

PUBLIC SERVICE COMMISSION OF MARYLAND

2016 ANNUAL REPORT

For the Calendar Year Ending December 31, 2016

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 (“Maryland 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 December 31, 2016, the following persons were members of the Commission:

	Term Expires
W. Kevin Hughes, Chairman	June 30, 2018
Harold D. Williams, Commissioner	June 30, 2017
Jeannette M. Mills, Commissioner	June 30, 2019 ¹
Michael T. Richard, Commissioner	June 30, 2020
Anthony J. O’Donnell, Commissioner	June 30, 2021 ²

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;

¹ Commissioner Mills resigned effective March 3, 2017.

² A commissioner continues to serve until a successor qualifies. *Md. Ann.*, Publ. Util. Art., § 2-102(d)(3). Commissioner O’Donnell was sworn in as a commissioner on August 1, 2016. Anne E. Hoskins was a Commissioner from January 1, 2016 through July 31, 2016.

- ◆ water, and water and sewerage (privately-owned) companies;
- ◆ bay pilots;
- ◆ docking masters;
- ◆ passenger motor vehicle carriers (e.g., buses, limousines, sedans);
- ◆ railroad companies;³
- ◆ taxicabs operating in the City of Baltimore, Baltimore County, St. Mary's 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 ("FERC"); and interstate telephone service, Voice over Internet Protocol and cable services are regulated by the Federal Communications Commission.

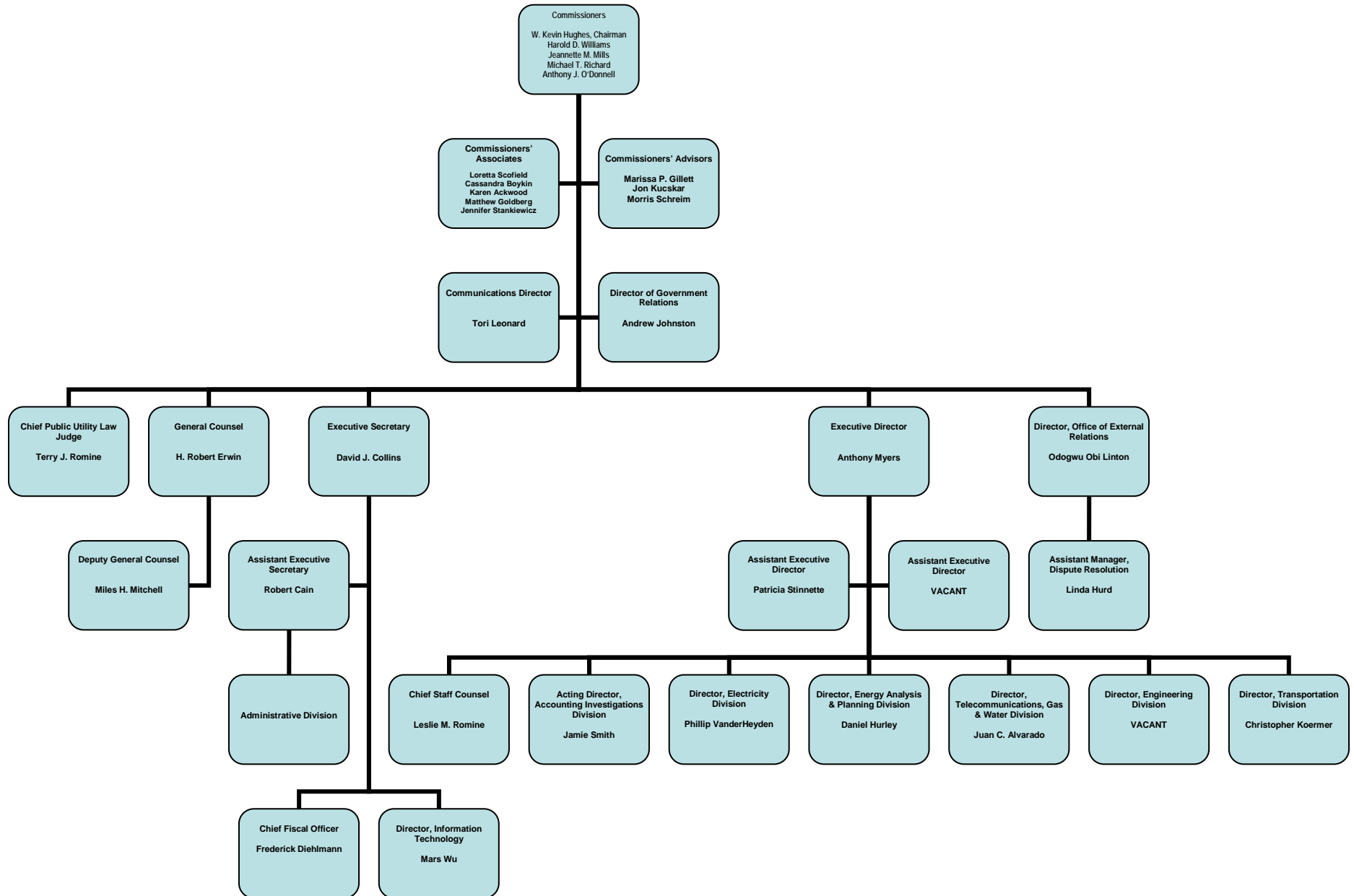
Under its statutory authority, the Commission has broad authority to supervise and regulate the activities of public service companies and for-hire carriers and drivers. It is empowered to hear and decide matters relating to, among others, (1) rate adjustments, (2) applications to exercise or abandon 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 a Certificate of Public Convenience and Necessity ("CPCN") to construct or modify a new generating plant or an electric company's

³ The Commission has limited jurisdiction over railroad companies: (1) the companies must be organized under Maryland law and (2) only over certain conditions and rates for intrastate services.

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.

During the calendar year 2016, the Commission initiated 40 new non-transportation-related dockets, conducted approximately 44 en banc hearings (legislative-style, evidentiary, or evening hearings for public comments as well as status conferences, discovery disputes, and prehearing conferences), held 12 rulemaking sessions, participated in four public conferences, and presided over 41 administrative meetings. Also, the Commission actively participated in the 90-day General Assembly Legislative Session for 2016, by submitting comments on bills affecting public service companies, participating in work groups convened by Senate or House committees or subcommittees, and testifying before various Senate and House committees and subcommittees.

B. Maryland Public Service Commission Organization Chart – 12/31/2016



C. Commission Membership in Other Regulatory Organizations

1. Washington Metropolitan Area Transit Commission

The Washington Metropolitan Area Transit Commission (“WMATC”) was created in 1960 by the Washington Metropolitan Area Transit Regulation Compact (“Compact”)⁴ for the purpose of regulating certain transportation carriers on a coordinated regional basis. Today, 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 (“Metropolitan District”).⁵ WMATC also sets interstate taxicab rates between signatories in the Metropolitan District, which for this purpose only, 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 Maryland Public Service Commission is designated to serve on the

⁴ The Compact is an interstate agreement among the State of Maryland, the Commonwealth of Virginia and the District of Columbia, which was approved by Congress in 1960. The Compact was amended in its entirety in 1990 (at Maryland’s behest), and again in 2010 (to modify the articles regarding appointment of Commissioners to WMATC). Each amendment was enacted with the concurrence of each of the signatories and Congress’s consent. The Compact, as amended, and the WMATC are codified in Title 10, Subtitle 2 of the Transportation Article, *Annotated Code of Maryland*.

⁵ 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. In May 2016, Governor Larry Hogan appointed Commissioner Richard to serve on the WMATC.

In fiscal year (“FY”) 2016, which is from July 1, 2015 through June 30, 2016, the WMATC accepted 277 applications to obtain, transfer, amend or terminate a WMATC certificate of authority (down from 317 in FY2015). The WMATC also initiated 218 investigations of carrier compliance with WMATC rules and regulations. The WMATC issued 740 orders in formal proceedings in FY2016. There were 621 carriers holding a certificate of authority at the end of FY2016 – down from 660 at the close of FY2015, which is nearly six 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 5,348 as of June 30, 2016. The WMATC processed 18 informal complaints in FY2016, down from 22 in FY2015.

The 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 FY2016 WMATC budget was \$820,000, and Maryland’s share was \$381,792, or 46.56% of the WMATC budget. In FY2016, the WMATC generated \$308,764 in non-appropriations revenue (fees and forfeitures) that was returned to the signatories on a proportional basis, including \$142,624 to Maryland.

2. Mid-Atlantic Distributed Resources Initiative

The Mid-Atlantic Distributed Resources Initiative (“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”), FERC, and PJM Interconnection, LLC (“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 Mills served as the Commission’s representative on 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. Commissioner Richard serves as the Commission’s representative on the OPSI Board of Directors.

4. National Association of Regulatory Utility Commissioners

The National Association of Regulatory Utility Commissioners (“NARUC”) is the national association representing the interests of the Commissioners from state utility regulatory agencies that 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 Hughes serves as a member of the NARUC Board of Directors and the Committee on Electricity. Commissioner Williams serves as a member of the Committee on Consumer Affairs, Committee on International Relations and the Subcommittee on Supplier and Workforce Diversity. Commissioner Mills served as Vice Chair of the Committee on Energy Resources and the Environment. Commissioner Richard serves on the Critical Infrastructure Committee. Commissioner O’Donnell is a member of the Committee on Gas and Chair of the Subcommittee on Nuclear Issues – Waste Disposal.

5. Mid-Atlantic Conference of Regulatory Utility Commissioners

The Commission also is a member of the Mid-Atlantic Conference of Regulatory Utility Commissioners (“MACRUC”), a regional division of NARUC comprised of the public utility commissions of Delaware, Kentucky, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, Pennsylvania, the District of Columbia, and the U.S.

Virgin Islands. Commissioner Mills served as the Commission’s representative on MACRUC.

6. Regional Greenhouse Gas Initiative

Established in 2009, the Regional Greenhouse Gas Initiative (“RGGI”) is the first market-based regulatory program in the United States designed to stabilize and then reduce greenhouse gas emissions, specifically carbon dioxide (“CO₂”). RGGI, Inc.⁶ is a nonprofit corporation formed to provide technical advisory and administrative services to participating states in the development and implementation of these CO₂ budget trading programs.⁷ The original RGGI program, jointly designed by 10 Northeastern and Mid-Atlantic states,⁸ envisioned a cap-and-trade program that stabilizes power plants’ CO₂ emissions and then lowers that cap 10% by 2018. The participating states agreed to use an auction as the primary means to distribute allowances⁹ to electric power plants regulated under coordinated state CO₂ cap-and-trade programs. All fossil fuel-fired electric power plants 25 megawatts (“MW”) or greater and connected to the electricity grid must obtain allowances based on their CO₂ emissions.

The RGGI Memorandum of Understanding (“RGGI MOU”) apportions CO₂ allowances among signatory states through a process that was based on historical

⁶ The RGGI, Inc. Board of Directors (“Board”) is composed of two representatives from each member state, 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. In 2015, Chairman Kevin Hughes and Secretary Ben Grumbles of the Maryland Department of the Environment began serving on the Board on behalf of Maryland.

⁷ The RGGI offices are located in New York City in space co-located with the New York Public Service Commission at 90 Church Street.

⁸ Nine of the original 10 member states have continued their participation in the RGGI program for the third compliance period of January 1, 2015 – December 31, 2017; New Jersey formally withdrew from the RGGI program effective January 1, 2012.

⁹ An allowance is a limited permission to emit one short ton of CO₂.

emissions and negotiation among the participating signatory states. Together, the emissions budgets of each signatory state comprise the regional emissions budget, or RGGI “cap.”

Following a 2012 RGGI Program Review (as called for in the RGGI MOU), on February 7, 2013, the RGGI participating states announced an aggregate 45% reduction in the existing cap.¹⁰ Effective January 2014, the regional budget was revised to 91 million short tons – consistent with current regional emissions levels. To lock in the emission reduction progress to date, and to further build upon this progress, the regional emissions cap and each participating state’s individual emissions budget will decline 2.5% each year 2015 through 2020. Thus, the regional emissions budget decreased to 86.5 million short tons in 2016.

Table II.C.1: 2016 Regional Emissions Budget¹¹

State	CO2 Allowances (short tons)
Connecticut	5,600,983
Delaware	3,863,993
Maine	3,115,436
Maryland	19,355,622
Massachusetts	13,771,805
New Hampshire	4,514,529
New York	33,489,399
Rhode Island	2,172,154
Vermont	622,954
Total	86,506,875

¹⁰ In addition to announcing a revised regional cap, other programmatic changes included interim adjustments to the regional cap to account for privately banked allowances, the establishment of a cost containment reserve to serve as a flexibility mechanism in the unanticipated event of short-term price spikes, the addition of a U.S. Forests Offset Protocol; simplification of the minimum reserve price to increase it by 2.5% each year, and the creation of interim control periods for compliance entities.

¹¹ Source: *The Regional Greenhouse Gas Initiative*, <http://rggi.org/market/tracking/allowance-allocation/2016-allocation>

In 2016, RGGI held four auctions of CO₂ allowances. These auctions raised approximately \$53.7 million¹² for the State's Strategic Energy Investment Fund ("Fund"). Pursuant to § 9-20B-05(g-1) of the State Government Article, *Annotated Code of Maryland*, as modified by Chapter 464 (Budget Reconciliation and Financing Act of 2014), Laws of Maryland 2014, the proceeds received from January 1, 2016 through December 31, 2016 by the Fund, were allocated as follows:

- (1) at least 50% shall be credited to an energy assistance account to be used for the Electric Universal Service Program and other electric assistance programs in the Department of Human Resources;
- (2) at least 20% 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, of which at least one-half shall be targeted to a low and moderate income efficiency and 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;
- (3) at least 20% 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 and resiliency programs; and
- (4) up to 10%, but not more than \$5,000,000, shall be credited to an administrative expense account for costs related to the administration of the Fund, 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 the [Maryland Energy] Administration.

