line in Frederick, Washington and Carroll Counties, Maryland, and incorporated the Agreement of Stipulation and

Settlement which included Revised Initial Licensing conditions into and as part of the CPCN. The Proposed Order was not appealed and became Order No. 84046.

8. Investigation of the Regulation of Curtailment Service Providers (“CSPs”) – Case No. 9241

As reported in the Commission’s 2010 Annual Report, the Commission docketed this case on August 23, 2010, to consider whether CSPs operating in Maryland are required to obtain a license, and if so, whether the Commission should require CSPs to submit periodic reports containing information that may be relevant to the Commission’s statutory obligation to assess the adequacy of Maryland’s electricity supply. On February 10, 2011, the Commission conducted a legislative-style proceeding to consider the issues raised and to provide parties an opportunity for comment. On August 22, 2011, the Commission issued Order No. 84275, in which it concluded that CSPs operating within Maryland qualify as “electricity suppliers” and are required to be licensed as electricity suppliers as a condition of doing business in this State. Further, the Commission directed: (1) Staff to submit, by September 30, 2011, proposed amendments to the electric supplier license application form that adapt the application for CSPs; (2) all existing CSPs within Maryland to file applications for an electricity supplier license within 90 days of the Commission’s approval of the amended application form; and (3) Staff to convene a stakeholder meeting by September 30, 2011, for the purpose of commencing discussion of relevant issues discussed in this Order, and submit a report to the Commission on or before December 29, 2011, addressing the results of stakeholder discussions. The Commission also authorized all CSPs currently doing business in Maryland to continue their business activities, subject

to existing law and regulations, until their license application were reviewed and approved. Staff submitted a report of the results of the stakeholder discussions on January 6, 2012, for the Commission's consideration.

9. Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for the Bagley 230 kV Transmission Line Bypass – Case No. 9243

As reported in the Commission's 2010 Annual Report, the Commission docketed Case No. 9243 to consider BGE's application for a CPCN for the modification of an existing 230 kV overhead transmission line located near the intersection of Fallston Road and Harford Road in Harford County, Maryland. BGE proposed to construct a bypass line necessary to facilitate construction of the Bagley New 230 kV-to-34.5 kV Master. The matter was delegated to the Public Utility Law Judge Division for hearing. An evidentiary hearing for cross-examination of the witnesses was held on January 19, 2011, in Fallston, Maryland. The evening hearing for public comment was held that same date and location. On January 31, 2011, a Proposed Order of Public Utility Law Judge was issued, granting BGE's application for a CPCN for the Bagley line bypass, subject to the licensing conditions recommended by PPRP. In addition, the CPCN was further conditioned and construction could not commence unless the Applicant complied with the provisions of § 7-207(g) of the Public Utilities Article regarding any necessary concurrence from the Maryland Aviation Administration or the Federal Aviation Administration, both of which were required to be filed in the case

docket prior to the start of construction.³² The Proposed Order was not appealed and became Order No. 83891.

10. Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for its Joppatowne Supply Project – Case No. 9244

As reported in the Commission’s 2010 Annual Report, the Commission docketed Case No. 9244 on October 13, 2010, to consider BGE’s application for a CPCN for the addition of a “tap line” at its existing Joppatowne Substation located in Harford County, Maryland. The Commission delegated the matter to the Public Utility Law Judge Division for hearing. An evidentiary hearing in the matter was held on January 19, 2011, in Fallston, Maryland, with the evening hearing for public comment held on the same date and location. On January 31, 2011, a Proposed Order of Public Utility Law Judge was issued granting BGE’s application for a CPCN for the addition of a “tap line” at its existing Joppatowne Substation located in Harford County, subject to the licensing conditions recommended by PPRP. The Proposed Order was not appealed and became Order No. 83868.

11. Investigation into the Licensing of Maryland-Licensed Electric and Gas Brokers' Agents – Case No. 9245

As reported in the Commission’s 2010 Annual Report, the Commission initiated Case No. 9245, to consider whether persons (companies or individuals) selling electricity or gas on behalf of electricity and gas brokers or suppliers licensed in Maryland, but not directly employed by the licensed brokers or suppliers, should be considered brokers themselves and therefore required to obtain electricity or gas supplier

³² On February 4, 2011, BGE submitted for filing in the case docket the necessary concurrence from the Maryland Aviation Administration and the Federal Aviation Administration.

licenses from the Commission. The Commission conducted a legislative-style hearing on the matter on February 25, 2011. As of December 31, 2011, the matter remained pending.

12. Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity to Construct a 230 kV Transmission Line Circuit between the Conastone and Graceton Substations in Harford County, Maryland – Case No. 9246

As reported in the Commission's 2010 Annual Report, the Commission docketed Case No. 9246 to consider BGE's application for a CPCN to construct a 230 kV transmission line circuit between the Conastone and Graceton Substations in Harford County, Maryland. The Commission delegated the matter to the Public Utility Law Judge Division for hearing. An evidentiary hearing for cross-examination of the witnesses was held on April 25, 2011. An evening hearing for public comment was held in Jarrettsville on April 26, 2011. Pursuant to the agreement of the parties, as confirmed at the evidentiary hearing, the proceeding is being held in abeyance pending receipt of certain information from PJM.

13. Application of the Town of Thurmont, Maryland for Authority to Increase its Rates for Electric Service – Case No. 9247

On December 1, 2010, the Town of Thurmont, Maryland filed an application for authority to increase its rates for electric service. It requested an increase in electric revenues of \$495,714, or a 6.22 percent increase over its existing revenues based on its audited fiscal year 2009 financial statements. By Order No. 83738, the Commission initiated an administrative docket, Case No. 9247, to consider the application, suspended the tariff revisions for an initial period of 150 days from the effective date of the

revisions, and delegated the matter to the Public Utility Law Judge Division for hearing. By Order No. 83900 dated March 7, 2011, the Commission extended the suspension period by 30 days.

On March 29, 2011, an evening hearing for public comments was held in the Town. The parties reached a settlement, and an evidentiary hearing was held on May 12, 2011, at which the Joint Motion for Approval of Stipulation and Settlement was offered. On May 13, 2011, the Public Utility Law Judge issued a Proposed Order accepting the Joint Motion for Approval of Stipulation and Settlement Agreement without change and incorporated it into the Proposed Order. There was no appeal of the Proposed Order and it became Order No. 84073.

14. Investigation into the Competitiveness of Centralized Propane Distribution in Maryland – Case No. 9263

Until the early 1990s, centralized propane distributors were regulated as public service companies under a relaxed regulatory model, at which point the Commission deregulated the prices of centralized propane providers but continued its enforcement of safety standards. On March 11, 2011, the Commission initiated a new docket, Case No. 9263, to investigate the competitiveness of centralized propane distribution companies in response to customer complaints regarding propane prices and issues dealing with billing practices and other terms and conditions of service. Consequently, a notice was issued and information was solicited by the Commission from 14 centralized propane providers, to determine whether current market conditions warranted the continuation of the relaxed regulatory treatment that such Companies were awarded approximately 20 years ago. Hearings were held on August 23, 2011. The Commission Staff and the Office of

People's Counsel submitted comments and participated in the hearings, along with the fourteen centralized propane distribution providers identified by the Commission in its notice.

The Commission Staff found that while limitations may exist which inhibit the substitution of other fuels for propane, other features or contractual provisions generally result in the centralized propane markets operating as if they were offered in a competitive market. Based on these findings, Staff recommended that the Commission continue to forbear in regulating prices and business practices in the centralized propane industry. Industry participants generally supported the Staff's observations and recommendations.

The Office of People's Counsel recommended that the Commission establish additional regulatory oversight over centralized propane distributors with regard to non-price terms and conditions of service, and that the Commission direct Staff to monitor prices charged by such centralized propane providers. The Office of People's Counsel also recommended that the Commission establish a set of standardized consumer protection rules and pointed out that there appears to be ambiguity as to where customers of centralized propane distribution companies can file complaints.

The information brought to the Commission's attention and issues raised during the proceeding are under review by the Commission.

15. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Construct a new 138 kV Overhead Transmission Line in Worcester County, Maryland to the Maryland/Delaware State Line – Case No. 9264

On March 4, 2011, an application was filed by Delmarva requesting a CPCN to construct a 12.3 mile, 138 kV overhead transmission line from Delmarva’s Bishop substation in Worcester County to the Delaware State Line (1.9 miles in Maryland). On March 23, 2011, the Commission initiated a new docket, Case No. 9264, to consider the application and delegated the proceeding to the Public Utility Law Judge Division. A public comment hearing was held on August 31, 2011, followed by an evidentiary hearing on September 8, 2011. On September 26, 2011, an Agreement of Stipulation and Settlement entered into by the parties in the proceeding was filed. On October 4, 2011, a Proposed Order of Public Utility Law Judge was issued, which granted the application filed for a CPCN to construct a 138 kV transmission line in Worcester County, Maryland, subject to certain conditions set forth in the exhibit to the Proposed Order. The Proposed Order was not appealed and became Order No. 84461.

16. Application of Chesapeake Utilities Corporation for an Order Approving its Exercise of a Franchise to Provide Natural Gas Services in Cecil County, Maryland – Case No. 9266

On March 12, 2011 Chesapeake Utilities Corporation filed an application for approval to exercise the Franchise Agreement (“Application”) it had obtained from the Board of County Commissioners of Cecil County on September 7, 2010. After its March 31, 2011 Administrative Meeting, at which the Commission Staff and the Office of People’s Counsel expressed reservations about the exercise of Chesapeake’s franchise,

and after receiving further information from Chesapeake and the Staff, the Commission, on April 11, 2011, initiated a new docket, Case No. 9266, and issued Order No. 83969 granting conditional approval of Chesapeake's Application subject to no adverse comments being received within 30 days.

On May 10, 2011, Pivotal Utility Holdings, Inc. d/b/a Elkton Gas, filed comments opposing Chesapeake's Application based on its view that the Application would authorize Chesapeake to duplicate certain Elkton Gas facilities. Chesapeake and Cecil County both filed letters on May 26, 2011 responding to Elkton Gas' opposition. After arguments by both companies on the issue of facilities duplication at the June 1, 2011 Administrative Meeting, Elkton Gas indicated that it did not object to the Commission's suggestion that it forfeit its franchise in Cecil County's Election District 5.