During 2016, the nine RGGI states engaged in a comprehensive triennial Program Review to assess the Program's effectiveness and whether certain programmatic elements

¹² The calendar year 2016 auction proceeds represent a 39% decrease compared to Maryland's 2015 auction proceeds of \$88.3 million.

should be revised. Throughout 2016, the RGGI member states reviewed and considered stakeholder feedback on the Program's successes and impacts to-date, whether further reductions to the RGGI regional cap may be warranted, other program design elements (e.g. the cost containment reserve), and the extensive electric sector modeling conducted by the RGGI states for purposes of evaluating potential revisions to the Program. The RGGI states planned to continue the comprehensive Program Review into calendar year 2017, and conducted an additional stakeholder engagement opportunity on February 8, 2017, to review updated reference case assumptions for the regional electric sector modeling.

7. Eastern Interconnection States' Planning Council

The Eastern Interconnection States' Planning Council ("EISPC") represents 39 states, the District of Columbia, the City of New Orleans and eight Canadian provinces located within the Eastern Interconnection electric transmission grid, of which Maryland is a part. Initially funded by an award from the DOE pursuant to a provision of the American Recovery and Reinvestment Act, 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 is 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.

III. SUPPLIER DIVERSITY ACTIVITIES

A. Public Conference: Supplier Diversity Memoranda of Understanding – [PC16](#)

As reported in prior Annual Reports, 19 regulated entities¹³ have entered into a Memoranda of Understanding (“PC16 MOU”) with the Commission in which each organization 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 Supplier”). The PC16 MOU expressed each entity’s commitment to use its best efforts to achieve a goal of 25% Diverse Supplier contracting (“Diverse Spend”); standardize the reporting methodology; and institute uniform annual plans and annual reports, in order to track the entity’s compliance with the PC16 MOU goals. On July 21, 2016, a hearing was held to consider the results of the 2015 Annual Reports submitted by 15 of the applicable companies.

Diverse Spend has more than doubled since 2009, which was the year of the first report after the signing of the MOU. The average annual growth in Diverse Spend over 2009-2015 is 15.44%. For 2015, these utilities spent a combined \$567.64 million in procurement of goods and services from Diverse Suppliers, a spend amount that is unchanged from 2014. The Total Diverse Spend consists of four different categories: Minority-Owned

¹³ AT&T Corporation (“AT&T”); Association of Maryland Pilots (“Assoc. of MD Pilots”); Baltimore Gas and Electric Company (“BGE”); CenturyLink Communications, LLC (“CenturyLink”); Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC (collectively, “Comcast”); Delmarva Power & Light Company (“DPL” or “Delmarva”); First Transit’s Baltimore Washington International Thurgood Marshall Airport Shuttle Bus Contract; Potomac Electric Power Company (“Pepco”); The Potomac Edison Company (“Potomac Edison” or “PE”); Veolia Transportation Services, Inc.; Verizon Maryland LLC (“Verizon”); Washington Gas Light Company (“WGL”); XO Communications Services, Inc.; Southern Maryland Electric Cooperative, Inc. (“SMECO”); Choptank Electric Cooperative, Inc. (“Choptank”); Chesapeake Utilities Corporation (“Chesapeake Utilities”); Columbia Gas of Maryland, Inc. (“Columbia Gas”); Easton Utilities (“Easton”); and Pivotal Utilities Holdings, Inc. d/b/a Elkton Gas (“Elkton”).

Enterprises (“MOE”), Women-Owned Enterprises (“WOE”), Service-Disabled-Veteran-Owned Enterprises (“SDVOE”), and Not-for-Profit Workshops (“NFPW”). MOE received \$306.33 million, WOE received \$212.12 million, SDVOE received \$48.97 million, and NFPW received \$0.164 million.

The category MOE contains four major subgroups: African-American-Owned businesses (“AAOB”), American-Indian/Native-American-Owned businesses (“NAOB”), Asian-Owned businesses (“AOB”), and Hispanic-Owned businesses (“HOB”). Fourteen of the 15 Signatories that provided reports for 2015 broke down their MOE Spends by ethnicity; AAOB accounts for 54.69% of the total MOE Spend.

On October 18, 2016, the Commission filed its first Public Determination as required in COMAR 20.08.01.04. There, the Commission thanked the companies for continuing to participate in the voluntary PC16 MOU and encouraged the Maryland utility-managed Forum to propose revisions to the MOU to incorporate lessons learned from the past eight years. The companies were asked to consider improving the MOU reporting requirements, implementing new ways to calculate data, enhancing goal setting, and reviewing the diverse- and woman-owned business certification process. The Commission expects to review drafts of a revised MOU towards the end of 2017.

Table 1 - Achieved - 2015

Table 1 shows the program expenditures as reported by the companies and the percentage of spend as compared to each utility's total spend. Certain types of expenses are excluded from the tabulation, being either single-sourced or are inapplicable to the diversity program.¹⁴

¹⁴ Sources of exempted spend are agreed to in advance and can be found in the respective entity's PC16 MOU.

Table 1 – Achieved - 2015		
Companies	Total Diverse Supplier Procurement (\$)	Percentage of Diverse Supplier Procurement to Total Company Procurement
Association of MD Pilots	\$396,767	41.94%
AT&T	\$28,029,906	27.17%
BGE	\$180,877,504	21.75%
CenturyLink	NA	NA
Chesapeake Utilities	\$634,087	7.13%
Choptank	\$2,376,908	13.62%
Columbia Gas	\$953,626	8.01%
Comcast	39,919,614.02	17.27%
Delmarva	\$38,823,660	10.64%
Easton Utilities	\$191,689	5.83%
Elkton Gas	\$110,884	8.65%
First Transit BWI Airport	NA	NA
Potomac Edison	\$16,374,929	30.20%
Pepco	\$78,004,205	13.32%
SMECO	\$9,453,037	10.38%
Veolia	NA	NA
Verizon	\$54,940,990	14.06%
WGL	\$116,370,374	26.31%
Total	\$567,458,180	NA

Table 2 - Procurement by Diverse Group

In Table 2, the amounts and percentages from Table 1 are further broken down into percentage of the expenditures by diversity classification.

Table 2 – 2015 Procurement by Diverse Group				
Companies	Minority Owned	Women Owned	Service-Disabled Veteran-Owned	Not-For-Profit
Association of MD Pilots	24%	75%	1.60%	0.00%
AT&T	71.66%	24.45%	3.89%	0.00%
BGE	54.90%	35.75%	9.36%	0.00%
CenturyLink	NA	NA	NA	NA
Chesapeake Utilities	14.34%	85.66%	0.00%	0.00%
Choptank	6.80%	93.03%	0.02%	0.15%
Columbia Gas	52.52%	47.48%	0.00%	0.00%
Comcast	42.72%	56.34%	0.94%	0%
Delmarva	17.09%	81.26%	1.38%	0.27%
Easton Utilities	23.90%	76.10%	0.00%	0.00%
Elkton Gas	68.21%	31.79%	0.00%	0.00%
First Transit BWI Airport	NA	NA	NA	NA
Potomac Edison	22.63%	77.37%	0.00%	0.00%
Pepco	72.09%	27.42%	0.44%	0.05%
SMECO	32.65%	64.26%	3.09%	0.00%
Veolia	NA	NA	NA	NA
Verizon	44.75%	12.62%	42.63%	0.00%
WGL	64.17%	30.83%	4.99%	0.01%

IV. COMMISSION ENERGY-RELATED CASES AND ACTIVITIES

A. Energy Efficiency- and Demand Response-Related Cases

1. EmPOWER Maryland -- Case Nos. [9153](#), [9154](#), [9155](#), [9156](#), [9157](#) and [9362](#)

The Commission is tasked with the statutory duty to “require each gas company and electric company to establish any program or service that the Commission deems appropriate and cost effective to encourage and promote the efficient use and

conservation of energy.”¹⁵ In 2008, the Maryland General Assembly passed legislation to meet specific energy efficiency, conservation, and demand response targets by the end of 2015, culminating in the EmPOWER Maryland Energy Efficiency Act of 2008. As mandated by the EmPOWER Maryland Act of 2008, the five largest electric utilities in the State¹⁶ (hereinafter “EmPOWER MD Utilities” or “Utilities”) were responsible for achieving a 10% reduction in the State’s energy consumption¹⁷ and a 15% reduction of peak demand by 2015. To generate their portion of the savings, the EmPOWER MD Utilities file three-year program cycle plans, for the periods of 2009 through 2011, 2012 through 2014, and so on. The Utilities’ reported achievements are reviewed by the Commission on a semi-annual basis for the preceding semi-annual period of program activities; thus, the May 2016 semi-annual EmPOWER hearings focused on reported progress through the end of 2015, which coincided with the culmination of the EmPOWER Maryland 2015 goals. The results are summarized below.

Through the end of 2015, the programs achieved 2,117 MW in verified¹⁸ and reported peak demand reduction and 5,394,086 MWh in reported and verified annualized energy savings; which are 100% and 99%, respectively, of the Utilities’ 2015 goals. The savings break down as follow:

¹⁵ PUA § 7-211 (f)(1).

¹⁶ The utilities are The Potomac Edison Company, Baltimore Gas and Electric Company, Delmarva Power & Light Company, Potomac Electric Power Company, and Southern Maryland Electric Cooperative, Inc.

¹⁷ The overall reduction in the State’s energy consumption under the EmPOWER Maryland Act is 15%. The Maryland Energy Administration (“MEA”) is responsible for achieving 5% of this 15% reduction in the State’s energy consumption.

¹⁸ Staff’s Independent Evaluator has verified energy savings and demand reductions through 2015 for all Energy-Efficiency and Conservation (“EE&C”) programs funded under the EmPOWER surcharge. No verification of the Demand Response (“DR”) programs or the “Other” program categories has occurred to date; therefore, for these programs, there is only reported data.

Table 1 Utility Achievement against the 2015 Goal¹⁹

		Reported Savings	2015 Goal	Variance
BGE	<i>MWh</i>	2,638,975	3,593,750	73%
	<i>MW</i>	1,156	1,267	91%
DPL	<i>MWh</i>	382,605	143,453	267%
	<i>MW</i>	147	18	815%
PE	<i>MWh</i>	529,519	415,228	128%
	<i>MW</i>	82	21	392%
Pepco	<i>MWh</i>	1,600,813	1,239,108	129%
	<i>MW</i>	640	672	95%
SMECO	<i>MWh</i>	242,174	83,870	289%
	<i>MW</i>	92	139	67%
Total	<i>MWh</i>	5,394,086	5,475,409	99%
	<i>MW</i>	2,117	2,117	100%

The Utilities essentially achieved the goals in the EmPOWER Act of 2008 and as directed by the Commission. There was a mix of Utilities meeting two, one, or none of their individual goals, but the total savings achieved Statewide met the goals set for 2015. Starting in January 2016, the Utilities began working towards meeting the new post-2015 EmPOWER goal structure adopted by the Commission in Order No. 87082.

Post-2015 EmPOWER Maryland Goals

In Order No. 87082, issued July 16, 2015, the Commission established post-2015 EmPOWER Maryland electric energy savings goals calculated as a percentage of the individual Utility’s weather-normalized gross retail sales baseline, on a trajectory to achieve an annual incremental gross energy savings of 2% per year using a ramp-up rate

¹⁹ The data in this table is at the Gross Wholesale level.

of 0.2 % per year.²⁰ On December 8, 2015, the Commission issued Order No. 87285 and directed BGE, DPL, PE, and Pepco to file supplemental proposals to achieve the incremental energy savings required to demonstrate a ramp-up rate of at least 0.20% in 2017 as compared to their 2016 Commission-approved plans.²¹

The EmPOWER Maryland programs achieved, on a program-to-date basis, the following results through the fourth quarter of 2016:

- The EmPOWER MD Utilities’ programs have saved a total of 6,499,907 MWh and 2,367 MW, and either incentivized or installed approximately 73.5 million energy-efficient measures.
- The participation by 25,074 low-income customers in the EmPOWER Limited Income Programs.
- The EmPOWER MD Utilities have spent over \$2.1 billion on the EmPOWER Maryland programs, including approximately \$1.3 billion on EE&C programs and \$638 million on DR programs.
- The expected savings associated with EmPOWER Maryland programs is approximately \$7.1 billion over the life of the installed measures for the EE&C programs.
- The average monthly residential bill impact of EmPOWER Maryland surcharges²² for 2016 were as follows:

	EE&C	DR	Dynamic Pricing ²³	Total
BGE	\$3.54	\$2.04	\$0.20	\$5.83
Pepco	\$5.42	\$3.67	(\$0.33)	\$8.76
DPL	\$4.73	\$2.59	\$1.55	\$8.87
PE	\$5.95	N/A	N/A	\$5.95
SMECO	\$4.81	\$2.67	N/A	\$7.48

²⁰ In Order No. 87082, the Commission did not establish electric demand reductions goals.

²¹ SMECO was not included in the Commission directive because its original projections had the Cooperative exceeding 2.0% in 2016.

²² Assumes an average monthly usage of 1,000 kilowatt hours (“kWh”), and the figures do not include customer savings.

²³ BGE, Pepco and DPL offered a Peak Time Rebate program in the summer of 2016 for residential customers with activated smart meters. The difference between rebates paid to participants and revenues received from PJM markets are trued-up in the EmPOWER Maryland surcharge.

2. Merger of Exelon Corporation and Constellation Energy Group, Inc. – Customer Investment Fund – Case No. [9271](#)

As reported in the 2012 Annual Report, the Commission approved 16 programs that will utilize \$112 million of the \$113.5 million Customer Investment Fund (“CIF”), for the purposes of providing energy efficiency and low income energy assistance to BGE customers. On June 15, 2016, the Commission issued Order No. 87609, which approved a disbursement schedule for the semi-annual distribution of the funds from the CIF for FY2017. In the Order, the Commission noted that it had previously directed CIF recipients to file an annual report no later than 90 days after close of the respective fiscal year documenting how the recipients spent their CIF funds for the fiscal year as well as reporting program benefits, costs, and other applicable metrics. The Commission extended the directive to the CIF recipients to document their CIF expenditures made during FY2016. Once these reports are filed, the Commission directed the Staff to review the FY2016 annual filings and report the results to the Commission. The Commission therefore reserved the right to modify disbursements for FY2017 after receipt of Staff’s report.