On June 8, 2011, the Commission issued Order No. 84088, ruling that Elkton Gas' franchise authority in Cecil County's Election District 5 was forfeited and that Chesapeake could exercise its franchise in its Initial Service Area, except in Election Districts 3 and 4. Order No. 84088 also delegated Case No. 9266 to the Public Utility Law Judge Division to determine to what extent Chesapeake could operate in Election Districts 3 and 4. Following extensive discussions, the parties submitted a Settlement of all disputed matters on September 29, 2011. On October 12, 2011, a Proposed Order of Public Utility Law Judge was issued which granted the application of Chesapeake for an order approving its exercise of a franchise to provide natural gas services in Cecil County, Maryland, in accordance with the Joint Stipulation and Settlement Agreement. The Proposed Order was not appealed and became Order No. 84488.

17. Application of Big Savage, LLC for a Certificate of Public Convenience and Necessity to Construct a 138 kV Generator Lead Line in Allegany County, Maryland and Request for Expedited Review – Case No. 9268

On April 20, 2011, Big Savage, LLC filed an application with the Public Service Commission for a CPCN seeking authority to construct a 138 kV Generator Lead Line in Allegany County, Maryland. On April 22, 2011, the Commission initiated a new docket, Case No. 9268, to consider the application. Pursuant to Order No. 84028, the Commission accepted the application and delegated the matter to the Public Utility Law Judge Division. On August 29, 2011, Big Savage submitted an Agreement of Stipulation and Settlement by the parties (PPRP, OPC, Commission Staff, and Big Savage) which reflected a number of requirements and conditions requested to be incorporated into the CPCN. On August 30, 2011, an evidentiary hearing, as well as an evening hearing to receive public comment on the application, was held at the Holiday Inn Cumberland in Cumberland, Maryland. On September 22, 2011, a Proposed Order of Public Utility Law Judge was issued which granted the application for the CPCN, incorporating the agreed upon requirement and conditions from the Settlement Agreement. The Proposed Order was not appealed and became Order No. 84369.

18. Delmarva Power & Light Company's Notice Regarding a Pole Replacement Project for the Farm Crest Substation – Case No. 9269

By letter dated October 26, 2010, Delmarva notified the Commission of Delmarva's intent to build a new substation area between two of its existing substations and adjacent to its existing transmission right-of-way near Farm Crest, Maryland in Cecil County. Specifically, Delmarva indicated that it intended to add two new steel

poles to the existing right-of-way, as well as a tap line into the new substation. Delmarva also requested a ruling from the Commission that the construction associated with the new substation did not require a CPCN. Staff, in its written comments submitted on November 15, 2010, recommended that the Commission require Delmarva to obtain a CPCN prior to commencing construction of the new substation project. After considering the matter at its November 23, 2010, Administrative Meeting, the Commission established a briefing schedule, and both Delmarva and Staff submitted an initial and responsive brief.

On May 9, 2011, Order No. 84027 was issued, and the majority of the Commissioners held that Delmarva must obtain a CPCN prior to beginning the proposed work on the transmission lines associated with the new substation project. The majority found that Delmarva's proposed project met the definition of "construction" in § 7-207(a)(1) of the Public Utilities Article, and, therefore, Delmarva was required to apply for a CPCN prior to commencing construction.

Commissioner Brenner dissented from the majority opinion and wrote separately. Commissioner Brenner indicated that he would find that Delmarva's proposed project is not a "physical change" under § 7-207(a)(1) of the Public Utilities Article or a modification as defined in COMAR 20.79.01.02B(14)(b). Accordingly, he concluded the company did not need to obtain a CPCN for its proposed project.

19. Application of Maryland Solar LLC for a Certificate of Public Convenience and Necessity to Construct a 20 MW Solar Photovoltaic Generating Facility in Washington County, Maryland – Case No. 9272

On May 16, 2011, an application was filed by Maryland Solar, LLC requesting a CPCN to construct a 20 MW Solar Photovoltaic Generating Facility on a site at the Maryland Correctional Institute in Hagerstown, Washington County, Maryland. In addition, Maryland Solar requested a waiver of the two-year notice requirement under § 7-208 (b)(1) of the Public Utilities Article, which was granted by the Commission at the May 25, 2011 Administrative Meeting. The Commission docketed the matter as Case No. 9272, and delegated the case to the Public Utility Law Judge Division for hearing.

A prehearing conference was held on June 13, 2011, and a procedural schedule was agreed upon at that conference. Pursuant to the procedural schedule, the company and Staff filed direct testimony, and PPRP filed direct testimony, a List of Proposed Initial Recommended Licensing Conditions and a Draft Environmental Review of the Proposed Maryland Solar Farm Project. Also filed was a Stipulation and Settlement agreed to by Maryland Solar, the Staff and PPRP. The Stipulation incorporated the Proposed Licensing Conditions. The Office of People's Counsel did not join the Stipulation but did not oppose it. A hearing on the Settlement was held on August 18, 2011, and a public comment hearing was held on August 24, 2011.

On September 7, 2011, a Proposed Order of Public Utility Law Judge was issued, in which the Public Utility Law Judge determined that the requested CPCN, inclusive of the Proposed Licensing Conditions contained within the Stipulation, was in the public interest, convenience and necessity. He granted the application, subject to the Proposed

Licensing Conditions, and accepted the Agreement of Stipulation and Settlement without change or alteration. The Proposed Order was not appealed and became Order No. 84369.

20. Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for the Perryman to Harford Transmission Line Relocation Project – Case No. 9274

On June 1, 2011, BGE filed an application for a CPCN to relocate and extend two existing 115 kV transmission lines connected to the Perryman Substation located within Constellation Power Source Generation, Inc.'s Perryman power plant site. The purpose of the project is intended to reduce the impact to existing service demands by averting a potential overload in 2012 that has been identified by PJM on the two 115 kV transmission lines connected to the Perryman Substation. On June 16, 2011, the Commission docketed the matter as Case No. 9274, and delegated the conduct of the proceedings to the Public Utility Law Judge Division.

A pre-hearing conference was held on July 19, 2011, at which a procedural schedule was set and at which party status was granted to PPRP. Evidentiary and public comment hearings were held on November 3, 2011. On November 22, 2011, a Proposed Order of Public Utility Law Judge was issued granting BGE's application for a CPCN to relocate two existing 115 kV transmission lines in Harford County, Maryland, subject to the conditions set forth in the appendix attached to the Proposed Order. The Proposed Order was not appealed and became Order No. 84584.

21. Southern Maryland Electric Cooperative, Inc. 2010 Depreciation Rate Study and Proposed Depreciation Rates – Case No. 9275

On May 20, 2011, SMECO filed a 2010 Depreciation Study with the Commission, and stated that it intended to implement the proposed depreciation rates retroactive to January 1, 2010, upon approval of the Commission of the Study. At its June 22, 2011 Administrative Meeting, the Commission, pursuant to the recommendation of Staff, initiated a docket, Case No. 9275, and delegated the matter to the Public Utility Law Judge Division for hearing. On September 16, 2011, Staff advised the parties that it had not yet reached arrangements with a consultant to testify on behalf of Staff, and was unable to provide a date by which it could submit its testimony. On November 21, 2011, SMECO submitted its direct testimony. No procedural schedule has been established, and the matter remains pending as of December 31, 2011.

22. Formal Complaint of the Mayor and City Council of Baltimore v. Baltimore Gas and Electric Company – Case No. 9276

On June 2, 2010, the Mayor and City Council of Baltimore filed a formal complaint with the Commission against BGE. The City asked that the Commission direct BGE to permit the City to provide its own maintenance of all street lighting poles and fixtures owned by the City using existing fuse kits as the disconnect as provided by BGE's Retail Electric Service Tariff. On July 26, 2010, BGE submitted a letter, with the concurrence of the City, asking that the Commission delegate the complaint to the Commission's Office of External Relations ("OER"). On August 11, 2010, the Commission granted BGE's request, and delegated the matter to OER for a less formal form of dispute resolution.

By letter dated June 6, 2011, the Director of OER notified BGE and the City that, despite the several separate and joint meetings that he had with the parties, he determined that the negotiations were at an impasse because of a disagreement on certain factual issues, pendency of other proceedings, safety concerns and business interests not before the Commission. He therefore indicated that he was recommending that the Commission implement an evidentiary proceeding to resolve the dispute. On July 20, 2011, the Commission initiated an administrative docket, Case No. 9276, and delegated the matter to the Public Utility Law Judge Division for hearing.

On August 31, 2011, after conducting a pre-hearing conference, the Public Utility Law Judge issued a Notice of Procedural Schedule with evidentiary hearings to be held in April 2012. On December 5, 2011, pursuant to the joint request of the City and BGE, the Public Utility Law Judge issued a notice suspending the procedural schedule pending the Commission's action on tariff revisions submitted by BGE on December 1, 2011, which were intended to resolve the dispute.

At its December 21, 2011 Administrative Meeting, the Commission considered the proposed tariff revisions and suspended them for a period of 150 days from the effective date. Further, the Commission issued a notice requesting public comment and set the matter for further consideration at its Administrative Meeting on February 8, 2012.

On March 20, 2012, the City withdrew its complaint, and the docket was closed on March 22, 2012.

23. Application of CPV Maryland, LLC for a Certificate of Public Convenience and Necessity Authorizing the Minor Modification of its St. Charles Project, in Charles County, Maryland – Case No. 9280

On August 25, 2011, CPV Maryland, LLC (“CPV”) filed an application with the Commission for a CPCN to authorize the minor modification of its St. Charles Project in Charles County, Maryland. CPV had been granted a CPCN for construction of the St. Charles Project by Order No. 82309 in Case No. 9129 (“Final Order”). On April 20, 2010, the Commission granted CPV’s motion to amend certain air permitting conditions and to modify the deadlines of several of the conditions included in the CPCN, including the time by which construction was required to commence after grant of the CPCN. In the application, CPV also requested that the Commission extend the construction deadline to 54 months from the Final Order.

On September 7, 2011, the Commission initiated an administrative docket, Case No. 9280, to consider the application and delegated the matter to the Public Utility Law Judge Division for hearing. On September 30, 2011, after conducting a pre-hearing conference, the Public Utility Law Judge issued a notice of procedural schedule in which an evidentiary hearing and evening hearing for public comments had been scheduled for January 23, 2012 in Waldorf, Maryland. Additionally, at the prehearing conference, CPV’s request to toll the construction deadline was granted until completion of the proceeding and issuance of a final order in the matter. On December 15, 2011, pursuant to the agreement of the parties, the procedural schedule was modified and the evidentiary hearing and the evening hearing for public comments were re-scheduled to February 27, 2012 without a change in location.

24. Application of the Town of Williamsport, Maryland for Authority to Increase its Rates and Charges for Electric Service – Case No. 9281

On August 26, 2011, the Town of Williamsport, Maryland filed an application for approval by the Commission to revise the Town's rates and charges for electric service and for certain rate design changes, including a request for authority to increase its operating revenues by approximately \$173,815. On September 8, 2011, the Commission initiated an administrative docket, Case No. 9281, to consider the application, suspended the tariff revisions for an initial period of 150 days from their effective date, and delegated the matter to the Public Utility Law Judge for hearing. On November 2, 2011, the Commission extended the suspension period for an additional 30 days to accommodate the procedural schedule to which all the parties to the proceeding had agreed. On December 15, 2011, an evidentiary hearing was held in the matter. On December 20, 2011, an evening hearing for public comment was held in the Town of Williamsport. The procedural schedule requires that a Proposed Order be issued by February 24, 2012. In the event that the Proposed Order is appealed, the final Order must be issued by April 27, 2012, the expiration date of the suspension period.

25. Application of the Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for the Northwest to Deer Park 115 kV Transmission Line Extension Project – Case No. 9282

On September 22, 2011, BGE filed an application for a CPCN to construct and maintain a new 115 kV circuit extension between its existing Northwest substation in Baltimore County and its existing Deer Park switching station in Carroll County and perform certain related work. On September 28, 2011, the Commission initiated an

administrative docket, Case No. 9282, to consider the application and delegated the matter to the Public Utility Law Judge Division for hearing. On November 1, 2011, after conducting a prehearing conference, the Public Utility Law Judge issued a notice of procedural schedule with evidentiary hearings scheduled to be held in March 2012.

26. Application of Delmarva Power & Light Company for Authority to Increase its Rates and Charges for Electric Distribution Service – Case No. 9285

On December 9, 2011, Delmarva filed an application for approval by the Commission to increase Delmarva's rates and charges for its electric distribution service by approximately \$25 million with the proposed rates going into effect on January 8, 2012. By Order No. 84562 issued December 21, 2011, the Commission initiated an administrative docket, Case No. 9285, to consider the application, suspended the proposed tariff revisions for an initial period of 150 days from the effective date of the revisions, and set a pre-hearing conference on January 17, 2012, to establish a procedural schedule for the proceeding and consider any petitions to intervene. The Commission also indicated that, due to some commonality of issues with an application for an increase for rates filed by Pepco (Case No. 9286), the Commission tentatively concluded that the evidentiary hearings for each matter should be consolidated to streamline the proceedings.

27. Application of Potomac Electric Power Company for Authority to Increase its Rates and Charges for Electric Distribution Service – Case No. 9286

On December 16, 2011, Pepco filed an application for approval by the Commission to increase the Company's rates and charges for its electric distribution

service by approximately \$68 million with the proposed rates going into effect on January 15, 2012. By Order No. 84563 issued December 21, 2011, the Commission initiated an administrative docket, Case No. 9286, to consider the application, suspended the proposed tariff revisions for an initial period of 150 days from the effective date of the revisions, and set a prehearing conference on January 17, 2012, to establish a procedural schedule for the proceeding and consider any petitions to intervene. The Commission also indicated that due to some commonality of issues with an application for an increase for rates filed by Delmarva (Case No. 9285), the Commission tentatively concluded that the evidentiary hearings for each matter should be consolidated to streamline the proceedings.

B. TELECOMMUNICATIONS MATTERS

1. Verizon Service Quality Order—Case Nos. 9072, 9114, 9120, 9121, 9123 and 9133

Commission Case Nos. 9072, 9114, 9120, 9121, 9123 and 9133, which are described in prior Annual Reports, cover a wide range of telecommunications issues involving Verizon Maryland Inc. (“Verizon”), the State’s predominant Incumbent Local Exchange Carrier (“ILEC”). Those issues include: reclassification of regulated bundled services to the competitive basket (Case No. 9072); Verizon’s service performance and standards for service quality (Case No. 9114); Verizon’s legal and regulatory relationships with its affiliates (Case No. 9120); the appropriate local calling area boundaries and related issues (Case No. 9121); investigation into Verizon’s provision of local exchange telephone service over fiber optic facilities (Case No. 9123); and the overall best manner of regulating telephone companies (Case No. 9133). On February 2,

2010, the Commission issued Order No. 83137 (“February 2 Order”), which resolved a wide range of telecommunications issues in Case Nos. 9072, 9114, 9120, 9121, 9123 and 9133, each of which have been described in prior Annual Reports.

Pursuant to the Commission’s February 2 Order, Verizon became subject to a new Service Quality Plan that requires filing of monthly and quarterly service quality reports and makes available up to \$6 million per year in credits for customers who experience out-of-service conditions or missed repair or new installation appointments. Throughout 2011, the Commission has reviewed Verizon’s monthly and quarterly retail service quality reports. In accordance with the approved service of improvement plan, Verizon paid credits to customers for its failure to meet service quality standards in the third calendar quarter of 2010. Verizon’s service quality reports, for the fourth quarter of 2010 and the first and second quarters of 2011, indicated that Verizon’s service quality met the Commission-set service quality standards. Consequently, no customer credits were payable for those time periods.

On October 17, 2011, Verizon filed a petition seeking relief from the service quality penalties for the third quarter of 2011, due to confluence of force majeure events during August and September of 2011. Those events included a work stoppage from August 7 through August 22, 2011; an earthquake on August 23, 2011; a hurricane which affected Maryland on August 27 and 28, 2011; and a tropical storm in early September 2011. As of December 31, 2011, the Commission had not ruled on Verizon’s petition.

Additionally, the February 2 Order created a new link between Verizon’s service quality and its ability to increase the price of residential basic local service. Under the February 2 Order, Verizon was unable to increase rate caps for residential basic local

service (“Basket 1 services”) until it was able to show that it had met certain COMAR standards and Out-of-Service performance levels. On July 1, 2011, Verizon filed its first application for authority to increase the Basket 1 services since the approval of its alternative form of regulation in the February 2 Order. After providing a period for written comments and consideration of the filing at its October 26, 2011 Administrative Meeting, the Commission approved the application and the proposed increases to the Basket 1 services.

The Commission’s February 2 Order also required Verizon to file an annual operational plan, which proposes a strategy to meet its service quality standards. Verizon filed its second annual operational plan in July of 2011, and the Commission is currently developing a mechanism to quantitatively assess the effectiveness of the operational plan’s components.

2. Proposal of Verizon Maryland, Inc. to Reduce the Residential Monthly Directory Assistance "Free" Call Allowance – Case No. 9270

On May 10, 2011, Verizon Maryland Inc. filed a revised tariff page proposing to decrease its monthly “free” call allowance for residential directory assistance from four to two. On May 19, 2011, by Order No. 84043, the Commission initiated an administrative docket, Case No. 9270, to consider the request, suspended the tariff revision for an initial period of 150 days, and delegated the matter to the Public Utility Law Judge Division for hearing. On September 1, 2011, based on Verizon’s request to re-set the starting date of the initial suspension period, the Commission modified the initial suspension period to be 150 days from the re-set effective date.

On October 3, 2011, an evidentiary hearing for cross-examination of pre-filed testimony was conducted by the assigned Public Utility Law Judge. A hearing for public comments was also held on that date. On November 4, 2011, the Public Utility Law Judge issued his Proposed Order in which he found that Verizon's proposed tariff revision did not satisfy the statutory requirements of the Public Utilities Article. He concluded that Verizon had not carried its burden to show that the proposed revision satisfied the public interest requirement of the applicable statute.

On November 30, 2011, Verizon noted a timely appeal of the Proposed Order and submitted its Memorandum on Appeal. On December 20, 2011, Staff and OPC each filed a Reply Memorandum. A final order was issued January 21, 2012, affirming the Proposed Order.

C. OTHER MATTERS

1. Joint Application from Artesian Water Maryland, Inc. and Artesian Wastewater Maryland, Inc. for Approval to exercise a Water Franchise and a Wastewater Franchise, Respectively, in the Area known as Elkton West, Cecil County, Maryland – Case No. 9163: Phase I and Phase II

On September 30, 2008, Artesian Water Maryland, Inc. and Artesian Wastewater Maryland, Inc. filed a joint application requesting that the Commission grant the companies the authority to exercise a water franchise agreement and wastewater franchise agreement granted to the applicants by Cecil County, Maryland and to approve the applicants' operation of the water and wastewater facilities acquired from Cecil County, Maryland. On November 18, 2008, by Order No. 82323 issued in administrative docket (Case No. 9163 – Phase I), the Commission granted the application. On December 17, 2008, a petition for rehearing was submitted by certain residents of Cecil

County asking the Commission to note that a civil action had been filed in the Circuit Court for Cecil County seeking judicial review of the Cecil County resolutions involving the sale and transfer of the County's water and wastewater facilities to the applicants under the franchise agreements.

On April 17, 2009, the companies submitted another joint application for approval of their exercise of franchises to provide water and wastewater service in Cecil County, Maryland and for authority to finance facilities and establish new water and wastewater service rates (Case No. 9163 – Phase II). Consideration of this application was held in abeyance pursuant to the request of the companies awaiting the decision of the Court on the appeal taken by certain citizens of Cecil County.

On July 5, 2011, based on the decision of the Maryland Court of Appeals rejecting the residents' challenge to the legality of the sale of the water and wastewater to the applicants, the companies asked the Commission to deny the Petition for Rehearing of Order No. 82323, and requested that the Commission promptly consider the second application filed in April 2009.

At its August 10, 2011 Administrative Meeting, the Commission heard from the companies, the residents opposing the franchise agreement, two Commissioners of the County Board, OPC and Staff. On August 31, 2011, by Order No. 84305, the Commission (1) granted the applicants authority to exercise the franchises granted by Cecil County, Maryland as described in both Joint Applications; (2) reauthorized the applicants to finance the purchase of the Elkton West water and wastewater systems, and authorized them to assume the County's outstanding indebtedness relating to the County's Series 2004B Cecil County Sanitary District bonds; (3) directed the companies

to file, upon consummation of the purchase, rates for water and wastewater service identical to the rates currently charged by the County; and (4) denied the Petition for Rehearing filed by the applicable residents of the County.