On November 22, 2016, Staff provided its report to the Commission on the status of the CIF programs during FY2016. The majority of the programs used funding towards the areas under which they were approved to operate resulting in 81% or nearly \$22 million of the FY2016 budget being spent as of June 30, 2016. A legislative-style hearing was held on November 29, 2016, to consider Staff’s report, as well as the programs’ FY2016 annual reports. The Commission’s order stemming from the November 29, 2016 hearing was issued on January 20, 2017, and will be addressed in the CY2017 annual report.

**B. Deployment of Advanced Meter Infrastructure/Smart Grid -
Case Nos. [9207](#), [9208](#) and [9294](#)**

The Commission approved Smart Grid initiatives for BGE (Case No. 9208) in 2010, Pepco (Case No. 9207) in 2010, DPL (Case No. 9207) in 2012, and SMECO (Case No. 9294) in 2013. As of September 30, 2016, approximately 2.7 million electric and gas meters (so-called “smart meters”) have been installed across the State. BGE has installed over 1.9 million electric meters and gas modules, and has completed its initial deployment of smart meters. BGE continues to work to install meters in hard-to-access locations in an effort to reduce the current level of opt-out customers from 3.9% to one percent by 2018. Pepco and DPL have finished deploying smart meters with the final totals for each company being 560,851 and 211,115 smart meters, respectively. Pepco and DPL have less than 1% of its customers categorized as opt-out (0.3% and 0.7%, respectively). SMECO installed approximately 10,000 smart meters in 2016 and plans to complete installation by the end of 2017.

Cost Recovery

One of several conditions the Commission required of BGE, Pepco and DPL was that each Company was required to demonstrate that the Advanced Meter Infrastructure (“AMI”) system was cost effective for all its customers prior to the allowance of cost recovery in rates. In 2016, all three companies filed base rate cases in which, among other things, they each sought the recovery of AMI system costs as part of the requested revenue requirement increase.

On November 6, 2015, BGE filed its case, docketed as Case No. 9406, which in part requested the recovery of BGE’s AMI system costs. In Order No. 87591, issued June 3, 2016, the Commission determined that BGE had delivered a cost-beneficial AMI

system with total benefits of \$839.4 million and total costs of \$653.6 million.²⁴ The Commission disallowed \$16.8 million of customer education costs related to the AMI system because the Commission found that BGE should have been able to better anticipate that some of its customers would want to opt out of smart meter installations.²⁵

On April 19, 2016, Pepco filed its rate case, docketed as Case No. 9418, which in part requested the recovery of Pepco's AMI system costs. In Order No. 87884, issued November 15, 2016, the Commission approved Pepco's requested recovery of its AMI costs. All parties that submitted testimony in the matter agreed that Pepco has provided a cost-beneficial AMI system.²⁶

On July 20, 2016, DPL filed its rate case, docketed as Case No. 9424, which in part requested the recovery of DPL's AMI system costs. On January 4, 2017, the Chief Public Utility Law Judge issued a Proposed Order in which she found that DPL had delivered a cost-effective AMI system with total benefits of \$99.5 million and total costs of \$86.9 million for a benefit/cost ratio of 1.15 to 1.²⁷ The Proposed Order was appealed, and subsequently affirmed in part and reversed in part by the Commission; although, the Chief Judge's finding that DPL delivered a cost-beneficial system was undisturbed in the Commission's Order.²⁸

²⁴ See Order 87591 at 65.

²⁵ See Order 87591 at 68.

²⁶ See Order No. 87884 at 21.

²⁷ See Proposed Order at 42.

²⁸ Order No. 88033.

C. Electric Reliability-Related Cases

1. Investigation into the Reliability and Quality of the Electric Distribution Service of Potomac Electric Power Company – Case No. [9240](#)

In August 2010, the Commission initiated the docket, Case No. 9240, to investigate the reliability and quality of Pepco's electric distribution service. In Order No. 84564 issued on December 21, 2011, the Commission found that Pepco had failed to maintain its electric distribution system over a period of years. As part of its Order, the Commission directed Pepco to file quarterly and annual status reports containing certain specified data. Pepco has been filing its reports since 2012 as directed. On July 13, 2016, Pepco filed an uncontested motion asking that the Commission relieve Pepco of the requirement to submit the quarterly and annual reports required by Order No. 84564 because the reporting is largely duplicative of that required pursuant to the Commission's Service Quality and Reliability Standards. On September 9, 2016, by Order No. 87764, the Commission granted the motion and closed the docket.

2. Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.11 – Case No. [9353](#)

In May 2014, the Commission initiated the docket, Case No. 9353, to conduct its required annual review of the service quality and reliability performance reports filed by the applicable electric companies by April 1 of each year. Annual performance reports were filed on or about April 1, 2016 by each of the applicable electric companies, and comments on the reports were due by August 2, 2016.

On August 9, 2016, the Commission held a legislative-style hearing for the purpose of reviewing the April 1, 2016 reports and to determine whether the electric

companies each met the applicable COMAR service quality and reliability standards. On September 7, 2016, the Commission issued Order No. 87754, in which it accepted the service quality and reliability annual reports filed by BGE, Pepco, Delmarva, Potomac Edison, Choptank, and SMECO. Additionally, the Commission noted the Corrective Action Plans filed by BGE, Delmarva, PE, Pepco and SMECO.

In the Order, the Commission also directed SMECO and Pepco to each file by October 31, 2016, an interim assessment of the effectiveness of its Corrective Action Plan related to Customer Communication Standards. As directed, SMECO filed its compliance filing on October 31, 2016; Pepco filed its compliance filing on November 10, 2016.

Further, in the Order, the Commission directed Staff to lead a work group, to include the applicable electric companies and open to all interested persons, to examine issues related to poorest performing feeders and repeat poorest performing feeders and to file a report, including the group's discussions and recommendations, by December 30, 2016. On December 19, 2016, Staff requested an extension of time to file its work group report, and filed the report on January 31, 2017.

3. Baltimore Gas and Electric Company's Request for Approval of its Public Purpose Microgrid Proposal – Case No. [9416](#)

On December 18, 2015, BGE submitted a request for approval of a proposed pilot project to deploy two public purpose microgrids in Maryland. On January 13, 2016, the Commission issued a notice requesting comments from BGE and other interested persons on the proposal and suspended the associated tariff provisions for 150 days. On April 15, 2016, the Commission issued a notice initiating a new docket, Case No. 9416, to consider

the request, scheduled a hearing for June 9, 2016, and suspended the associated tariff provisions for an additional 30 days. On June 9, 2016, a legislative-style hearing was held. On July 19, 2016, by Order No. 87669, the Commission denied BGE's request without prejudice and rejected the associated tariff provisions. The Commission found "the Proposal deficient and not in the public interest in several key aspects, including but not limited to BGE's site selection process, cost recovery and associated ratepayer impacts, and non-inclusive generation design. We would also note that the Commission is looking at the broader "grid of the future" topic and issues of specific relevance to Maryland, including distributed generation, net metering, congestion and LMP costs, etc., and accordingly it may be premature to consider a specific project of this nature."

D. Renewable Energy Portfolio Standard

1. Applications of US Wind, Inc. and Skipjack Offshore Energy, LLC for a Proposed Offshore Wind Project(s) Pursuant to the Maryland Offshore Wind Energy Act of 2013

On February 25, 2016, the Commission opened the Maryland Offshore Wind Project Application Period, after it was advised by its independent consultant that a first potential offshore wind application had been received and was determined to be administratively complete. The application period closed on November 18, 2016. On November 21, 2016, the consultant notified the Commission that two applications, that of US Wind, LLC and Skipjack Offshore Energy, LLC, were found to be administratively complete and to have met the COMAR minimum threshold criteria. On November 22, 2016, by Order No. 87898, the Commission initiated a new docket, Case No. [9431](#), to conduct the required review of the applications. Each applicant was directed to file both a public and a confidential version of the application by November 30, 2016, and each

filed both versions of its application as directed. Petitions to intervene in the matter were granted at the prehearing conference held December 14, 2016.²⁹

On December 13, 2016, US Wind filed a motion to disqualify the application of Skipjack Offshore Energy. At the prehearing conference (as memorialized by Order No. 87945 issued December 16, 2016), the Commission established a procedural schedule for the parties to submit pleadings in opposition or support of US Wind's motion to disqualify. On January 23, 2017, the Commission issued Order No. 87993 and denied US Wind's motion to disqualify without prejudice. The Commission found that its consideration of the issues raised in the motion should be delayed until all evidence is admitted and weighed.

The evidentiary hearings in the matter are scheduled to be held from March 13 – March 17, 2017 and from March 20 – March 24, 2017. Two public comment hearings are also scheduled for March 25, 2017 and March 30, 2017. The Commission must approve, conditionally approve, or deny the proposed offshore wind project applications no later than May 17, 2017.

E. Rate-Related Cases

1. Application of Baltimore Gas and Electric Company for Approval of a Gas System Strategic Infrastructure Development and Enhancement Plan and Accompanying Cost Recovery Mechanism – 2016 Amendment to STRIDE Plan – Case No. [9331](#)

On July 1, 2016, BGE filed a first amendment to its Strategic Infrastructure Development and Enhancement (“STRIDE”) Plan; the Plan was approved initially by the Commission in Order No. 86147 issued on January 29, 2014. The amendment sought to

²⁹ Petitions to intervene from three parties were held in abeyance, but later granted, after the parties retained Maryland counsel.

add a new asset category to the Plan and obtain cost recovery for the replacement of the added asset category as part of the approved surcharge mechanism. On September 23, 2016, a Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement (“Settlement”) was filed with the Commission. On October 3, 2016, the Commission held an evidentiary hearing in the matter. On November 23, 2016, by Order No. 87900, the Commission conditionally granted the Joint Motion and conditionally accepted the Settlement, subject to BGE’s acceptance of modification to the effective period of revised surcharge and to the root cause analysis requirement provision. On December 8, 2016, BGE notified the Commission that BGE accepted the two modifications set forth in Order No. 87900.

2. Application of Washington Gas Light Company for Authority to Implement a Strategic Infrastructure Development and Enhancement Plan and Associated Cost Recovery Mechanism – 2015 Amendment to STRIDE Plan – Case No. [9335](#)

As reported in the 2015 Annual Report, by Order No. 87064 issued on July 2, 2015, the Commission denied a portion of WGL’s requested amendment to its STRIDE Plan, approved a portion of it, and provided clarification on the timing and frequency of submission by WGL of certain project lists. On July 29, 2015, WGL asked for a clarification to Order No. 87064 to ensure that it reflected that Transmission Programs 2 and 4 are conditionally approved, subject to the caveat that neither program contains projects located outside Maryland. On March 28, 2016, by Order No. 87451, the Commission made the clarification requested by WGL.

3. Application of Potomac Electric Power Company for Approval of Changes in its Depreciation Rates – Case No. [9385](#)

As reported in the 2015 Annual Report, a Proposed Order was issued in the matter, and an appeal of the Proposed Order was noted by Pepco. On August 10, 2016, the Commission issued Order No. 87710, in which it affirmed in part the Proposed Order and granted Pepco's request to allow the 15-year amortization to start at the conclusion of Case No. 9418. On September 9, 2016, Pepco filed a Petition for Rehearing of Order No. 87710. On December 16, 2016, by Order No. 87994, the Commission granted in part and denied in part Pepco's Petition. The Commission granted Pepco's request to file tariffs that reflect a 10-year amortization period to be applied to the retired legacy meters, but denied Pepco's request to earn both a debt and equity return on the undepreciated net book value of its retired legacy meters.

4. Application of Baltimore Gas and Electric Company for Adjustments to its Electric and Gas Base Rates – Case No. [9406](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider BGE's request for rate increases for its electric and gas distribution services. Evening hearings for public comments were held on March 3, 7, 9, 16, and 17, 2016 in Anne Arundel County, Baltimore County, Howard County, Harford County, and Baltimore City, respectively. Evidentiary hearings were held at the Commission's Baltimore offices on March 29-31 and April 1, 4-8, and 11-12, 2016. On June 3, 2016, the Commission issued Order No. 87591³⁰ in which it authorized BGE to increase electric distribution rates by no more than \$41.762 million and to increase gas distribution rates by no more than \$47.776 million for electric and gas distribution services rendered on or

³⁰ Errata to Order No. 87591 was issued June 6, 2016.

after June 4, 2016, consistent with its findings in the Order. Included in the Order were a Concurring Statement of Commissioner Williams and Commissioner Hoskins, and a Dissenting Statement, in Part, of Commissioner Williams and Commissioner Richard.

On June 30, 2016, BGE filed a Petition for Rehearing of the Order. On July 5, 2016, OPC filed a Petition for Rehearing of the Order. On July 29, 2016, in Order No. 87695, the Commission granted in part and denied in part BGE's petition and denied OPC's petition. In the Order, the Commission granted BGE's request that the retired legacy meter balances be reduced by the accumulated deferred income tax amounts provided by BGE in its petition. Consequently, it authorized an additional increase to BGE's electric distribution rates of no more than \$2.367 million and an additional increase to BGE's gas distribution rates of no more than \$0.114 million. The Commission also clarified that BGE is permitted to defer post-test year Smart Grid incremental costs in a new smart grid regulatory asset.

5. Application of Sandpiper Energy, Inc. for a General Increase in its Natural Gas and Propane Rates and for Approval of Certain Other Changes to its Tariff – Case No. [9410](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider Sandpiper Energy's application for a rate increase and to revise its tariff. On January 8, 2016, a procedural schedule for the matter was adopted at the prehearing conference. On February 10, 2016, pursuant to the agreement of the parties, the procedural schedule was modified. On March 16, 2016, the procedural schedule was again modified. On March 18, 2016, an evening hearing for public comment was held in Berlin, Maryland. On May 3, 2016, the procedural schedule was suspended. On June 30, 2016, Sandpiper Energy requested to amend the effective dates of its proposed rates for

an additional 60 days. The Commission granted the request on July 7, 2016, by Order No. 87657.