2. Application of Maryland Water Service, Inc. for Authority to Revise its Rates and Charges for Water and Wastewater Service – Case No. 9248

On December 1, 2010, Maryland Water Service, Inc. filed an application for authority to revise its rates and charges for water and wastewater service to a level that produces additional total revenues of \$465,778 in the residential communities of Pinto and Highland Estates in Allegany County, Maryland. According to the application, the overall revenue increase was to be apportioned between the two communities with \$453,679 allocated to Pinto water and wastewater customers and \$12,099 to water customers in Highland Estates. After review of the Application at its December 15, 2010 Administrative Meeting, the Commission issued Order No. 83749 in which it initiated an administrative docket, Case No. 9248, suspended the tariff revisions for an initial period of 150 days from the date that certain conditions set by the Order were satisfied, and delegated the matter to the Public Utility Law Judge Division for further proceedings. Upon satisfying the conditions of Order No. 83749, the Commission then issued Order No. 83775 that suspended the proposed rates for an initial period of 150 days from January 7, 2011. By mutual agreement, the parties agreed to re-set the effective date of the tariff revisions and extend the initial 150-day suspension period to August 12, 2011. The Commission granted the parties' request in Order No. 83924, dated March 15, 2011.

An evening hearing for public comment was held on April 12, 2011, in Cresaptown (Allegany County), Maryland. Approximately 50 residents from the communities served by the Company were in attendance and a number of ratepayers

provided comment. An evidentiary hearing was held on April 19, 2011. At the outset of the hearing, the parties announced that they had engaged in extensive discussions that resulted in reaching agreement to settle the issues raised by the application. On June 2, 2011, the Public Utility Law Judge issued a Proposed Order concluding that the rates established in the Stipulation and Settlement Agreement were just and reasonable and it was in the public interest that this Agreement should be accepted. He therefore accepted the Agreement and authorized the company to file revised rates for its water and wastewater services in accordance with the Agreement. There was no appeal of the Proposed Order and it became Order No. 84167.

3. Application of Artesian Water Maryland, Inc. for Revision of Water Rates – Case No. 9252

On January 12, 2010, the Commission initiated a new docket, Case No. 9252, to consider Artesian Water Maryland, Inc.'s application to revise its water rates for the former Mountain Hill water system and increase its revenue requirements by \$64,644. The Commission delegated the matter to the Public Utility Law Judge Division for hearing. An evidentiary hearing for cross-examination of the witnesses was held on April 14, 2011, and the evening hearing for public comment was held on April 7, 2011 in Perryville, Maryland. On July 5, 2011, the Proposed Order of Public Utility Law Judge was issued and included the following findings: (1) the appropriate test period for determination of the proper rate of increased earnings was the 12-month period ending June 30, 2010; (2) the Company, in the 12-month test year, sustained a net operating loss of \$130,896 resulting in a negative 2.69 percent overall rate of return; (3) the adjusted rate base for the 12-month test year was \$5,238,430 and was the proper rate base for

determination of the Company's increased revenue requirement; (4) 10 percent is a fair and reasonable rate of return on the Company's adjusted rate base; and (5) the rate design proposed by the Company was acceptable. The Proposed Order authorized the Company to file revised rates that are designed to produce additional annual revenues not less than \$51,342.

Artesian and the Office of People's Counsel each noted a timely appeal of the Proposed Order. The Company appealed on the single issue that the Public Utility Law Judge erred in utilizing Staff's average rate base adjustment rather than the terminal rate base as proposed by the Company. OPC appealed on three issues: (1) the Public Utility Law Judge's characterization in the Proposed Order that it was uncontested that the Company suffered a loss in the test year; (2) a violation of the basic rate making principle of matching revenue with expenses, because only the revenues for the use of a portion of the system capacity were included, whereas the expenses included were those incurred for the entire system; and (3) the Public Utility Law Judge ignored the burden of proof because the Company failed to demonstrate that the revenues under current rates would not satisfy its full build out requirements. On September 16, 2011, by Order No. 84353, the Commission denied each of the appeals, affirmed the Proposed Order, and directed the Company to file tariff revisions reflecting an increase in rates by a gross revenue requirement of \$51,342.

4. In the Matter of the Application of Green Ridge Utilities, Inc. for Authority to Revise its Rates and Charges for Water Service – Case No. 9283

On September 30, 2011, Green Ridge Utilities, Inc. submitted an application for authority to revise its rates and charges for water service for its water system located in

Harford County, Maryland. In its application, it proposed a total increase in revenues of approximately \$185,712 as well as changing its billing frequency from quarterly to monthly. On October 12, 2011, the Commission initiated administrative docket, Case No. 9283, to consider the application; suspended the tariff revisions for a period of 150 days from the date the company submitted its written testimony; and delegated the matter to the Public Utility Law Judge Division for hearing. On October 28, 2011, pursuant to the agreement of the parties, the Commission suspended the tariff revisions for a period of 150 days from October 30, 2011.

On December 5, 2011, a pre-hearing conference was held and a procedural schedule was established. An evening hearing for public comment was scheduled for January 11, 2012 in Harford County, and the evidentiary hearing was scheduled for January 12 and 13, 2012. The Proposed Order was issued by March 8, 2012. The 150-day suspension period expires on March 29, 2012, unless the Commission extends the period by 30 days in the event that the Proposed Order is appealed.³³

V. OTHER RULE MAKINGS: REGULATIONS -- NEW AND AMENDED

A. RM42 – TRANSPORTATION - LIABILITY INSURANCE

As reported in the 2010 Annual Report, the Commission initiated Administrative Docket RM42 in response to the passage of House Bill 825 which, effective January 1, 2011, increased the minimum amount of liability insurance requirements for motor vehicles. After considering comments on the published regulations at an Open Meeting, held on December 10, 2010, the Commission adopted an increase in taxicab insurance

³³ Pursuant to the agreement of the company, the Commission extended the suspension period an additional 30 days, or until April 27, 2012.

limits to \$30,000/\$60,000 for bodily injury and \$15,000 for property damage, which is consistent with the mandated minimum insurance requirements, set forth in House Bill 825. The rule making remained pending, awaiting revised proposed regulations to be submitted in the matter that conform to the Commission's decision on December 10, 2010.

On July 5, 2011, Staff submitted the revised proposed regulations for further consideration by the Commission – COMAR 20.90.02.19 and COMAR 20.90.02.17. A rule making session to consider these proposed revised regulations was held on August 9, 2011, at which the Commission approved the publication of the proposed revised regulations for notice and comment in the *Maryland Register*. On December 22, 2011, the Commission held a rule making session to consider whether to finally adopt the proposed regulations, COMAR 20.90.02.19 and COMAR 20.90.02.17, which were published in the *Maryland Register* on September 23, 2011. The proposed regulations were finally adopted as published, and became effective on January 23, 2012.

B. RM45 – APPLICATION REQUIREMENTS FOR CERTIFICATION AS A RENEWABLE ENERGY FACILITY – SOLAR HOT WATER HEATING SYSTEM

Chapter 408, Laws of Maryland 2011 (House Bill 933), effective January 1, 2012, established an allowance for an owner/operator of a solar water heating system commissioned on or after June 1, 2011, to qualify as a Renewable Energy Facility under certain terms and conditions. On August 29, 2011, Staff submitted proposed revisions to COMAR 20.61.02.01 to add application requirements for certification of a solar hot water heating system as a Renewable Energy Facility to comply with the requirements set

forth in Chapter 408. On August 30, 2011, the Commission initiated Administrative Docket RM45 to consider the proposed revisions to COMAR 20.61.02.01.

On September 22, 2011, the Commission held a rule making session to consider the proposed revisions to COMAR 20.61.02.01. After hearing comments from Staff and other interested persons, the Commission approved the publication of the proposed revisions to COMAR 20.61.02.01, including the modifications made during the rule making session, for notice and publication in the *Maryland Register*.

On October 28, 2011, prior to the submission of the proposed revised regulation to the *Maryland Register*, Staff advised the Commission that it believed that further substantive revisions to the proposed regulations were necessary. Consequently, on November 16, 2011, the Commission held a rule making session to consider the further revisions to COMAR 20.61.02.01. After hearing comments from Staff and other interested persons, the Commission approved the proposed revised regulations, COMAR 20.61.02.01E and 20.61.02.01F, for publication in the *Maryland Register* for notice and comment. On December 30, 2012, the proposed regulations were published in the *Maryland Register*.³⁴ On February 29, 2012, the Commission held a rule making session at which it finally adopted the published proposed regulations, which become effective on April 2, 2012.

VI. BROADENED OWNERSHIP ACT

In compliance with § 14-102 of the Economic Development Article, *Annotated Code of Maryland*, entitled the "Broadened Ownership Act," the Commission engaged in

³⁴ Pursuant to the request of the Commission, emergency regulations went into effect on January 1, 2012 through June 20, 2012, or until the finally adopted regulations become effective, whichever is earlier.

communications with the largest gas, electric, and telephone companies in the State in an effort to ensure their awareness of this law. The law establishes the need to institute programs and campaigns encouraging the public and employees to purchase stocks and bonds in these companies, thus benefiting the community, the economy, the companies, and the general welfare of the State.

The following major utility companies submitted reports outlining various efforts to encourage public and employee participation in the stock purchase program:

(a) Pepco Holdings, Inc. (“PHI”) continues to encourage broadened ownership of the Company’s capital stock, particularly among Maryland residents. PHI is the parent company of Pepco and Delmarva. As of August 31, 2011, there are more than 226 million shares of PHI common stock outstanding and are held by over 53,000 shareholders. With respect to ownership of PHI stock by Maryland residents, PHI’s records show that 9,844 shareholder accounts, representing 6.5 million shares, are registered directly to Maryland residents.

(b) NiSource, Inc. (“Parent”) owns all of the common stock of the Columbia Energy Group, which in turn owns all of the common stock of Columbia Gas of Maryland, Inc. The Parent has two plans, which encourage broadened employee stock ownership: the Employee Stock Purchase (“ESP”) Plan and the Retirement Savings Plan. In addition, NiSource, Inc. maintains a Dividend Reinvestment and Stock Purchase Plan that broadens stock capital ownership by all stockholders.

On August 31, 2011, the Parent had 280,902,639 shares of its common stock outstanding, of which 10.2 million or about 3.6 percent were held by employees in the ESP Plan and the Retirement Savings Plan. As of August 31, 2011, the Parent had

approximately 659 registered stockholders with Maryland addresses, holding approximately 247,836 shares of Parent common stock.

(c) As of September 30, 2011, 18,561 Maryland residents representing 61.03 percent of Constellation Energy Group, Inc's. (Parent Company of BGE) ("CEG") total common shareholders owned 8,166,676 or 4.05 percent of the outstanding shares of common stock. In addition, CEG employees (many of whom are Maryland residents) own additional shares of common stock through CEG's Employee Savings Plan.

CEG established an Employee Savings Plan to provide employees with a convenient way to save toward retirement and to increase their ownership interest in the CEG. Under this Plan, employees may save up to 50 percent of their income and invest such savings in any of CEG's common stock, 9 mutual funds, 12 Target Dated Funds, one bond fund, one stable fund or a combination of all 24 investment options. As of September 30, 2011, 5,155,720 shares of common stock were held in the Employee Savings Plan for current and former employees, including approximately 716,568 shares allocated during the current reporting period. As of October 30, 2009, nuclear employees were segregated into a separate plan sponsored by Constellation Energy Nuclear Group, LLC ("CENG"). As of September 30, 2011, there were 892,167 shares of common stock in that CENG Plan.

CEG established a Shareholder Investment Plan to provide a viable and attractive method for CEG's registered and beneficial investor to acquire additional shares. As of September 30, 2011, 11,990 Maryland residents representing 39.42 percent of CEG's total common shareholders, owned 2,853,291 or 1.42 percent of the legal outstanding shares of common stock, participated in the Shareholder Investment Plan.

(d) The Potomac Edison Company was a wholly-owned subsidiary of Allegheny Energy, Inc. (“AE”) through February 25, 2011, at which point it became a subsidiary of FirstEnergy Corporation (“FE”). AE continued its Employee Stock Ownership and Savings Plan throughout 2010. Approximately 87.1 percent of AE's employees are currently contributing to the Plan and 3,125 participants have AE stock as part of their account balance within the Plan. As of December 31, 2010, 1,084 Maryland residents held 390,697 shares of AE stock as stockholders of record, which represents approximately 6.88 percent of all AE registered stockholders and 0.23 percent of all shares.

(e) Washington Gas Light Company provides the following information from the Investor Relations Department regarding its efforts to broaden ownership of the Company's capital stock, particularly among residents of Maryland and Company employees. Currently, approximately 26.91 percent of registered shareholders reside in Maryland, and represent 3.63 percent of WGL's outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2011, 100 employees were actively participating in WGL's Dividend Reinvestment and Common Stock Purchase Plan, and approximately 956 employees (both active and retired) owned shares through its 401K Savings Plan.

(f) Verizon Maryland Inc. is a wholly owned subsidiary of Verizon Communications Inc. Public stockholder ownership in the Maryland Company is obtained through the purchase of Verizon Capital Stock. The Verizon Savings Plan enables employees to purchase stock in Verizon Communications Inc. Employees are

eligible to participate in the plan after one year of service. As of September 30, 2011, there were 23,141 Maryland residents who held Verizon stock.

VII. REPORTS OF THE AGENCY'S DEPARTMENTS/ DIVISIONS

A. Office of Executive Secretary

The Executive Secretary is responsible for the daily operations of the Commission and for keeping the records of the Commission, including a record of all proceedings, filed documents, orders, regulation decisions, dockets, and files. The Executive Secretary is an author of, and the official signatory to, minutes, decisions and orders of the Commission that are not signed by the Commission directly. The Executive Secretary is also a member of a team of policy advisors to the Commission.

The Office of Executive Secretary ("OES") is responsible for the Commission's case management, expert services procurement, order preparation, purchasing and procurement, regulation development and coordination, tariff maintenance, the Equal Employment Opportunity Program ("EEO"), operations, fiscal and budget management, the Commission's computer system, including databases and the official website and the intranet site. The OES divisions are:

1. ***Administrative Division***, which includes the following sections:
 - a. ***Case Management***. The Case Management Section creates and maintains formal dockets associated with proceedings before the Commission. In maintaining the Commission's formal docket, this Section must ensure the security and integrity of the materials on file, while permitting access by the general

public. Included within this security function is the maintenance of confidential/proprietary information relating to the conduct of utility regulation and required compliance with detailed access procedures. During 2011, this Section established 334 new dockets and processed 2,722 non-transportation-related case items. This Section is also responsible for archiving the formal dockets based on the record retention policies of the Commission.

b. *Document Management.* The Document Management Section is responsible for the development of the Commission's Administrative Meeting Agenda ("Agenda"), the official open meeting action agenda mandated by law. During 2011, this Section scheduled 45 Commission administrative meetings to consider the Agenda; and there were 2,018 items considered at these meetings. Additionally, this Section is responsible for docketing public conferences held by the Commission. There were three administrative docket public conferences initiated and held in 2011. This Section also processed 8,407 filings, including 3,207 memoranda.

c. *Regulation Management.* This Section is responsible for providing expert drafting consultation, establishing and managing the Commission's rule making docket, and coordinating the adoption process with the Secretary of State's

Division of State Documents. During 2011, this Section managed three rule making dockets that resulted in emergency or final adoption of regulation changes to COMAR Title 20 – Public Service Commission, and four rule making dockets that remain active.

- d. *Operations.* This Section is responsible for managing the Commission’s telecommunications needs and its motor vehicle fleet as well as being the liaison to accomplish building maintenance, repairs and construction needs of the Commission. In addition, this Section is responsible for the EEOP.

2. ***Fiscal Division***, which includes the following sections:

- a. *Fiscal and Budget Management.* This Section manages the financial aspects of the daily operations of the Commission. The operating budget totaled \$17,786,066 for fiscal year ending June 30, 2011. This budget consisted of \$17,023,689 in Special Funds and \$762,377 in Federal Funds. Included within the normal State functions are two unique governmental accounting responsibilities. The first function allocates the Commission's cost of operation to the various public service companies subject to the Commission’s jurisdiction. The second function allocates the budget associated with the Department of Natural Resources’ Power Plant Research

Program to electric companies distributing electricity to retail customers within Maryland. This Section also administers the financial accountability of the Pipeline Safety Program and the Hazardous Liquid Pipeline Safety Program, which are partially reimbursed by the Federal Department of Transportation, by maintaining all associated financial records consistent with federal program rules, regulations, and guidelines requiring additional record keeping.

b. *Purchasing and Procurement Management.* This Section is responsible for expert services procurement and all other procurements required by the Commission as well as the overall control of supplies and equipment. This Section is also responsible for agency forms management and record retention management. This Section's staff maintained and distributed the fixed and disposable assets, maintained all related records, purchased all necessary supplies and equipment, and coordinated all equipment maintenance. As of June 30, 2011, this Section was maintaining approximately 141 items of disposable supplies and materials totaling \$6,397.65 and fixed assets totaling \$1,968,077.97.

3. *Information Technology Division.* The Information Technology Division ("IT") functions as the technical staff for the Commission's network and computer systems. IT is responsible for computer

hardware and software selection, installation, administration, training and maintenance. IT manages and maintains the Commission's Internet website and the information/databases conveyed therein. In 2011, IT: (a) Designed and implemented the Maryland Electric Choice Website, which is hosted on-site and available by linking via the Commission's main website; (b) created an application to allow constituents to conduct the Solar Certification Process online via the PSC website; (c) designed a new application to allow the Administrative Division to post and administer WHAT'S NEW (PSC home page) items without IT involvement; (d) deployed a new VMWare System that comprises two redundant servers and a shared network storage array offering complete availability/failover and enhancing the PSC Network's survivability; (e) created a new portal and application that allows candidates to conduct the Solar Water Heating Certification process online; (f) implemented a Secure Electric Choice Supplier Portal, granting suppliers the ability to register and submit electric choice offers to the Commission via the PSC website; and (g) Implemented a secure inter-agency data exchange with the Maryland Child Support Enforcement Administration ("CSEA") to export licensing data from PSC databases to CSEA's cross-referencing systems.

4. ***Personnel Division.*** The Personnel Section is responsible for day-to-day personnel transactions of the Commission, which include

recruitment, testing, hiring, retirements and terminations, along with associated records management. In addition, this Division is responsible for payroll, timekeeping, and state and federal employment reports. The Division serves as the liaison between the State's Department of Budget and Management's Office of Personnel Services and Benefits, the Commission and the Commission's employees. During 2011, this Section provided the Commission's managers and personnel with advice, direction, and guidance on hiring, personnel matters, performance evaluations, salary issues under the Agency's independent salary plan, and retirement and training.

B. Office of General Counsel

The Office of General Counsel ("OGC") provides legal advice and assistance to the Commission on questions about the jurisdiction, rights, duties or powers of the Commission, defends Commission orders in court, represents the Commission in federal and State administrative proceedings, and initiates and defends other legal actions on the Commission's behalf as needed. OGC also supervises enforcement of the Commission's rules, regulations and filing requirements as applied to utilities, common carriers and other entities subject to the Commission's jurisdiction, and leads or participates in special projects as directed by the Commission.

In addition, OGC provides legal support to the Commission in a variety of ways, including responding to requests for information pursuant to the Maryland Public Information Act. During 2011, OGC attorneys also continued to interface with various Maryland communities regarding utility reliability concerns and tree trimming practices

as those practices related to electric power restoration, and assisted the Commission with various enforcement actions relating to limousine and for-hire-drivers.

Below is a summary of selected cases litigated by OGC and selected matters that OGC represented the Commission in, before the Federal Energy Regulatory Commission and before the Federal Communications Commission.

1. Summary of Selected Litigation

Of the Commission's cases on appeal in 2011, in *Communications Workers of America, ALF-CIO v. Public Service Commission of Maryland, et al.*, Ct. of Sp. App., Sept. Term, 2010, No. 02185 ("CWA"), the Maryland Court of Appeals affirmed the Commission order that comprehensively resolved six regulatory cases involving Verizon Maryland Inc. Also, *Stevenson v. Pepco* (Circuit Court for Prince George's County, CAL 09-00301), in which the Circuit Court affirmed the Commission's dismissal of the customer's complaint addressing billing and meter issues and denied a subsequently filed request for reconsideration, is closed.