On August 10, 2016, the parties filed a Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement (“Settlement”). Sandpiper Energy, Staff, and OPC each filed testimony in support of the Settlement. On September 7, 2016, Sandpiper Energy asked that the effective dates of its proposed rates be extended an additional 45 days. On September 13, 2016, the Commission granted the request in Order No. 87767. On September 20, 2016, an evidentiary hearing, followed by an evening hearing for public comment, was held in Berlin, Maryland. On September 28, 2016, a Proposed Order was issued, which accepted the Settlement without modification and authorized Sandpiper Energy to file the rates, charges, terms and conditions to its tariff in accordance with the Settlement with the Commission. No appeal was taken of the Proposed Order, and it became Commission Order No. 87857 on October 29, 2016.

6. Application of Columbia Gas of Maryland, Inc. for Authority to Increase Rates and Charges – Case No. [9417](#)

On April 15, 2016, Columbia Gas of Maryland, Inc. (“Columbia”) filed an application for an increase to its retail rates for electric service and certain rate design changes. Columbia requested an increase in its revenue requirement in the amount of \$6,484,426. On July 19 and 20, 2016, evening hearings were held in Hagerstown and Cumberland, Maryland, respectively, to allow the public to comment on Columbia’s application.

On July 27, 2016, the parties presented a Joint Motion for Approval of Agreement of Stipulation and Settlement (“the Settlement”) and Columbia, OPC and Staff each filed testimony in support of the Settlement. Direct Energy, another party in the matter, took

no position on the Settlement. The Settlement proposed, in pertinent part, an increase of \$3.7 million in Columbia's annual revenue requirement and resolved all the issues raised by the parties in the matter, except whether Columbia may move its STRIDE projects into rate base as part of future Make Whole proceedings. An evidentiary hearing was held on July 27, 2016, at which time all previously filed testimony was admitted into the record.

On September 26, 2016, two separate Proposed Orders were issued with the first order approving the Settlement and the second, a Supplemental Order, addressing the litigated STRIDE issue. In the Supplemental Order, Columbia's proposed tariff revision that would permit it to move STRIDE-related projects into rate base through a Make Whole proceeding was denied. No appeal of the first Order addressing the Settlement was taken, and it became Commission Order No. 87851; however, Columbia noted an appeal of the Supplemental Order and filed a Memorandum of Appeal on November 4, 2016. On November 22, 2016, both OPC and Staff filed reply memorandums. The appeal remains pending before the Commission as of December 31, 2016.

7. Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy – Case No. [9418](#)

On April 19, 2016, Pepco filed an application to increase its electric distribution rates, which included recovery for the implementation of its AMI system. Pepco requested an increase in its revenue requirement of \$102,751,000, pursuant to an update dated September 8, 2016. By Order No. 87503 issued on April 20, 2016, the Commission initiated a new docket, Case No. 9418, to consider the application and suspended the proposed tariff revisions.

The Commission held evening hearings for public comment in Rockville, Maryland and Largo, Maryland on September 6 and 8, 2016, respectively. On September 13-16 and 19-22, 2016, the Commission conducted evidentiary hearings in the matter at its Baltimore offices. On November 15, 2016, the Commission issued Order No. 87884, in which it authorized Pepco to increase its electric distribution rates by no more than \$52,535,000 for service rendered on or after November 15, 2016. On December 15, 2016, petitions for rehearing were filed by Pepco, OPC and the Healthcare Council of the National Capital Area. The petitions remain pending before the Commission as of December 31, 2016.

8. Application of Delmarva Power & Light Company for Adjustments to its Retail Rates for the Distribution of Electric Energy – Case No. 9424

On July 20, 2016, DPL filed an application to increase its rates for its electric distribution services and sought an increase in its revenue requirement of approximately \$57 million. On July 21, 2016, by Order No. 87674, the Commission initiated a new docket, Case No. 9424, to consider the application, suspended the proposed tariff revisions, and delegated the proceedings to the Public Utility Law Judge Division. Evening hearings for public comment were held on October 25, 26, and 27, 2016 in Chestertown, Wye Mills, and Salisbury, respectively. On November 2 – 4 and November 9 and 10, 2016, evidentiary hearings were held at the Commission's offices in Baltimore. On January 4, 2017, a Proposed Order was issued, which authorized an increase of DPL's revenue requirement in the amount of \$34.1 million. On January 18, 2017, DPL and OPC each noted an appeal of the Proposed Order. On February 15, 2017, in Order No.

88033, the Commission authorized DPL to increase its electric distribution rates by \$38.3 million for services rendered on or after February 15, 2017.

9. Petition of Washington Gas Light Company for Approval of Revised Tariff Provisions to Facilitate Access to Natural Gas in the Company’s Maryland Franchise Area Currently without Natural Gas Service – Case No. 9433

On December 7, 2016, WGL filed a petition to obtain approval from the Commission to revise its tariff to facilitate the access to natural gas in its Maryland franchise area by persons who currently do not have natural gas service. On December 22, 2016, by Order No. 87956, the Commission initiated a new docket, Case No. 9433, to consider the petition, suspended the proposed tariff revisions, and directed any petition to intervene be filed by January 18, 2017. On February 1, 2017, by Order No. 88003, the Commission established a procedural schedule for the matter. Evidentiary hearings are scheduled for May 1 and 2, 2017. A final Order in the matter is expected to be issued by August 14, 2017.

F. Certificates of Public Convenience and Necessity Cases— Applications, Modifications, and Waivers

1. Application of Energy Answers International, LLC for a Certificate of Public Convenience and Necessity to Construct a 120 MW Generating Facility in Baltimore, Maryland – Case No. 9199

On August 6, 2010, by Order No. 83517 (as amended by Order No. 85269), the Commission granted Energy Answers International, LLC (“Energy Answers”) a CPCN, subject to certain licensing conditions. On March 17, 2016, the Maryland Department of the Environment (“MDE”) notified the Commission that MDE had determined that construction on the generating facility, known as the Fairfield Renewable Energy Project,

had been discontinued for more than 18 months; therefore, the air quality provisions included as conditions to the CPCN had expired as a matter of law. On April 15, 2016, pursuant to Staff's request for an issuance of a show cause order and by Order No. 87497, the Commission issued an Order to Show Cause to Energy Answers requiring Energy Answers to show cause why its CPCN should not be revoked as a matter of law based on the expiration of its air permit. On June 13, 2016, by Order No. 87603, the Commission revoked the CPCN for the Fairfield Renewable Energy Project, without prejudice. Further, the Commission directed Energy Answers to refrain from any further construction-related activities at the project site until and unless Energy Answers applies for, and obtains approval of, a new CPCN for the project.

2. Application of Mattawoman Energy, LLC for a Certificate of Public Convenience and Necessity to Construct a Nominally Rated 859 MW Generating Facility in Prince George's County, Maryland – Case No. 9330

As reported in prior Annual Reports, subject to certain licensing conditions, the Commission granted Mattawoman Energy, LLC ("Mattawoman") a CPCN to construct its nominally-rated 859 MW generating facility in Prince George's County. On February 25, 2016, the Commission issued a Letter Order in which it approved an amendment filed by Mattawoman to its CPCN of the first mile groundwater reclamation water pipeline, subject to the conditions recommended by the Maryland Department of Natural Resources, Power Plant Research Program ("PPRP") and MDE, except the Commission modified the renewal and expiration period of Condition 04 to a one-year period from the date of the Letter Order. On December 19, 2016, Mattawoman submitted a further request to amend its CPCN by modifying groundwater appropriation for construction dewatering of the remaining portion of the reclaimed water pipeline. After

taking the matter under advisement at its March 8, 2017 Administrative Meeting, by Letter Order dated March 24, 2017, the Commission approved the CPCN Amendment subject to the conditions proposed by PPRP and MDE.

3. Application of OneEnergy Blue Star Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 6.0 MW Solar Photovoltaic Generating Facility in Kent County, Maryland – Case No. [9387](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by OneEnergy Blue Star Solar, LLC to construct a 6.0 MW solar photovoltaic generating station in Kent County, Maryland. After the submission of testimony in the matter, the only dispute among the parties was whether the project was exempt from the Forest Conservation Act (“FCA”) and the mitigation required by Kent County’s land use ordinance adopted pursuant to the FCA. On January 19, 2016, a public comment hearing was held in Chestertown, Maryland. On February 5, 2016, an evidentiary hearing was held at the Commission’s Baltimore offices. On April 6, 2016, a Proposed Order was issued granting the CPCN subject to the recommended licensing conditions of PPRP and Staff. Further, the Law Judge decided that the FCA did not apply to the Project, but the mitigation required under the County’s land use ordinance was applicable and it was imposed as a licensing condition to which the CPCN is subject.

On May 6, 2016, Staff filed a Notice of Appeal followed by its Memoranda of Appeal on May 16, 2016. On June 3, 2016, and June 6, 2016, OneEnergy and PPRP filed Joint Reply Memorandums, respectively, that also addressed a similar issue appealed in

Case No. 9392.³¹ On October 21, 2016, the Commission issued Order No. 87835 which addressed both Case No. 9387 and Case No. 9392. The Commission modified the Proposed Order to reflect that the project was subject to the application of the FCA, but determined the Commission's authority was not preempted by Kent County's local forest conservation ordinances. The Commission also affirmed all the licensing conditions incorporated into the grant of the CPCN for the project.

4. Application of OneEnergy Ibis Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 6.0 MW Solar Photovoltaic Generating Facility in Somerset County, Maryland – Case No. [9392](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by OneEnergy Ibis Solar, LLC to construct a 6.0 MW solar photovoltaic generating station in Somerset County, Maryland. After the submission of testimony in the matter, the only dispute among the parties was whether the project was exempt from the FCA. On February 3, 2016, a public comment hearing was held in Crisfield, Maryland. On February 5, 2016, an evidentiary hearing was held at the Commission's Baltimore offices. On April 6, 2016, a Proposed Order was issued granting the CPCN, subject to the recommended licensing conditions of PPRP and Staff. The Law Judge determined that the FCA did not apply to the project.

On May 6, 2016, Staff filed a Notice of Appeal followed by its Memoranda of Appeal on May 16, 2016. On June 3, 2016, and June 6, 2016, OneEnergy and PPRP filed Joint Reply Memorandums, respectively, that also addressed a similar issue appealed in

³¹ See Section IV. F. 4. herein.

Case No. 9387.³² On October 21, 2016, the Commission issued Order No. 87835, which addressed both Case No. 9387 and Case No. 9392. The Commission modified the Proposed Order to reflect that the project was subject to the application of the FCA, but determined the Commission's authority was not preempted by a county's local forest conservation ordinances. The Commission also affirmed all the licensing conditions incorporated into the grant of the CPCN for the project.

5. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Construct a New 138 kV Overhead Transmission Line on Existing Right-of-Way from the Piney Grove Substation in Wicomico County, Maryland to the Maryland/Virginia State Line – Case No. [9393](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by DPL for authority to construct a new 138 kV overhead transmission line on existing right-of-way from its Piney Grove Substation in Wicomico County, Maryland to the Maryland/Virginia state line. OPC opposed the grant of the CPCN, and argued that DPL had not met its burden of proof to demonstrate the need for the transmission upgrade. On June 27, 2016, an evidentiary hearing was held. An evening hearing for public comments was held in Salisbury, Maryland and Snow Hill, Maryland, on June 29 and 30, 2016, respectively. On August 18, 2016, a Proposed Order was issued, which granted a CPCN, subject to the licensing conditions recommended by PPRP and Staff.

On September 1, 2016, OPC filed an appeal of the Proposed Order. DPL and Staff each filed reply memoranda opposing OPC's appeal. On November 18, 2016, by Order No. 87892, the Commission denied OPC's appeal.

³² See Section IV. F. 3. herein.

6. Application of Pinesburg Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 8.0 MW Solar Photovoltaic Generating Facility in Washington County, Maryland – Case No. [9395](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Pinesburg Solar, LLC for authority to construct a 8.0 MW solar photovoltaic generating facility in Washington County, Maryland. The only dispute among the parties was whether Pinesburg appropriately asserted an exception to the FCA for the Project, and whether the claimed exception entitled the Project to less than full compliance with the Act given the provision that requires the Commission to give due consideration to issues covered by the FCA. An evening hearing for public comment was held on February 17, 2016, in Williamsport, Maryland. In lieu of an evidentiary hearing, the parties agreed to stipulate all of the pre-filed testimony into the record. On May 13, 2016, a Proposed Order was issued³³ and it granted a CPCN for the construction of the project, subject to the licensing conditions recommended by PPRP and Staff; although, the Proposed Order rejected one licensing condition requested by PPRP after concluding that the Project was properly exempted from the FCA and thus entitled to less than full compliance with the Act's remediation provisions. On June 21, 2016, PPRP noted an appeal of the Proposed Order. On March 3, 2017, by Order No. 88053, the Commission denied PPRP's appeal.

³³ *Errata* issued on June 7, 2016.

7. Application of OneEnergy Baker Point Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 9.0 MW Solar Photovoltaic Generating Facility in Frederick County, Maryland – Case No. [9399](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by OneEnergy Baker Point Solar, LLC for authority to construct a 9.0 MW solar photovoltaic generating facility in Frederick County, Maryland. As reported, the procedural schedule adopted in the matter was suspended on February 25, 2016, except for the March 10, 2016, evening hearing for public comments that was held in Frederick, Maryland. On May 4, 2016, the suspension of the procedural schedule was lifted and a modified procedural schedule was adopted. On May 12, 2016, an evidentiary hearing was held, but as there were no contested issues to be addressed at the hearing, all the parties' pre-filed testimony was admitted into the record. Additionally, an understanding among the parties was orally placed into the record to preserve the litigation position of any party in any other proceedings as to the application of the FCA to the CPCN process. On June 3, 2016, a Proposed Order was issued, which granted a CPCN, subject to licensing conditions recommended by PPRP and Staff. No appeal of the Proposed Order was taken, and it became Commission Order No. 87652.