In the matter of *Verizon Maryland Inc. v Core Communications, Inc.*, U.S. District Court for the District of Maryland (Civil Action No. 1:02-cv-03180-JMF, on June 30 2009 the Court granted Verizon's motion for summary judgment overturning the Commission's final order in PSC Case No. 8889 wherein the Commission determined that Verizon breached its contract with Core by failing to provision interconnection facilities on terms and conditions comparable to those available to Verizon's customers. Core appealed the matter to the Fourth Circuit Court of Appeals. Maryland PSC joined in that appeal seeking reversal of the District Court's Order and reinstatement of the Commission's decision. On appeal, in an unpublished opinion, the Fourth Circuit

reversed the District Court's decision, in part, holding "that Verizon had a duty to provide Core with the requested interconnection and therefore breached its contract." *Verizon Maryland, Inc. v. Core Communications, Inc.* 405 Fed.Appx. 706 (4th Cir. 2010). The matter was remanded to the District Court to address damages and to determine whether Verizon also breached an implied duty of good faith and fair dealing. On remand, the Commission filed memoranda reiterating its findings in Case No. 8889. The District Court's proceedings on remand remain pending.

Additionally, in 2011, the Court of Special Appeals dismissed *pro se* appeals by Mr. Vincent Robinson and Mr. Ralph Jaffe against the Public Service Commission for failure to comply with court procedure, including filing a timely brief and payment of filing fees. And, *Big Savage, LLC v. Maryland Public Service Commission* (Circuit Court for Baltimore City, Civil No. 24-C-11-000820) was withdrawn. In that case, the Commission determined that Big Savage, LLC was not eligible to obtain a Certificate of Convenience and Necessity to construct an overhead transmission line to connect its wind generation station in Pennsylvania to Allegheny Power's transmission system in Frostburg, Maryland.

In other matters, in *Chris Bush vs. Public Service Commission*, the circuit court affirmed that the Commission approval of the EDF transaction was supported by substantial evidence in the record. And, in *Edward Fisher v. Public Service Commission*, the circuit court for Allegany County affirmed a Commission decision, concluding that the Commission did not have jurisdiction to regulate Little Orleans Campground's provision of water and sewage services.

2. Federal Energy Regulatory Commission and Federal Communications Commission Proceedings

During 2011, OGC continued to challenge excessive transmission incentive rate requests filed by transmission owners and developers and intervened in and filed comments in several proceedings involving shortage pricing and demand response compensation, including extensive comments to FERC in a rule making proceeding on how demand response providers should be compensated in the wholesale energy markets, and how the costs should be allocated (FERC Docket No. RM 10-17-000). Comments and protest also continued to be filed in matters relating to PJM Interconnection LLC's Reliability Pricing Model.

In *PJM Interconnection, L.L.C.* (Docket No. EL05-121-000), OGC comments remain pending on behalf of the Commission in paper hearing proceedings established by the FERC regarding the methodology PJM should use in allocating the costs of new extra high voltage ("EHV," 500 kV and above) transmission facilities. These comments were filed in response to a remand order issued by the United States Court of Appeals for the Seventh Circuit in *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7th Cir. 2009). In its filing, the Commission recommended that FERC reaffirm the conclusion reached in Opinion No. 494 providing that the costs of EHV (500 kV and above) transmission facilities should be socialized or allocated on a load-ratio share basis. FERC decision in this matter is still pending.

OGC comments also remain pending on behalf of the Commission in Federal Communications Commission Docket WC No. 10-60 (*In Re the Petition for Declaratory*

Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions), opposing Global NAPs, Inc's effort to preclude a determination by the Commission regarding whether GNAP's Voice over Internet Protocol-related traffic can be tracked from geographic end-point to geographic end-point in order to determine whether intrastate switched access charges might apply.

C. Office of the Executive Director

The Executive Director and two assistants supervise the Commission's Technical Staff. The Executive Director's major supervisory responsibility consists of directing and coordinating the work of the Technical Staff relating to the analysis of utility filings and operations, the presentation of testimony in Commission proceedings, and support of the Commission's regulatory oversight activities. The Executive Director supervises the formulation of Staff policy positions and serves as the liaison between Staff and the Commission. The Executive Director is also the principal contact between the Staff and other State agencies, commissions and utilities.

1. Accounting Investigation Division

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety of accounting, taxation and financial issues. The Division's primary function includes developing utility revenue requirements, auditing fuel costs, auditing the application of rates and charges assessed by utilities, monitoring utility earnings, examining the effectiveness of cost allocations, analyzing financial integrity of alternative suppliers seeking licenses to provide service, and assisting other Divisions and state agencies. Historically, the Division has also been responsible for project management of Commission-ordered utility management audits.

Division personnel provide expertise and guidance in the form of expert testimony, formal comments on utility filings, independent analyses on specific topics, advisory services and responses to surveys or other communication with the Commission. The Division keeps up-to-date with the most recent changes in accounting pronouncements and tax law, and must be able to apply its expertise to electric, gas, telecommunications, water, wastewater, taxicabs, maritime pilots and bridges.

During 2011, the Accounting Investigation Division's work responsibilities included assisting other divisions, conducting audits of utility fuel programs and other rate adjustments, ongoing evaluating of utility base rates, and providing appropriate analysis of utility filings and rate initiatives. Division personnel provided expert testimony and recommendations relating to the performance of ongoing audits of 14 utility fuel programs, 10 other rate adjustments and provided appropriate analysis and comment with respect to 85 filings submitted by utilities. In addition, Division personnel also participated in approximately 20 formal proceedings and a number of special assignments during 2011.

2. Electricity Division

The Electricity Division conducts economic, financial and policy analyses relevant to the regulation of electric utilities, electricity retail markets, low income concerns, and other related issues. The Division prepares the results of these analyses in written testimony, recommendations to the Commission and various reports. This work includes: retail competition policy and implementation related to restructuring in the electric utility industry, rate of return on equity and capital structure, pricing structure and design, load forecasting, low income customer policy and statistical analysis, consumer

protection regulations, consumer education, codes of conduct, mergers, and jurisdictional and customer class cost-of-service determinations. The Division's analyses and recommendations may appear as expert testimony in formal proceedings, special topical studies requested by the Commission, leadership of or participation in workgroup processes established by the Commission, or formal comments on other filings made with the Commission.

The Electricity Division was formed in August 2008, as part of the reorganization of the Commission's Technical Staff. Members of the Division were previously assigned to the former Economics and Policy Analysis Division. The Electricity Division focuses most of its work on regulation, policy and market activities related to the provision of retail electricity.

As part of rate proceedings, the Division's work lies in three main areas: Rate Design, the setting of electricity prices to recover the cost (as annual revenue) of providing service to a specific class (*e.g.*, residential) of customers; Cost of Service Studies, the classification of utility operating costs and plant investments and the allocation of those costs to the customer classes that cause them; and, Cost of Capital, the financial analysis that determines the appropriate return to allow on a utility's plant investment given the returns observed from the utility industry regionally and nationally.

In addition to traditional Rate-of-Return expertise, the Division maintains technical and analytical professionals whose function is to identify and analyze emerging issues in Maryland's retail energy market. Division analysts research methods of electricity procurement, retail energy market models, energy and natural resource price

trends, annual electricity cost data, renewable energy issues, economic modeling of electricity usage, and other areas that reflect characteristics of electricity costs.

During 2011, the Division's work included expert testimony and/or policy recommendations in approximately 90 administrative proceedings, three rate cases, and three rule making and public conferences. In addition to traditional regulatory analysis, Electricity Division personnel facilitated several stakeholder working groups covering: net energy metering, retail market electronic data exchange, and retail market supplier coordination.

3. Energy Analysis and Planning Division

The Energy Analysis and Planning Division ("EAP") is composed of two groups: the Integrated Resource Planning ("IRP") group and the Demand Side Management ("DSM") group. IRP is responsible for monitoring developments in the energy markets as they affect Maryland and promoting Commission policies that accomplish more robust and competitive energy markets, including at PJM Interconnection, LLC ("PJM"). DSM is responsible for evaluating and reporting to the Commission on the results of the EmPOWER Maryland energy efficiency and demand response programs, which are operated by the electric utilities in accordance to the EmPOWER Maryland legislation, enacted in 2008.

Division members have analytical and/or oversight responsibilities on a wide range of subjects including: energy efficiency and demand response programs, regional power supply and transmission planning through participation in PJM working groups and committees; advanced metering infrastructure and smart grid implementation; oversight of the Standard Offer Service ("SOS") competitive solicitations; developments

in the wholesale energy markets focusing on prices and availability; Maryland's renewable energy portfolio standard ("RPS"); wholesale market demand response programs; certification of retail natural gas and electricity suppliers; and, applications for small generator exemptions to the CPCN process.

During 2011, EAP was directly responsible or involved in several significant initiatives including:

- Preparing the "10-Year Plan (2011-2020) of Electric Companies in Maryland."
- Preparing quarterly reports for the utilities energy efficiency and demand response programs.
- Evaluating the 2012-2014 EmPOWER Maryland energy efficiency and demand response plans.
- Preparing the "Renewable Energy Portfolio Standard Report of 2011."
- Completed analysis of offshore wind bill impact on Maryland ratepayers.
- Monitoring wholesale electricity prices in Maryland, including spot prices as measured by locational marginal prices.
- Monitoring and analyzing residential market penetration by competitive retail suppliers in Maryland for the respective four investor-owned utilities.
- Participating in the PJM planning processes, to put in place, a new long-term transmission planning protocol, addressing both reliability and market efficiency.
- Active participation in several PJM committees and working groups including the Transmission Expansion Advisory Committee, the Markets and Reliability Committee, the Planning Committee, the Market Implementation Committee, the Members Committee, the Demand Response Subcommittee, Resource Adequacy Analysis Subcommittee and the Regional Planning Process Task Force.
- Monitoring and analyzing the PJM Reliability Pricing Model capacity procurement process and related costs to meet Maryland's electric reliability needs.
- Participation in Smart Grid workgroups in developing customer education and evaluation metrics for BGE and Pepco Smart Grid proposals.
- Implementing the Maryland Renewable Energy Portfolio Standard ("RPS"). Year 2010 was the fifth compliance year for

the Maryland RPS, and the results are available for inclusion in the RPS Annual Report of 2012.

- Monitoring the SOS procurement processes to ensure they were conducted according to codified procedures consistent with the Maryland restructuring law. IRP continued to work with electricity and natural gas suppliers to bring retail choice to the residential and small commercial markets.
- Actively participated in discussions and preparation of the Report on the 2011 Procurement Improvement Process concerning modifications to the wholesale procurement of electric supplies to provide Standard Offer Service to utility retail customers. The improvements recommended in the report were approved by the Commission by letter order on August 16, 2011 (Case Nos. 9064/9056).
- Participate in Commission regulatory proceedings, including the matter of whether new generating facilities are needed to meet long-term demand for SOS service (Case No. 9214); analyzed and filed comments in the Motions to Modify Agreements for Capacity pursuant to Commission Order (Case 9149).
- Participated in the Electric Vehicle Infrastructure Council established by the legislature, and signed into law by the Governor, pursuant to Senate Bill 176 with an Interim Report completed as required by legislation.
- Participated with electric vehicle industry stakeholders to investigate the regulatory treatment of providers of electric vehicle charging stations and to develop an electric vehicle pilot program pursuant to Commission Order (Case 9261).
- Monitored activities of the RGGI Program Review Committee, Electricity Monitoring Group and the Modeling Subgroup.
- Prepared the Commission report to the Senate Finance Committee and House Economic Matters Committee, in accordance with Senate Bill 692. The legislation provided for a review of tariffs, standards, electric responsibility for customer damages caused by electrical surges and to study the feasibility of incorporating an electric company's service restoration plan into the electric company's reliability plan.
- Participating in NARUC activities.
- Monitoring, and where appropriate, participating in initiatives of the PJM, FERC, and OPSI.

4. Engineering Division

The Commission's Engineering Division monitors the operations of public service companies. Engineers check the operation of utilities for safety, efficiency, reliability, and quality of service. The Division's primary areas of responsibility include: Electric Distribution and Transmission; Metering; Electric, Private Water and Sewer Distribution; Certification of Solar Renewable Energy Facilities and Natural Gas and Hazardous Liquid Pipeline Safety.

In 2011, the Engineering Division was deeply involved in facilitating Maryland's move to safe and reliable energy sufficiency, alternative energy technology, and certification of Solar Renewable Energy Facilities ("REF") eligible to earn Photovoltaic ("PV") Renewable Energy Credits. The Division managed and improved the Solar Renewable Energy Facility certification process for small level 1 and large level 2 PV Solar Systems deployed in the state. In collaboration with the solar industry and other agency members, an electronic Web based portal was developed that has established a paperless REF application process that is saving significant time and resources for both the user community as well as the Commission approval process. Solar PV REF application volume of 98 in 2008 increased to 396 in 2009, to 922 in 2010 and 1,863 in 2011.

During 2011, the legislature passed HB933 which allows for solar water heating systems to be eligible to earn Solar Renewable Energy Credits. Again in collaboration with the industry and other agency members, a paperless process has been created and

will be made available to the applicant community when the law takes effect on January 1, 2012.

The Division was active throughout the State monitoring PSC-ordered replacement of bare steel propane piping on the Eastern Shore, evaluating the progress of mitigation of leaks caused by failed mechanical gas couplings in Prince Georges County, Baltimore Gas and Electric's construction of its new transmission line in Howard County and assessing the plans for bare steel replacement in Western Maryland. All of the Commission's Pipeline and Hazardous Liquid Safety Engineers are fully trained for their roles in enforcement of Federal pipeline safety regulations within the State.

The Division worked with the Transmission owners and other involved State agencies to review the plans for several transmission lines proposed for Maryland. It also reviewed transmission plans to provide adequate capacity for areas where growth is projected to exceed electric supply. PJM peak load forecasts have been reduced due to demand response programs, solar installations, and the continued economic downturn. Nevertheless, work continued in 2011 on the permitting process for the Mid-Atlantic Power Pathway ("MAPP") which is a large interstate high-voltage transmission line. MAPP is a direct current line under the Chesapeake Bay required to improve reliability on the Delmarva Peninsula and hopefully reduce the price of electricity for consumers. Although not physically in Maryland, the TrAIL transmission line has been constructed and is now in service. It has slightly improved West-East Power flows and relieves congestion along these interfaces.

Commensurate with lower consumer energy bills for both gas and electricity, the division saw a decrease in meter referee test requests. Only six gas meter requests were

received for the entire year in 2011, down from 27 in 2008 and 32 in 2009 and about the same as four requests in 2010. Electric meter test requests remained at a normal level of 72, compared to 105 in 2008 and 223 in 2009, and 111 in 2010.

5. Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation of Technical Staff's position in all matters pending before the Commission, under the supervision of the Executive Director. In performing its duties, the Staff Counsel Division evaluates public service company applications for identification of issues, legal sufficiency, and compliance with the Public Utilities Article, the Code of Maryland Regulations, utility tariffs, and other applicable law. In addition, the Staff Counsel may support Staff in initiating investigations or complaints. The Staff Counsel Division attorneys are the final reviewers of Technical Staff's testimony, reports, proposed legislation analysis and comments before submission to the Executive Director. In addition, the attorneys: (1) draft and coordinate the promulgation and issuance of regulations; (2) review and comment on items handled administratively; (3) provide legal services to each division within the Office of Executive Director; and (4) handle inquiries from utilities, legislators, regulators and consumers.

During 2011, Staff attorneys participated in a wide variety of matters involving all types of public service companies regulated by the Commission. The Staff Counsel Division's work included review of rates charged by public service companies, participation in the Exelon/Constellation merger case, and participation in several matters investigating utility reliability, including the drafting of regulations to govern electric distribution reliability. The Staff Counsel Division was also involved in a variety of

efforts intended to address the EmPOWER Maryland Act of 2008, smart meters proceedings, transmission line approvals, 911 outage hearings, the investigation of competitiveness of centralized propane distribution and the continued development of the Maryland Renewable Energy Portfolio Program.

6. Telecommunications, Gas and Water Division

The Telecommunications, Gas, and Water Division assists the Commission in regulating the delivery of wholesale and retail telecommunications services and retail natural gas services and water services in the state of Maryland. The Division's output generally constitutes recommendations to the Commission, but also includes publication of industry status reports, responses to inquiries from elected officials, media representatives, members of the public, and industry stakeholders. In addition, the Division assists the Commission's Office of External Relations in the resolution of consumer complaints and leads or participates in industry working groups. The Division's analyses and recommendations to the Commission may appear as written comments, expert testimony in formal proceedings, special topical studies requested by the Commission, formal comments on filings submitted by the utilities or by other parties, comments on proposed legislation, proposed regulations and public presentations.

In telecommunications, the Division reviews applications for authority to provide telephone services from local and intrastate toll service providers, reviews tariff filings from such providers, monitors the administration of telephone numbering resources for the State, administers the certification of all payphone providers in the state and monitors the provision of low income services, E911 and telecommunications relay services. During 2011, the Division reviewed 236 tariff filings, rate revisions, new service

offerings and related matters. In 2011, the Commission authorized 11 new local exchange and 13 additional long distance carriers and certified 83 payphone service providers and 4,262 payphones in Maryland. In addition, Staff recommended and the Commission approved 18 additional eligible telecommunication carriers making them eligible to receive federal universal service funds for providing service to low income households. In 2011, Staff filed testimony in several cases involving significant consumer issues including the provision of voice services over next generation fiber optic facilities, the provision of directory assistance service, quality of service and the regulation of retail service offered by the largest incumbent carrier in the State.

In addition to the above mentioned activities, the Staff assisted the Commission in planning for the release of a new area code, 667, which will overlay existing area codes of 410 and 443 beginning in the first quarter of 2012. The Commission also monitored Verizon's lifeline outreach efforts that were undertaken in 2011.

In the natural gas industry, the Division focuses on retail natural gas competition policy and implementation of customer choice. The Division participates as a party in contested cases before the Commission to ensure that safe, reliable and affordable gas service is provided throughout the State. Staff contributes to formal cases by providing testimony on rate of return, capital structure, rate design and cost of service. In addition, the Division provides recommendations on low-income consumer issues, consumer protections, consumer education, codes of conduct, mergers, and debt and equity issuances. The Division also conducts research and analysis on the procurement of natural gas for distribution to retail customers.

In the water industry, the Division focuses on retail prices and other retail issues arising in the provision of safe and affordable water services in the State. During 2011, Division personnel testified in several cases involving water company franchises and rates.

7. Transportation Division

The Transportation Division enforces the laws and regulations of the Public Service Commission pertaining to the safety, rates, and service of transportation companies operating in intrastate commerce in Maryland. The Commission's jurisdiction extends to most intrastate for-hire passenger carriers by motor vehicle (total 1,098), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland and Hagerstown (total 1,405). The Commission revoked 76 Baltimore City taxicab permits and issued one (1) City of Cumberland taxicab permit in 2011. The Commission is also responsible for licensing drivers (total 7,318) of taxicabs in Baltimore City, Cumberland and Hagerstown, and other passenger-for-hire vehicles that carry 15 or fewer passengers. The Transportation Division monitors the safety of vehicles operated (total 4,880), limits of liability insurance, schedules of operation, rates, and service provided for all regulated carriers except railroads (only entry, exit, service and rates are regulated for railroads that provide intrastate service). If problems arise in any of these areas which cannot be resolved at the staff level, the Division requests the institution of proceedings by the Commission which may result in the suspension or revocation of operating authority or permits, or the institution of fines.

During 2011, the Transportation Division continued to conduct vehicle inspections and report results via on-site recording of inspection data and electronic

transmission of that information to the Commission's databases and to the Federal Motor Carrier Safety Administration's Safety and Fitness Electronic Records ("SAFER") System. SAFER provides carrier safety data and related services to industry and the public via the Internet.

The Division maintained its regular enforcement in 2011 by utilizing field investigations and joint enforcement projects efforts with local law enforcement officials, Motor Vehicle Administration Investigators, and regulators in other jurisdictions.