8. Application of Dan's Mountain Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 18.36 MW Solar Photovoltaic Generating Facility in Allegany County, Maryland – Case No. [9400](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Dan's Mountain Solar, LLC for authority to construct a 18.36 MW solar photovoltaic generating facility in Allegany County,

Maryland. On March 11 and March 14, 2016, Dan's Mountain Solar submitted its written agreement to have a CPCN granted subject to Staff's recommended licensing conditions and PPRP's recommended licensing conditions, respectively. On March 22, 2016, an evening hearing was held in Cumberland, Maryland. At the hearing, the pre-filed testimony of all the parties was entered into the record by stipulation. On June 8, 2016, a Proposed Order was issued, and it granted a CPCN, subject to the licensing conditions recommended by PPRP and Staff. No appeal of the Proposed Order was taken, and it became Commission Order No. 87659.

9. Application of Longview Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 20.0 MW Solar Photovoltaic Generating Facility in Worcester County, Maryland – Case No. [9403](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Longview Solar, LLC (“Longview”) for authority to construct a 20.0 MW solar photovoltaic generating station in Worcester County, Maryland. Evidentiary and public hearings were held on March 31, 2016, in Ocean Pines, Maryland. On April 25, 2016, a Proposed Order was issued, and the CPCN, subject to the licensing conditions recommended by PPRP and Staff, was granted. No appeal of the Proposed Order was taken, and it became Commission Order No. 87539.

10. Application of Longview Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 15.0 MW Solar Photovoltaic Generating Facility in Worcester County, Maryland – Case No. [9405](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Longview for authority to construct a

15.0 MW solar photovoltaic generating station in Worcester County, Maryland. Evidentiary and public hearings were held on April 7, 2016, in Snow Hill, Maryland. On May 2, 2016, a Proposed Order was issued, and it granted the CPCN, subject to the recommended licensing conditions of Staff and PPRP as amended by the Law Judge. No appeal of the Proposed Order was taken, and it became Commission Order No. 87556.

11. Application of Massey Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 5.0 MW Solar Photovoltaic Generating Facility in Kent County, Maryland – Case No. [9407](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Massey Solar, LLC for authority to construct a 5.0 MW solar photovoltaic generating facility in Kent County, Maryland. On March 16, 2016, pursuant to a request made by Massey Solar with the consent of the other parties, the procedural schedule in the matter was suspended until the Commission had rendered its decision on appeals in several other solar facility CPCN matters related to the applicability of the FCA and associated local forest conservation ordinances on solar facilities requiring CPCNs. On January 9, 2017, in response to a letter to the parties from the assigned Law Judge, Massey Solar requested that the procedural schedule remain suspended until the Commission issued its decision on the pending appeal in Case No. 9395.³⁴

³⁴ See IV. F. 6. herein.

12. Application of Perennial Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 8.0 MW Solar Photovoltaic Generating Facility in Washington County, Maryland – Case No. [9408](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Perennial Solar for authority to construct a 8.0 MW solar photovoltaic generating facility in Washington County, Maryland. On March 16, 2016, the procedural schedule was suspended as the parties wished to wait until the Commission issued Orders on two CPCN cases that involved the application of the FCA.³⁵ Although the Commission has issued its Order on both matters,³⁶ the schedule remains suspended awaiting a decision on Washington County’s appeal to the Court of Special Appeals of a June 20, 2016 Order of the Circuit Court for Washington County, which found that the Commission’s authority over CPCNs preempted local zoning laws. It is anticipated that arguments before the Court of Special Appeals will be heard in the summer of 2017.

13. Application of Gateway Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 12 MW Solar Photovoltaic Generating Facility in Worcester County, Maryland – Case No. [9409](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Gateway Solar, LLC for authority to construct a 12 MW solar photovoltaic generating facility in Worcester County, Maryland. On June 8, 2016, an evidentiary hearing was held in the Commission’s Baltimore offices. The only issue in the matter was the application of the FCA. On June 9, 2016, an

³⁵ See IV. F. 3. herein (Case No. 9387) and IV.F.4. herein (Case No. 9392).

³⁶ *Id.*

evening hearing for public comments was held in Ocean Pines, Maryland. On July 28, 2016, a Proposed Order was issued, and it granted a CPCN, subject to the licensing conditions recommended by Staff and by PPRP as amended by the Law Judge. On August 29, 2016, Gateway Solar noted an appeal of the Proposed Order. On December 13, 2016, Gateway Solar filed a notice to withdraw its appeal, which was granted by the Commission on December 15, 2016; therefore, the Proposed Order became a final Order of the Commission, Order No. 87941, on December 15, 2016.

14. Application of Mills Branch Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 60 MW Solar Photovoltaic Generating Facility in Kent County, Maryland – Case No. [9411](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Mills Branch Solar, LLC for authority to construct a 60 MW solar photovoltaic generating facility in Kent County, Maryland. Kent County and Keep Kent Scenic, Inc., and OPC opposed a grant of a CPCN for the project at the proposed location. Subject to the CPCN being subject to recommended licensing conditions, PPRP and Staff did not oppose the grant of the application. On June 21, 2016, an evening hearing for public comments was held in Chestertown, Maryland. An evidentiary hearing also was held in Chestertown, Maryland on June 22-23, 2016. After PPRP filed its Final Recommended Licensing Conditions, Keep Kent Scenic requested the record be re-opened to allow cross-examination of the witness who supported the filing. The motion was granted, and an evidentiary hearing was held on August 29, 2016, for the limited purpose of cross-examination of one PPRP witness.

On January 10, 2017, a Proposed Order was issued, in which the application and CPCN were denied. On February 3, 2017, Mills Branch Solar submitted a request to

implement the voluntary dismissal of its application. In the request, Mills Branch Solar asked the Commission to issue an order granting the request to withdraw the application as well as withdrawing the Proposed Order. On February 9, 2017, the Commission denied the request. No appeal was taken of the Proposed Order, and it became Commission Order No. 88021.

15. Application of Todd Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 20.0 MW Solar Photovoltaic Generating Facility in Dorchester County, Maryland – Case No. [9412](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the application for a CPCN filed by Todd Solar, LLC for authority to construct a 20.0 MW solar photovoltaic generating station in Dorchester County, Maryland. Evidentiary and public hearings were held on May 19, 2016 in Cambridge, Maryland. On June 27, 2016, a Proposed Order was issued granting the CPCN subject to licensing conditions recommended by PPRP and Staff as well as the requirement that a single-axis tracking system be utilized rather than a fixed-tilt system as had been proposed by Todd Solar. On July 5, 2016, Todd Solar filed a letter indicating that it would construct the Project as a single-axis tracking system in compliance with the Proposed Order. No appeal was taken of the Proposed Order, and it became Commission Order No. 87690.

16. Application of Dan’s Mountain Wind Force, LLC for a Certificate of Public Convenience and Necessity to Construct a 59.5 MW Wind Energy Generating Facility in Allegany County, Maryland – Case No. [9413](#)

On January 14, 2016, Dan’s Mountain Wind Force, LLC filed an application for a CPCN for authority to construct a 59.5 MW wind energy generating facility in Allegany County, Maryland. On February 1, 2016, the Commission initiated a new docket, Case

No. 9413, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. On April 7, 2016, the Board of County Commissioners of Allegany County, a party in the matter, filed a Motion to Dismiss, or, Alternatively, Stay Consideration of the Application. On June 14, 2016, the Motion was conditionally denied; on June 24, 2016, the Applicant met the condition.

On August 10 and 25, 2016, evening hearings for public comment were held in Cumberland, Maryland. On September 15 and 16, 2016, an evidentiary hearing was held at Allegany College of Maryland in Cumberland, Maryland. On January 25, 2017, a Proposed Order was issued, which denied the application for a CPCN. Dan's Mountain Wind Force, LLC noted an appeal of the Proposed Order on February 22, 2017.

17. Application of C.P. Crane, LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Charles P. Crane Generating Station in Baltimore County, Maryland – Case No. [9421](#)

On June 24, 2016, C.P. Crane, LLC filed a request for a CPCN authorizing the modification of the Charles P. Crane generating station in Baltimore County, Maryland. A pre-hearing conference was held on July 19, 2016, and a procedural schedule was issued on July 26, 2016. On July 27, 2016, PPRP filed a letter which indicated, based on its initial review, that the application was incomplete. On July 28, 2016, C.P. Crane, LLC withdrew its application, and on July 29, 2016, the docket was closed.

18. Application of Mason Dixon Solar Center, LLC for a Certificate of Public Convenience and Necessity to Construct a 18.4 MW Solar Photovoltaic Generating Facility in Washington County, Maryland – Case No. [9426](#)

On September 12, 2016, Mason Dixon Solar Center, LLC filed a request for a CPCN to construct an 18.4 MW solar photovoltaic generating station in Washington County, Maryland. By Letter Order dated September 21, 2016, the Commission initiated a new docket, Case No. 9426, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. An evening hearing for public comment was held on February 8, 2017 in Hagerstown, Maryland. An evidentiary hearing was held on February 17, 2017 in the Commission's Baltimore Offices. A Proposed Order is expected to be issued by March 31, 2017.

19. Application of LeGore Bridge Solar Center, LLC for a Certificate of Public Convenience and Necessity to Construct a 20.0 MW Solar Photovoltaic Generating Facility in Frederick County, Maryland – Case No. [9429](#)

On October 7, 2016, LeGore Bridge Solar Center, LLC filed an application for a CPCN to construct a 20.0 MW solar photovoltaic generating facility in Frederick County, Maryland. On October 12, 2016, the Commission issued a Letter Order initiating a new docket, Case No. 9429, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. An evening hearing for public comment is scheduled to be held on March 30, 2017, at a location in Frederick County, Maryland. An evidentiary hearing is scheduled to be held on April 4, 2017, at the Commission's Baltimore offices.

20. Application of Egypt Road Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 45.9 MW Solar Photovoltaic Generating Facility in the City of Cambridge, Maryland – Case No. [9434](#)

On December 20, 2016, Egypt Road Solar, LLC filed an application for a CPCN for authority to construct a nominal 45.90 MW alternating current solar photovoltaic facility in the City of Cambridge, Dorchester County, Maryland. By Letter Order dated December 22, 2016, the Commission initiated a new docket, Case No. 9434, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. Evening hearings for public comment are scheduled to be held on June 1 and July 10, 2017 in Cambridge, Maryland. An evidentiary hearing will be scheduled during the week of July 17, 2017, to be held in the Commission's Baltimore offices.

21. Application of Jones Farm Lane Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 56.7 MW Solar Photovoltaic Generating Facility in Queen Anne's County, Maryland – Case No. [9436](#)

On December 21, 2016, Jones Farm Lane Solar, LLC filed an application for a CPCN to construct a 56.7 MW solar photovoltaic generating facility in Queen Anne's County, Maryland. On December 22, 2016, the Commission issued a Letter Order initiating a new docket, Case No. 9436, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. An evidentiary hearing and an evening hearing for public comment are scheduled for August 8, 2017.

22. Application of CPV Maryland, LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of its St. Charles Generating Station – Case No. [9437](#)

On December 20, 2016, CPV Maryland, LLC filed an application for a CPCN authorizing the modification of its St. Charles generating station. By Letter Order dated December 29, 2016, the Commission initiated a new docket, Case No. 9437, to consider the application and delegated the proceedings to the Public Utility Law Judge Division.

An evening hearing for public comment and an evidentiary hearing will be scheduled during the week of July 17, 2017.

23. Application of Morgnec Road Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 57.04 MW Solar Photovoltaic Generating Facility in Kent County, Maryland – Case No. [9438](#)

On December 23, 2016, Morgnec Road Solar, LLC filed a request for a CPCN to construct a 57.04 MW solar photovoltaic generating station in Kent County, Maryland. On December 29, 2016, the Commission issued a Letter Order initiating a new docket, Case No. 9438, to consider the application and delegated the proceedings to the Public Utility Law Judge Division. A prehearing conference was scheduled for January 31, 2017, but was cancelled due to the request of potential parties and was rescheduled for March 28, 2017.

G. Standard Offer Service-, Restructuring-, and Energy Competition-Related Cases

1. 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 convey 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 in Maryland. These data were to be collected for both residential and non-residential customers.

At the end of December 2016, electric suppliers in the state served 540,780 commercial, industrial and residential customers. This number represents an approximate 1.3% decrease from 2015, when 547,903 customers were served by suppliers.

**Customer Accounts Enrolled with Electric Suppliers
As of December 31, 2016**

	Residential	Non-Residential	Total
Total Eligible Accounts	2,076,293	248,388	2,324,681
Customers Enrolled	441,535	99,245	540,780
Percentage Enrolled with Suppliers	21.3%	40.0%	23.3%

At the end of December 2016, the overall demand in megawatts of peak load obligation served by all electric suppliers was 6,101 MW, down 6.8% from 6,516 MW in 2015.

**Peak Load Obligation Served by Electric Suppliers
As of December 31, 2016**

	Residential	Non-Residential	Total
Total MW Peak	6,219	5,928	12,147
Demand Served	1,409	4,693	6,101
Percentage Served by Suppliers	22.6%	79.2%	50.23%

BGE had the highest number of residential accounts (280,926), commercial accounts (54,241), and peak-load (3,445 MW) served by suppliers. The number of electric suppliers licensed in Maryland has increased from 101 in 2015 to 110 at the end of 2016. The annual increase in the number of suppliers was 8.9% as compared to a 7.4% increase from 2014 to 2015.

Most electric suppliers in Maryland are authorized to serve multiple classes. The number serving each class, as well as the total number of unique suppliers serving in each utility territory, is reflected in the table below.

**Number of Electric Suppliers Serving Enrolled Customers
By Class as of December 31, 2016**

	Residential	Small C&I	Mid-Sized	Large C&I	Total
BGE	65	65	57	23	210
DPL	42	48	40	16	146
PE	32	33	31	19	115
Pepco	58	54	53	28	193

**2. Results of the Standard Offer Services Solicitations for
Residential and Type I and Type II Commercial Customers –
Case Nos. [9056](#) and [9064](#)**

The Commission reviews standard offer service (“SOS”) rates on an ongoing basis in Case Nos. 9064 and 9056. For the 12-month period beginning June 2016, SOS rates for residential and small commercial customers generally decreased compared with the previous year. With the exception of Potomac Edison,³⁷ 2016 bids were completed in April of 2016. Rate changes expressed as a percentage change in the total annual cost for an average customer are shown below.³⁸

Residential

BGE	-2.16%
DPL	-5.0%
Pepco	-4.0%
Potomac Edison	+2.3%

TYPE I SOS (Small Commercial Customers)

BGE	-1.9%
DPL	-4.8%
Pepco	-3.4%
Potomac Edison	no change ³⁹

³⁷ PE bids were completed in January 2016.

³⁸ The statistics are taken from the Commission’s Staff reports submitted in Case Nos. 9064 and 9056. The annual bill change is determined not only by the newly bid load, but also by the proportion of previous year’s contracts that expired.

³⁹ PE bids Type I load every two years.

3. Request by Baltimore Gas and Electric Company for Recovery of Standard Offer Service Related Cash Working Capital Revenue Requirement – Case No. [9221](#)

As reported in the 2015 Annual Report, the Proposed Order issued in the matter was appealed by all the active parties in the matter, and the appeals were pending before the Commission at the end of 2015. On November 17, 2016, by Order No. 87891, the Commission affirmed the Proposed Order in part and reversed it in part. The Commission determined that the Administrative Adjustment portion of the Administrative Charge included in the SOS rates should be retained, and that the return component included in the Administrative Charge would be set at the Return Component proposed by Staff.

On December 16, 2016, Staff filed a Request for Clarification regarding the return component of the Administrative Charge. On December 19, 2016, OPC filed a Request for Rehearing also regarding the return component of the Administrative Charge and its relation to the return authorized for Cash Working Capital as a separate component. On January 24, 2017, the Commission issued Order No. 87994 and denied each of Staff's and OPC's requests.

4. Review of Standard Offer Service Administrative Charge -- Delmarva Power & Light Company – Case No. [9226](#) and Potomac Electric Power Company – Case No. [9232](#)

As reported in prior Annual Reports, Case Nos. 9226 and 9232 were remanded back to the Public Utility Law Judge Division for further proceedings. The issuance of the further Proposed Order was delayed to allow the Commission to rule on the appeal of

the Proposed Order issued in Case No. 9221⁴⁰ because the issues in Case Nos. 9226 and 9232 are similar to those contested in Case No. 9221. After the issuance of the Commission's Order in Case No. 9221, the parties in Case Nos. 9226 and 9232 requested additional time to review the Order and to provide a modified procedural schedule to allow them to refresh the record to address the Commission's decision in the Case No. 9221 Order. A further Proposed Order is expected to be issued by September 2017.

5. Investigation into the Marketing, Advertising and Trade Practices of American Power Partners, LLC; Blue Pilot Energy, LLC; Major Energy Electric Services, LLC and Major Energy Services, LLC; and Xoom Energy Maryland, LLC – Case No. [9346](#)

As previously reported, a proceeding to investigate each of the practices of Xoom Energy Maryland, LLC (“XOOM”) Case No. 9346(a), Major Energy Electric Services, LLC and Major Energy Services, LLC (“collectively “Major Energy”) Case No. 9346(b), and Blue Pilot Energy, LLC (“Blue Pilot”) Case No. 9346(c) was individually conducted by the Public Utility Law Judge Division. The Commission issued a final Order in the Major Energy matter on February 26, 2016. OPC's appeal of the Proposed Order in the Xoom proceeding was pending before the Commission at the end of 2015. The Proposed Order in the Blue Pilot proceeding was expected to be issued in May 2016.

In Case No. 9346(a), by Order No. 87916 issued on December 5, 2016, the Commission granted OPC's appeal in part and denied it in part. The Commission affirmed the civil penalty imposed by the Proposed Order, but required Xoom to notify certain of its customers of record of its violation of the Commission's regulations and compensate each of the eligible individuals that respond to the notice and seek a refund.

⁴⁰ See Section IV. G. 3. herein.

On May 13, 2016, a Proposed Order in Case No. 9346(c) was issued, in which Blue Pilot was found to violate certain of the Commission's regulations due to its marketing practices. OPC and Blue Pilot each appealed the Proposed Order. On December 1, 2016, by Order No. 87910, the Commission denied Blue Pilot's appeal and affirmed the Proposed Order. On December 12, 2016, by Order No. 87925, the Commission denied the appeal of OPC and again affirmed the Proposed Order.

6. Blue Pilot Energy, LLC v. Chenoweth – Case No. 9382(a)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the formal complaint filed by Blue Pilot against Mr. Chenoweth in which Blue Pilot challenged the decision of the Commission's OER that no valid electricity supply contracts existed between Chenoweth and Blue Pilot for either his residential or commercial account (under the name Chenoweth & Associates, Inc. ("C&A")). As previously reported, the portion of the complaint regarding the residential account was dismissed by a Proposed Order issued December 11, 2015, and became Commission Order No. 87362.

On April 28, 2016, a Proposed Order was issued regarding the portion of the complaint regarding Mr. Chenoweth's commercial account in C&A's favor and Blue Pilot was directed to refund a portion of the charges paid by C&A for its electricity supply. No appeal was taken of the Proposed Order, and it became Commission Order No. 87587. Blue Pilot failed to pay the refund to Mr. Chenoweth as ordered. By letter order dated March 6, 2017, the Commission imposed a civil penalty of \$57,000 against Blue Pilot and cancelled the company's electricity supplier license.

7. Blue Pilot Energy, LLC v. Ifikhar – Case No. 9382(d)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the formal complaint filed by Blue Pilot against Bilal Ifikhar as to the validity of a commercial electricity supply contract as well as Mr. Ifikhar's formal complaint against Blue Pilot in regard to an existence of a valid residential electricity supply contract between Blue Pilot and Mr. Ifikhar. The evidentiary hearing was held in 2015, and a Proposed Order was issued on March 22, 2016. On April 21, 2016, Staff filed an appeal of the Proposed Order. On December 1, 2016, by Order No. 87913, the Commission affirmed the Proposed Order in part and modified it in part.

H. Merger-, Transfer-, and Franchise-Related Cases

1. Merger of The Southern Company and AGL Resources Inc. – Case No. [9404](#)

On November 4, 2015, The Southern Company, AGL Resources Inc., and Pivotal Utility Holdings, Inc. d/b/a Elkton Gas filed a joint application requesting authorization from the Commission to acquire the power to exercise substantial influence over the policies and actions of Elkton Gas. By Letter Order dated November 5, 2015, the Commission initiated a new docket, Case No. 9404, to consider the joint application and delegated the matter to the Public Utility Law Judge Division. On February 24, 2016, the parties filed a Joint Petition for Approval of a Stipulation and Settlement Agreement. An evidentiary hearing on the matter was held on March 1, 2016. An evening hearing for public comment was held February 16, 2016 in Elkton, Maryland. On March 31, 2016, a Proposed Order was issued approving the settlement agreement. No appeal was taken of the Proposed Order and it became Commission Order No. 87529.

2. The Acquisition of the Power to Exercise Substantial Influence Over Thompson Distribution Partners, LLC by Redwood Propane Investments, LLC and ThompsonGas, LLC – Case No. [9420](#)

On May 18, 2016, Redwood Propane Investments, LLC (“Redwood Propane”), Thompson’s Gas & Electric Service, Inc., and ThompsonGas, LLC filed a request for authorization for Redwood Propane and ThompsonGas to acquire the power to exercise substantial influence over the policies and actions of Thompson Distribution, pursuant to Public Utilities Article § 6-105. An evening public comment hearing was held on October 3, 2016, in Frederick, Maryland. On October 6, 2016, the parties submitted a Joint Motion for Approval of Agreement of Stipulation and Settlement (“the Settlement”), in which the parties agreed the transaction, subject to certain conditions, should be authorized. On October 20, 2016, an evidentiary hearing was held to admit the Settlement and the pre-filed testimony supporting its approval, as well as all previously filed testimony. On October 26, 2016, a Proposed Order approving the Settlement was issued to authorize the transaction, subject to the conditions detailed in the Settlement. No appeal was taken of the Proposed Order, and it became Commission Order No. 87873.

I. Other Matters

1. Commission’s Investigation into the Potomac Edison Company’s Meter Reading Frequency, Estimation of Bills and Compliance with Tariff – Case No. [9319](#)

As reported in prior Annual Reports, the Commission initiated this docket to investigate complaints from Potomac Edison’s customers concerning the frequency of and/or number of missed meter readings by Potomac Edison, the method used by Potomac Edison to estimate customers’ bills, and the compliance by Potomac Edison

with its tariff provisions related to meter readings. As previously reported, after mediation among the parties failed to resolve the disputes involved in the matter, evidentiary hearings were held in October 2015 and December 2015. On April 1, 2016, a Proposed Order was issued in the matter, but the Commission reversed and remanded it on April 5, 2016, by Order No. 87470.

On May 5, 2016, a Proposed Order in the matter was re-issued and determined that Potomac Edison's meter reading practices violated the tariff provisions related to meter readings. Potomac Edison was directed to revise its tariff to reflect modifications to its meter reading practices, and a civil penalty was imposed upon Potomac Edison for the violation. On June 6, 2016, both Potomac Edison and OPC filed appeals of the Proposed Order. The appeals remain pending before the Commission as of December 31, 2016.

2. Formal Complaint of Andre Walton v. Washington Gas Light Company – Case No. [9349](#)

As reported in the 2014 Annual Report, the Commission initiated this docket to investigate the formal complaint of Andre Walton against WGL regarding a billing dispute. To permit the parties to meet and negotiate a possible resolution of the matter, the matter was held in abeyance until either party requested the matter proceed. On January 20, 2016, pursuant to a request by the parties, an evidentiary hearing was scheduled for March 14, 2016. On February 17, 2016, the evidentiary hearing was rescheduled for April 27, 2016, and was held that day. On April 28, 2016, a further evidentiary hearing was scheduled for May 12, 2016. On May 11, 2016, this evidentiary hearing was rescheduled to May 24, 2016, and was held that day. On July 7, 2016, a Proposed Order was issued, in which the Law Judge determined that only a portion of the

disputed bill amount was properly owed by Mr. Walton, and he directed Mr. Walton to pay the reduced bill amount to WGL with a 10-month installment plan. No appeal was taken of the Proposed Order, and it became Commission Order No. 87706.

3. Formal Complaint of Wisconsin Project, LLC v. Potomac Electric Power Company – Case No. [9388](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the complaint filed by Wisconsin Project, LLC against Pepco. On or about April 7, 2016, the parties notified the Commission that the parties had come to an agreement to settle the dispute and asked that the procedural schedule be suspended. On April 7, 2016, the request was granted. On May 27, 2016, the parties filed a joint request for voluntary dismissal of the complaint as the dispute had been settled. On May 31, 2016, the joint request was granted, the formal complaint was dismissed, and the docket was closed.

4. Billing Dispute between Allegany Scrap, Inc. and The Potomac Edison Company – Case No. [9389](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the complaint filed by Allegany Scrap, Inc. against Potomac Edison related to a billing dispute between the parties. On May 17, 2016, based on the parties advising the Commission that they had arrived at a settlement agreement in principle to resolve the dispute, the procedural schedule in the matter was suspended, and the parties were directed to file an executed settlement agreement by June 7, 2016. On June 9, 2016, the settlement agreement was filed. On July 22, 2016, Allegany Scrap filed a Motion to Dismiss the complaint. On July 25, 2016, a Proposed Order was issued, in which the

Settlement Agreement was accepted and the Motion to Dismiss was granted. No appeal of the Proposed Order was taken, and it became Commission Order No. 87735.

5. Formal Complaint of the State of Maryland Office of the Attorney General on Behalf of the University of Maryland College Park v. Washington Gas Light Company – Case No. [9398](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the complaint filed by the University of Maryland College Park (“UMCP”) against WGL regarding delivery service overrun penalties assessed to UMCP by WGL. An evidentiary hearing in the matter was held on April 5, 2016. On August 17, 2016, a Proposed Order was issued dismissing UMCP’s complaint. The Law Judge found that the applicable WGL rate schedule supported the penalties levied against UMCP by WGL. On September 16, 2016, UMCP noted an appeal. The appeal remains pending before the Commission as of December 31, 2016.

6. Service Termination to Lynnhill Condominium Development, Inc. by Potomac Electric Power Company and Washington Gas Light Company – Case No. [9430](#)

On October 28, 2016, pursuant to information received from the Maryland Office of the Attorney General related to termination of utility service to Lynnhill’s residential condominiums and by Order No. 87855, the Commission issued a Show Cause Order to Pepco and WGL to address the allegations made by the Attorney General and show cause why the Commission’s regulations have not been violated and why the Commission should not impose a fine or civil penalty in the matter. On November 11, 2016, Pepco filed its response to the Show Cause Order. On November 16, 2016, WGL filed its response to the Show Cause Order. On November 22, 2016, the Consumer Protection Division of the Attorney General’s Office filed a reply to Pepco’s and WGL’s responses.

On December 1, 2016, OPC filed its reply to Pepco's and WGL's responses. The matter remains pending before the Commission as of December 31, 2016.

J. Rulemakings and Regulations – New and Amended

1. [RM52](#) -- Revisions to COMAR 20.31.01 and .03 - Restrictions for Serious Illness and Life-support Equipment

On August 24, 2016, the Commission held a rulemaking session and finally adopted proposed revisions to COMAR 20.31.01 and .03 to add “physician’s assistants” to the list of medical professionals permitted to certify to an electric or gas utility that the utility’s customer has a serious illness, or is in need of life support equipment.