Administratively, the Division continued to develop, with the Commission's Information Technology staff, projects designed to streamline processes through automation, electronic filings by the industry, and better intra-agency communication among the Commission's internal databases.

D. Office of External Relations

The Office of External Relations ("OER") investigates and responds to consumer complaints relating to gas, electric, water and telephone services. OER investigators act as mediators in order to resolve disputes between consumers and utility companies based on applicable laws and tariffs. In 2011, the OER investigated 5,318 consumer complaints. Out of those complaints 3,539 involved gas and electric issues, while 1,012 were telecommunication complaints, 37 complaints related to water companies, and 115 complaints involved issues outside of the PSC's jurisdiction. The majority of complaints against gas and electric local distribution companies and suppliers concerned billing issues, followed by service quality issues. Most telecommunication disputes involved billing disputes and installation or repair problems, followed by slamming concerns. In addition, OER staff fulfilled 770 requests for information concerning the Commission,

utilities and suppliers. The OER intake unit received 14,488 telephone calls that resulted in 7,137 requests for payment plans or extensions. Overall, OER received 32,224 telephone calls. Through OER's efforts \$184,649.23 was recovered for Maryland Consumers.

OER staff members work proactively to provide the public with timely and useful utility related information based on the feedback received from consumers. OER instituted supplier training in order to stay abreast of consumer issues within the industry. Additionally, OER met regularly with all of the utilities to discuss current issues affecting consumers and issues relating to AMI deployment.

E. Public Utility Law Judge Division

Effective September 7, 2011, the Hearing Examiner Division's name was changed to "Public Utility Law Judge Division." The Commission made the name change to better reflect the role and functions of the Division. As required by the Public Utilities Article, the Division is a separate organizational unit reporting directly to the Commission, and is comprised of four attorney Public Utility Law Judges, including the Chief Public Utility Law Judge. Typically, the Commission delegates to the Division, proceedings pertaining to the following: applications for construction of power plants and high-voltage transmission lines; rates and other matters for gas, electric, and telephone companies; purchased gas and electric fuel rate adjustments review; bus, passenger common carrier, water, and sewage disposal company proceedings; plant and equipment depreciation proceedings; and consumer as well as other complaints which are not resolved at the administrative level. Also, the Commission has a part-time License Hearing Officer, who hears matters pertaining to certain taxicab permit holders and also

matters regarding Baltimore City, Cumberland, and Hagerstown taxicab drivers, as well as passenger-for-hire drivers. While most of the Division's activity concerns delegated cases from the Commission, the Commission may also conduct its proceedings in three-member panels, which panels may include one Public Utility Law Judge. As a panel member, a Public Utility Law Judge participates as a voting member in the hearings and in the panel's final decision. The decision of a three-member panel constitutes the final order of the Commission.

In delegated cases, the Public Utility Law Judges and Hearing Officer conduct formal proceedings in the matters referred to the Division and file Proposed Orders, which contain findings of fact and conclusions of law. During 2011, 297 cases were delegated by the Commission to the Division: 29 non-transportation-related matters; and 268 relating to transportation matters of which 112 were taxicab-related. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of fines or civil penalties against carriers for violations of applicable statutes or regulations.

The Division held 422 hearings, and issued 369 Proposed Orders. Unless an appeal is noted with the Commission, or the Commission takes action on its own motion, a Proposed Order becomes the final order of the Commission after the specified time period for appeal as noted in the Proposed Order, which may be no less than 7 days and no more than 30 days. There were 29 appeals/requests for reconsideration filed with the Commission resulting from the Proposed Orders – the Commission issued four orders reversing a Proposed Order and six orders remanding the matter to the Division for further proceedings.

VIII. RECEIPTS AND DISBURSEMENTS FY 2011

Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	\$	5,824,883
Public Utility Regulation Fund	\$5,824,883	
Federal Fund	\$0	
Technical and Special Fees		351,493
Public Utility Regulation Fund	\$170,080	
Federal Fund	\$181,413	
Operating Expenses		<u>4,195,857</u>
Public Utility Regulation Fund	\$4,135,585	
Federal Fund	\$60,272	
Total Disbursements for Fiscal Year 2011	\$	10,372,233
Public Utility Regulation Fund	\$10,130,548	
Federal Fund	\$241,685	
Reverted to State Treasury		<u>721,247</u>
Public Utility Regulation Fund	\$525,971	
Federal Fund	\$195,276	
Total Appropriation for Fiscal Year 2011	\$	<u>11,093,480</u>
Public Utility Regulation Fund	\$10,656,519	
Federal Fund	\$436,961	

C90G002 – Telecommunications Division

Salaries and Wages	\$	541,337
Operating Expenses		<u>1,296</u>
Total Disbursements for Fiscal Year 2011	\$	542,633
Reverted to State Treasury		<u>12,453</u>
Total Appropriation for Fiscal Year 2011	\$	<u>555,086</u>

C90G003 – Engineering Investigations Division

Salaries and Wages	\$	1,257,840
Public Utility Regulation Fund	\$1,046,930	
Federal Fund	\$210,910	
Operating Expenses		<u>124,199</u>
Public Utility Regulation Fund	\$10,074	
Federal Fund	\$114,125	
Total Disbursements for Fiscal Year 2011	\$	1,382,039
Public Utility Regulation Fund	\$1,057,004	
Federal Fund	\$325,035	
Reverted to State Treasury		<u>32,063</u>
Public Utility Regulation Fund	\$31,682	
Federal Fund	\$381	
Total Appropriation for Fiscal Year 2011	\$	<u>1,414,102</u>
Public Utility Regulation Fund	\$1,088,686	
Federal Fund	\$325,416	

C90G004 – Accounting Investigations Division

Salaries and Wages	\$	566,149
Operating Expenses		<u>365</u>
Total Disbursements for Fiscal Year 2011	\$	566,514
Reverted to State Treasury		<u>1,936</u>
Total Appropriation for Fiscal Year 2011	\$	<u>568,450</u>

C90G005 – Common Carrier Investigations Division

Salaries and Wages	\$	1,169,384
Public Utility Regulation Fund	\$1,169,384	
For-Hire Driving Services Enforcement Fund	\$0	
Technical and Special Fees		124,629
Public Utility Regulation Fund	\$0	
For-Hire Driving Services Enforcement Fund	\$124,629	
Operating Expenses		<u>108,083</u>
Public Utility Regulation Fund	\$91,955	
For-Hire Driving Services Enforcement Fund	\$16,128	
Total Disbursements for Fiscal Year 2011	\$	1,402,096
Public Utility Regulation Fund	\$1,261,339	
For-Hire Driving Services Enforcement Fund	\$140,757	
Reverted to State Treasury		<u>638</u>
Public Utility Regulation Fund	\$638	
For-Hire Driving Services Enforcement Fund	\$0	
Total Appropriation for Fiscal Year 2011	\$	<u>1,402,734</u>
Public Utility Regulation Fund	\$1,261,977	
For-Hire Driving Services Enforcement Fund	\$140,757	

C90G006 – Washington Metropolitan Transit Commission

Operating Expenses		<u>219,865</u>
Total Disbursements for Fiscal Year 2011	\$	219,865
Reverted to State Treasury		<u>391</u>
Total Appropriation for Fiscal Year 2011	\$	<u>220,256</u>

C90G007 – Rate Research and Economics Division

Salaries and Wages	\$	738,814
Operating Expenses		<u>4,630</u>
Total Disbursements for Fiscal Year 2011	\$	743,444
Reverted to State Treasury		<u>2,168</u>
Total Appropriation for Fiscal Year 2011	\$	<u>745,612</u>

C90G008 – Hearing Examiner Division

Salaries and Wages	\$	685,135
Operating Expenses		<u>810</u>
Total Disbursements for Fiscal Year 2011	\$	685,945
Reverted to State Treasury		<u>13,219</u>
Total Appropriation for Fiscal Year 2011	\$	<u>699,164</u>

C90G009 – Office of Staff Counsel

Salaries and Wages	\$	755,524
Operating Expenses		<u>335</u>
Total Disbursements for Fiscal Year 2011	\$	755,859
Reverted to State Treasury		<u>52,506</u>
Total Appropriation for Fiscal Year 2011	\$	<u>808,365</u>

C90G0010 – Integrated Resource Planning Division

Salaries and Wages	\$	224,695
Operating Expenses		<u>1</u>
Total Disbursements for Fiscal Year 2011	\$	224,696
Reverted to State Treasury		54,121

Total Appropriation for Fiscal Year 2011	\$	<u>278,817</u>
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Summary of Public Service Commission
Fiscal Year Ended June 30, 2011:

Salaries and Wages	\$	11,763,761
Public Utility Regulation Fund	\$11,552,851	
Federal Fund	\$210,910	
For-Hire Driving Services Enforcement Fund	\$0	

Technical and Special Fees		476,122
Public Utility Regulation Fund	\$170,080	
Federal Fund	\$181,413	
For-Hire Driving Services Enforcement Fund	\$124,629	

Operating Expenses		<u>4,655,441</u>
Public Utility Regulation Fund	\$4,464,916	
Federal Fund	\$174,397	
For-Hire Driving Services Enforcement Fund	\$16,128	

Total Disbursements for Fiscal Year 2011	\$	<u>16,895,324</u>
Public Utility Regulation Fund	\$16,187,847	
Federal Fund	\$566,720	
For-Hire Driving Services Enforcement Fund	\$140,757	

Reverted to State Treasury		<u>890,742</u>
Public Utility Regulation Fund	\$695,085	
Federal Fund	\$195,657	
For-Hire Driving Services Enforcement Fund	\$0	

Total Appropriations	\$	<u>17,786,066</u>
Public Utility Regulation Fund	\$16,882,932	
Federal Fund	\$762,377	
For-Hire Driving Services Enforcement Fund	\$140,757	

Assessments collected during Fiscal Year 2011: \$ 22,294,268

Miscellaneous Fees collected during Fiscal Year 2011:

1) Misc. Fines & Citations	\$	253,691
2) For-Hire Driving Services Permit Fees	\$	163,449
3) Meter Test	\$	1,150
4) Filing Fees	\$	287,288
5) Copies	\$	960

Total Miscellaneous Fees \$ 706,538

Assessments collected that were remitted to other State Agencies during Fiscal Year 2011:

1) Office of People(s) Counsel	\$	3,031,250
2) Railroad Safety Program	\$	246,514