2. [RM54](#)--Revisions to COMAR 20.32, 20.51, 20.53, and 20.59 - Competitive Electricity and Gas Supply

On February 10, 2016, the Commission held a rulemaking session and finally adopted proposed revisions to COMAR 20.32, 20.51, 20.53, and 20.59 regarding consumer protection regulations for the Maryland electric and gas competitive supplier market that were published for notice and comment in the *Maryland Register* dated December 11, 2015. The Commission hosted a supplier orientation on September 29, 2016, with more than 130 attendees from across the country. The daylong session gave suppliers, utilities and consumer advocates an opportunity to learn about the new rules governing the electricity and gas retail supplier market in Maryland.

3. [RM56](#)—Revisions to COMAR 20.62—Community Solar Energy Generating Systems

On February 11, 12 and 22, 2016, the Commission held rulemaking sessions to consider revisions to the proposed regulations to address comments made by interested

persons. At the February 22 rulemaking session, the Commission approved proposed regulations for publication in the *Maryland Register* for notice and comment as provided for by the Maryland Administrative Procedure Act. On June 14, 2016, the Commission held a rulemaking session and finally adopted revisions to COMAR 20.62 as published in the *Maryland Register* on April 29, 2016. BGE, Pepco and Delmarva filed program tariffs on September 1, 2016 for the Commission’s review, and SMECO filed a program tariff on December 2, 2016 for the Commission’s review. After a public hearing on January 11, 2017, the Commission ruled on the BGE, Pepco and Delmarva program tariffs on February 15, 2017.

4. [RM57](#)—Revisions to COMAR 20.31, 20.50 and 20.55 – Theft of Energy

On February 1, 2016, the Office of External Relations filed proposed regulations related to theft of energy. The regulations would impose new notification requirements for service termination, utility reporting of theft of energy and allow local governments to access service termination information in order to provide assistance to individuals and families. Rulemaking sessions to consider the proposed regulations were held on February 29, March 18, and August 3, 2016. At the March 18 rulemaking session, the Commission moved to publish the proposed regulations in the *Maryland Register* for notice and comment pursuant to the Maryland Administrative Procedure Act. The proposed regulations, as published in the *Maryland Register* on June 10, 2016, were adopted as final at the August 3 rulemaking session.

K. Public Conferences

1. [PC43](#)--In the Matter of the Exploration into the Regulatory, Technical and Financial Barriers That Affect the Deployment of Electric Vehicles in the State

On July 14, 2016, the Commission held a public conference to explore the regulatory, technical, and financial barriers to the deployment of electric vehicles in the State. A number of interested parties made presentations to discuss topics such as utility investment in electric vehicle charging infrastructure, the grid-related costs associated with vehicle fleet electrification, and access to electric vehicle infrastructure and charging incentives in limited-income and other under-served communities.

2. [PC44](#)--In the Matter of Transforming Maryland's Electric Distribution Systems to Ensure That Electric Service is Customer-centered, Affordable, Reliable, and Environmentally Sustainable in Maryland.

On September 26, 2016, the Commission convened PC44, a proceeding which builds on two recent Commission technical conferences to examine rate-related issues affecting the deployment of distributed energy resources (PC40) and electric vehicles (PC43). It also follows up on a condition of the Commission's May 2015 approval of the merger of Exelon Corporation and Pepco Holdings, Inc. (PHI), which required PHI to file a plan for transforming its distribution system and fund up to \$500,000 to retain a consultant to the Commission on the matter. Key topics of exploration will include enhancing rate design options, particularly for electric vehicles; calculating benefits and costs of distributed energy resources, including solar energy; maximizing advanced metering infrastructure (smart meters) benefits; valuing energy storage properly;

streamlining the interconnection process for distributed energy resources; evaluating distribution system planning; and assessing impacts on limited-income Marylanders.

The Commission held public hearings on December 8 and 9, 2016, when it heard from 30 stakeholders from utilities, State agencies, consumer groups, businesses, advocates, and citizens. The Commission plans to finish the public conference within 18 months. On January 31, 2017, the Commission issued a notice outlining the proceeding's next steps. The notice directed PHI to seek bids for a consultant to study the benefits and costs of distributed solar and also contained a statement of guiding principles, revised the scope/topics of the proceeding, and detailed a proposed timeline. The revised topics of exploration include rate design, electric vehicles, competitive markets and customer choice, interconnection process, energy storage, and distribution system planning (if sufficient funding is available).

3. [PC45](#)--2016 Retail Gas Market Conference

On November 30, 2016, the Commission held its annual retail gas conference to review the regulated gas utilities' preparations for the 2016-2017 winter heating season. The conference also was intended to increase awareness among customers about upcoming market conditions and the potential impact on service costs and reliability. Baltimore Gas and Electric Company, Chesapeake Utilities Corporation, Columbia Gas of Maryland, Inc., Easton Utilities and Washington Gas Light Company participated in the conference. The Commission found the material presented informative, and found no basis to take any specific action as a result of the conference.

V. COMMISSION TELECOMMUNICATIONS CASES AND ACTIVITIES

A. Cases

1. Billing Dispute between Gateway Communications Services, Inc. and Verizon Maryland, LLC – Case No. [9381](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the billing dispute between Gateway Communications Services, Inc. (“Gateway”) and Verizon. As previously reported, a Proposed Order was issued on September 24, 2015, and Gateway appealed the Proposed Order. The appeal was pending before the Commission at the end of 2015. On June 24, 2016, the Commission issued Order No. 87631 which rejected Gateway’s appeal and upheld the Proposed Order.

2. Formal Complaint of Washington Suburban Sanitary Commission v. Verizon Maryland LLC – Case No. [9397](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to investigate the formal complaint filed by Washington Suburban Sanitary Commission (“WSSC”) against Verizon regarding a billing dispute. On May 24, 2016, WSSC filed a motion to dismiss the complaint without prejudice, which was granted and the docket was closed.

3. Tariffing Requirements for Competitive Local Exchange Telephone Companies with 20,000 or Fewer Subscribers – Case No. [9414](#)

On December 21, 2015, Staff requested that the Commission docket a proceeding to consider the appropriate tariffing requirement for competitive local exchange telephone companies with 20,000 or fewer subscribers. By Letter Order dated March 11, 2016, the Commission initiated a new docket, Case No. 9414, in response to Staff’s

request and delegated the conduct of the proceedings to the Public Utility Law Judge Division. On July 5, 2016, a prehearing conference was held and a procedural schedule was established. On September 12, 2016, Staff's request to suspend the procedural schedule was granted. By letter dated December 22, 2016, the parties were asked to provide a status of the discovery matters and any updated proposed procedural schedule for the matter by January 5, 2017. On January 5, 2017, Staff submitted an updated proposed procedural schedule agreed to by Staff and the other parties in the matter. An evidentiary hearing has been scheduled in the matter on July 26, 2017.

B. Rulemakings

1. [RM59](#)--Revisions to COMAR 20.45 and 20.50 Utility Pole Attachments

On November 16, 2016, Staff submitted proposed revisions to the Commission's Telephone Companies and Electric Companies regulations as a result of the Commission's Public Conference 38 initiated to solicit stakeholder comments in response to Staff's Petition Regarding the Adoption of a Statewide Communication System to Facilitate Transfer of Utility Pole Attachments. On November 21, 2016, the Commission initiated an administrative docket, RM 59, to consider revisions to COMAR 20.45.07 and 20.50.07 regarding the installation and transfer of pole attachments. At a rulemaking session on January 23, 2017, the Commission took no action on the new proposed regulations. The Commission requested that Staff report on the continuing reduction of double poles and increased communications among Verizon and the electric utility companies by October 1, 2017.

VI. COMMISSION TRANSPORTATION CASES AND ACTIVITIES

A. The Petitions of Rasier, LLC and Lyft, Inc. for Waiver of Public Utilities Article Section 10-104(b) – Case No. [9425](#)

On September 15, 2016, pursuant to Public Utilities Article, § 10-404(e), Rasier, LLC and Lyft, Inc. each submitted a petition to waive the fingerprint-based background check requirements of Public Utilities Article, § 10-404(b), for the Transportation Network Operators (“TNO”) who partner as drivers with each of the companies, who are considered Transportation Network Companies (“TNCs”). By Order No. 87784 issued on September 20, 2016, the Commission initiated a new docket, Case No. 9425, to consider both petitions. On November 17, 18, and 21, 2016, evidentiary hearings were held for the cross-examination of the parties’ witnesses. The dispute between the TNCs and the other parties to the matter, Staff, OPC, and Yellow Transportation, Checker Cab, and Execucar focused on whether the TNCs’ non-fingerprint-based background checks are as accurate and comprehensive as the fingerprint-based background check currently used for licensing by the Commission of other non-TNO for-hire drivers (*i.e.*, CJIS).

In Order No. 87957 issued on December 22, 2016, the Commission determined that none of the background checks at issue are completely comprehensive and accurate. It then considered whether each of the TNC’s background check method was at least as accurate and comprehensive as the CJIS background check. After considering all of the evidence before it, it approved Rasier’s alternative background check process, with certain modifications, and Lyft’s alternative background check process, with certain modifications. Pursuant to the Order, each company was required to advise the Commission within 10 days after the issue date of the Order as to whether the company

accepted the modifications to its alternative process method. On January 5, 2017, Rasier advised the Commission that it accepted the modifications to its background check process. On January 6, 2017, Lyft notified the Commission that it accepted the modifications to its background check process.

VII. COMMISSION WATER/SEWER CASES

A. Investigation by the Commission of the Intended Abandonment of CECO Utilities, Inc. of its Franchise and Service to the Manchester Park Subdivision in Cecil County, Maryland – Case No. [9310](#)

As reported in the 2015 Annual Report, the Commission continues its investigation on the request filed by CECO Utilities, Inc. (“CECO”) to abandon its franchise for sewer service to the Manchester Park Subdivision in Cecil County, Maryland. CECO was directed to continue to operate its franchise until at least April 15, 2016, as well as to produce certain financial documents to the Commission. On January 29, 2016, CECO filed its requested financial documents with the Commission. It also filed comments on January 28, 2016.

On April 8, 2016, by Order No. 87475, the Commission directed Staff to file a report on the CECO-submitted financial documents (“Financial Review Report”) by June 1, 2016. It also directed CECO to continue to operate its franchise until June 30, 2016. On June 2, 2016, pursuant to a request of Staff, the Commission extended the time for Staff’s submission of its Financial Review Report until June 8, 2016. On June 10, 2016, Staff filed its Financial Review Report with the Commission.

By Order 87638 issued on June 29, 2016, as a result of Staff’s recommendations in its Financial Review Report, the Commission directed Staff to convene a meeting of the owners of CECO and representatives of Cecil County, MDE, and Maryland

Environmental Services to determine the costs and possible funding sources to permit Maryland Environmental Services to take over the day-to-day operation of the Manchester Park sewer system. The Commission also directed CECO to continue to operate its franchise for sewer service until September 30, 2016.

On September 15, 2016, Staff advised the Commission that it had been unable to convene the meeting as directed by Order No. 87638 because CECO would not permit the other parties to review the confidential version of the Financial Review Report. In Order No. 87800 issued on September 28, 2016, the Commission again directed Staff to convene a meeting with the owners of CECO and the other previously-identified parties for the purpose of exploring the cost and possible source of funding to allow Maryland Environmental Services to take over the day-to-day operations of the Manchester Park sewer system. The Commission directed that Staff file a report of the discussions by December 15, 2016. Additionally, the Commission directed CECO to continue to operate the franchise for the Manchester Park sewer system until at least December 30, 2016.

On December 15, 2016, Staff filed a letter advising the Commission that a meeting had been convened, as directed, on December 12, 2016. Staff indicated that the discussions raised additional issues that needed to be researched, and the parties agreed to meet again on January 5, 2017. On December 20, 2016, by Order No. 87948, the Commission directed Staff to continue to meet with the parties and file a report on the discussions by March 15, 2017. In the Order, the Commission also directed CECO to continue to operate the franchise for the Manchester Park sewer system until at least March 31, 2017.

B. Request of the Severn Water Company for a Simplified Water Rate Adjustment Proceeding – Case No. [9419](#)

On June 2, 2016, Severn Water Company submitted an application to revise its retail rates pursuant to the Commission’s Policy No. 14, which is the procedure for a simplified water rate proceeding for very small water companies. In its application, Severn Water referenced Staff’s filing of testimony, rate schedules, tariffs and an agreement of stipulation and settlement of the parties (“Settlement”) on May 16, 2016, in response to Severn Water’s request. In the filed Settlement, the parties agreed to Severn Water being authorized an increase in its annual revenues of \$81,959. On June 7, 2016, by Order No. 87594, the Commission initiated a new docket, Case No. 9419, to consider the application, suspended the proposed tariffs, and delegated the proceedings to the Public Utility Law Judge Division.

On July 12, 2016, a public hearing and an evidentiary hearing were held in the matter in Severn, Maryland. On July 22, 2016, a Proposed Order was issued, which accepted the Settlement without change. No appeal was taken of the Proposed Order, and it became Commission Order No. 87701.

C. Application of Maryland Water Service, Inc. for Authority to Adjust its Existing Schedule of Tariffs and Rates – Case No. [9423](#)

On June 30, 2016, Maryland Water Service, Inc. filed an application for a rate increase for its water service customers in Highland Estates and Pinto (Allegany County) and for its wastewater customers in Pinto. The request was for a total increase in its revenue requirement of \$178,764. The Commission initiated a new docket, Case No. 9423, to consider the application, suspended the proposed tariff revisions, and delegated the case to the Public Utility Law Judge Division. OPC and Staff of the Commission

were admitted as Parties in the matter. On October 18, 2016, an evening hearing for public comment was held in Cresaptown, Maryland.

On November 4, 2016, after conducting extensive discovery and filing witnesses' testimonies, the Parties filed a Joint Stipulation and Settlement Agreement. An evidentiary hearing was held on November 18, 2016 to admit the pre-filed testimonies of the parties and the Settlement into the record. At the hearing, Staff offered only the pre-filed testimony of its witnesses in support of the Settlement into the record. On November 21, 2016, the Public Utility Law Judge issued a Notice of Opportunity to Object to Staff's witnesses testimonies filed on September 7, 2016, being admitted into the record. No objections were filed.

On December 21, 2016, a Proposed Order was issued. The Proposed Order accepted the Settlement as being reasonable and in the public interest, and authorized Maryland Water Service, Inc. to file revised tariffs designed to produce additional annual revenue of \$112,665 and apportion the revenue among its customers as provided in the Settlement. No appeal was taken of the Proposed Order, and it became Commission Order No. 87963.

D. Formal Complaint of Richard D. Boltuck v. Washington Suburban Sanitary Commission – Case No. [9391](#)

As reported in the 2015 Annual Report, the Commission initiated this docket to consider the appeal filed, pursuant to § 25-105, Public Utilities Article, by Richard Boltuck alleging WSSC volumetric rates for water and sewer services adopted in June 2015 as applied to WSSC residential customers were unreasonable. An evidentiary hearing in the matter was held on May 18, 2016. On September 9, 2016, a Proposed Order was issued and found the WSSC volumetric rates for water and sewer services

adopted by WSSC in June 2015 were unduly discriminatory among classes of customers, and therefore unreasonable. In the Proposed Order, the Chief Public Utility Law Judge declined to direct WSSC to establish non-discriminatory rates. OPC, WSSC, and Mr. Boltuck each filed an appeal of the Proposed Order, each of which remains pending as of December 31, 2016.

VIII. COMMISSION PARTICIPATION OR INTERVENTIONS IN OTHER REGULATORY COMMISSION MATTERS

Below is a summary of selected matters in which the Commission's Office of General Counsel ("OGC") represented the Commission before FERC during 2016.

A. PJM's Capacity Performance Proposal – FERC Docket Nos. ER15-623 and EL15-29

On December 12, 2014, PJM filed with FERC a proposal to significantly change the definition and performance requirements of capacity resources that participate annually in PJM's wholesale capacity market. The Commission intervened in the proceeding and participated actively in a case that presents significant rate and reliability impacts to Maryland ratepayers. In addition to changes to the rules regarding capacity resources, PJM's filings also included proposed changes to PJM's rules relating to its energy markets and rules for *force majeure* relief in certain cases of non-performance. Some of PJM's initially-proposed revisions were modified in PJM's subsequent filings made in February and May 2015 in response to numerous protests and comments as well as FERC staff's questions raised in a deficiency letter issued in late March 2015. On June 9, 2015, FERC issued an order largely accepting the Capacity Performance ("CP") Proposal to enhance the reliability of the capacity market, as modified throughout the proceeding; however, FERC rejected some aspects, and ordered PJM to modify other

aspects, of the CP Proposal. On July 9, 2015, the Maryland and District of Columbia Commissions petitioned FERC for rehearing, objecting to the CP Order's approval of the CP Proposal on the grounds that is unnecessary for reliable service operations and that it will increase electricity end user costs in the PJM service area by as much as \$6 billion. FERC issued an Order on Rehearing on June 16, 2016 denying rehearing.

The Advanced Energy Management Alliance ("AEMA") and others filed a petition seeking judicial review in the Circuit Court of Appeals for the District of Columbia (Case No. 16-1236). The Commission has intervened in this matter in support of AEMA.

B. FirstEnergy Complaint against PJM regarding Demand Response in Capacity Markets – FERC Docket No. EL14-55

On May 23, 2014, FirstEnergy filed a complaint with FERC demanding that FERC require PJM to remove from its tariffs any provisions allowing for demand response resources to participate in PJM's wholesale capacity markets and that FERC re-run certain capacity auctions with demand response resources excluded, given the decision of the D.C. Circuit in *EPSA v. FERC*, discussed in Section XI, Subsection B.2 herein. The Commission filed a protest of the complaint and asked that FERC reject FirstEnergy's request to re-run the auctions, deny the request to strip from PJM all provisions relating to demand response, and open an evidentiary hearing to examine what modifications are required to PJM's Tariff to ensure that demand response resources continue to operate within PJM's wholesale capacity market consistent with the *EPSA v. FERC* decision. On January 25, 2016, the U.S. Supreme Court reversed the D.C. Circuit Court of Appeals decision in *EPSA v. FERC*, affirming FERC's jurisdiction with regard to pricing demand response for compensation in the wholesale market. No further effort

has been undertaken by FirstEnergy (to date) with regard to challenging demand response in PJM's capacity market.

C. Delaware and Maryland State Commissions v. PJM (Artificial Island Complaint) – EL15-95

On August 28, 2015, the Delaware Public Service Commission and the Maryland PSC jointly filed a Complaint pursuant to Section 206 of the Federal Power Act against PJM and certain PJM Transmission Owners requesting that FERC find that PJM's use of a "solution-based DFAX" to allocate the costs of the "Artificial Island" Regional Transmission Expansion Plan Project is unjust, unreasonable, and unduly discriminatory and preferential. Complainants asserted that PJM's sole reliance on the solution-based DFAX methodology for allocating Artificial Island Project costs results in a grossly disproportionate financial impact to customers within the Delmarva transmission zone when compared with the limited benefits to consumers in that zone.

On November 24, 2015, FERC issued an order finding that PJM's proposed Tariff amendments have not been shown to be just and reasonable, and may be unjust, unreasonable, or unduly discriminatory or preferential. FERC directed its staff to establish a technical conference to explore both whether there is a definable category of reliability projects within PJM for which the solution-based DFAX cost allocation method may not be just and reasonable, such as projects addressing reliability violations that are not related to flow on the planned transmission facility, and whether an alternative just and reasonable *ex ante* cost allocation method could be established for any such category of projects.

Subsequently, on April 22, 2016, FERC issued an order denying the Delaware and Maryland PSC's Complaint. Petitions for rehearing have been filed and the matter

remains pending before FERC, along with a motion to defer ruling on the matter pending review of alternatives being considered by PJM. Further proceedings and a final decision in this matter remain pending.

D. Offer Caps in Markets Operated by RTOs and ISOs – FERC RM16-5

The Commission joined with OPSI in support of FERC’s proposal to require upfront verification of all cost-based energy offers over \$1,000/MWh. OPSI (and Maryland PSC) recommended that both PJM and the Independent Market Monitor share separate and distinct responsibilities to review offers prior to the offers setting locational marginal prices (LMP) in the energy market.

In an order issued on November 17, 2016, FERC found that the current offer cap of \$1,000/MWh in use across the Regional Transmission Operator (“RTO”)/Independent System Operator (“ISO”) markets (except PJM, which recently received FERC approval for a \$2,000/MWh cap) may be unjust and unreasonable for the following reasons: it may prevent cost recovery for resources with incurred costs in excess of \$1,000/MWh; it may suppress LMPs below the actual, marginal cost to serve load; it may discourage resources from offering into the market when their costs exceed \$1,000/MWh; and it may prevent efficient dispatch of resources when resources’ costs exceed \$1,000/MWh. Consequently, the Commission sought additional comments on whether a hard cap should be retained at some higher level, the ability of Market Monitoring Units (“MMUs”) and RTO/ISOs to timely verify costs prior to market clearing processes, additional information required by MMUs and RTO/ISOs, the application of adders for offers exceeding \$1,000/MWh; the ability for imports or virtual transactions to offer in

excess of \$1,000/MWh, and seams impacts. Requests for rehearing and requests for clarification filed by the PJM Independent Market Monitor and others remain pending.

E. Transmission Development – FERC AD16-18

In July 2011, FERC issued Order No. 1000 requiring transmission planning and cost allocation reforms. In June 2016, while compliance plans were still in their implementation stage, FERC held a technical conference to address competitive transmission development processes. In October 2016, the Commission filed comments along with other state commissions stressing the need for cost consciousness in the competitive process and transparency in project evaluation and selection.

F. RPM Aggregation – FERC ER17-367

The Commission filed comments in support of PJM’s filing to enhance opportunities for aggregating seasonal capacity resources in PJM’s Capacity Performance (“CP”) construct. As the Commission noted, PJM’s filing reflects significant follow-through by PJM on its efforts “to ensure that the value of demand response resources continues to be captured in PJM markets.” In late December 2016, FERC issued a deficiency letter to PJM requesting further information regarding the mechanics of aggregating resources and treatment of these resources in clearing the capacity auction in order to process the filing.

G. SMECO/Choptank Complaint against Maryland Community Solar Generation System Regulations – FERC Docket No. EL16-107

On August 23, 2016, SMECO and Choptank (collectively, “the Cooperatives”) filed a petition for declaratory order (“Petition”) requesting FERC review regulations

promulgated by the Maryland PSC pertaining to community solar energy generation systems (“Community Solar Systems”). The Cooperatives requested that FERC determine whether the Maryland PSC’s Community Solar Systems regulations are preempted under federal law, including the Public Utility Regulatory Policies Act of 1978 (“PURPA”) to the extent that the Maryland PSC’s Community Solar Systems regulations, require (1) Maryland electric companies to purchase energy from Community Solar Systems at a particular price and they are not qualifying facilities under PURPA, and (2) require payment to Community Solar Systems at prices higher than avoided costs.

In response, the Maryland PSC filed a Motion to Dismiss and Protest, with an accompanying Affidavit, explaining that electric distribution companies providing standard offer service (i.e., provider of last resort service for purposes of retail choice) are allowed to recover supply-related credits (paid to subscribers) from standard offer service revenues. Thus, under the regulations, energy used and generated by net-metered customers is accounted for as residual *use* in the electric distribution company’s hourly energy settlement process. Because the underlying Maryland Community Solar legislation permitted a dollar crediting mechanism, a means of electric distribution company cost recovery was established that would allow precise accounting (and tracking for purpose of the required program study) of the program revenue.⁴¹

On November 17, 2016, FERC issued an order dismissing the Cooperative’s Petition. In its Order, FERC concluded that the Cooperatives’ Petition was premature.

⁴¹ There is nothing in the Maryland statute or the regulations that connotes a transfer of title requirement, as suggested by the Cooperatives, that would turn an electric distribution company’s use of generation into a resale of energy, thereby creating a wholesale sale.

FERC noted that the Maryland statute implementing the pilot program provides for a voluntary election by cooperatives and municipalities to participate in the community solar energy generation systems pilot program. FERC noted further that the Cooperatives' Petition does not indicate that they are participating or even intend to participate in the pilot program, and they have not filed the compliance tariffs that they need to file with the Maryland PSC in order to participate. Consequently, FERC held that the voluntary nature of the pilot program makes the Cooperatives' concerns speculative at this time.

The Cooperatives subsequently filed a Petition for Rehearing and Alternative Request for Clarification. The Cooperatives' Alternative Request for Clarification sought clarification that the FERC's dismissal of the SMECO/Choptank Petition was without prejudice. The Petition for Rehearing and Alternative Request for Clarification remains pending before the FERC.

H. Electric Transmission Plant Abandonment Cost

In 2016, OGC continued to challenge unfavorable wholesale electric generation and transmission policies, including transmission plant abandonment cost recovery in the matter of *PJM Interconnection, LLC and Potomac-Appalachian Transmission Highline, LLC (PATH)* – Docket No. ER12-2708-000. The PATH Abandonment Plant Case reached an impasse in March 2014, resulting in FERC setting the matter for evidentiary hearings. Following three weeks of trial in March and April 2015, as well as the filing of initial and reply briefs, the Presiding Judge issued the Initial Decision on September 14, 2015 granting some, but not all, of PATH's abandonment costs, but substantially

mitigating the PATH Companies' return on equity ("ROE") to 6.27% (well below the 10.54% that had been requested).

On January 19, 2017, FERC issued a Final Order affirming in part and reversing in part the Initial Decision. FERC reversed the Initial Decision with regard to ROE and set the ROE at 8.11%, the low end of the range of reasonableness within the proxy group.

IX. PJM INTERCONNECTION, INC. – THE RELIABILITY PRICING MODEL 2019/2020 DELIVERY YEAR BASE RESIDUAL AUCTION RESULTS

PJM conducted the Reliability Pricing Model ("RPM") 2019/2020 delivery year base residual auction ("BRA") in May 2016. Similar to the 2018/2019 auction, the 2019/2020 auction required that 80% of cleared capacity be in compliance with PJM's Capacity Performance ("CP") framework. This framework assesses higher penalties for nonperformance compared to base seasonal resources and rewards resources that have not cleared but perform under emergency conditions.

The 2019/2020 BRA cleared sufficient capacity resources in PJM to provide a 22.4% reserve margin, which is 5.9% higher than the target reserve margin of 16.5%. The total quantity of demand resources cleared in the 2019/2020 BRA decreased 6% over the demand resources that cleared in the 2018/2019 BRA.

The RTO unconstrained Locational Deliverability Area ("LDA"), (including the Allegheny Zone) CP resources cleared at \$100/MW-Day, while the RTO Base Generation resources cleared at \$80/MW-Day. Clearing prices for these two products decreased 39% and 47%, respectively compared to the 2018/2019 BRA. In LDAs associated with most of Maryland, the PEPCO, BGE and DPL-South [Delmarva] CP resources cleared at \$100/MW-Day, \$100.30/MW-Day and \$119.77/MW-Day,

respectively. Clearing prices for CP resources dropped 39% in both PEPCO and BGE and 47% in DPL-South compared to the 2018/2019 BRA. The PEPCO, BGE and DPL-South Base Generation resources cleared at \$80/MW-Day, \$80.30/MW-Day and \$99.77/MW-Day, respectively. Clearing prices for Base Generation resources dropped 47%, 46% and 53% in PEPCO, BGE and DPL-South, respectively, compared to the previous auction. Base Demand Response and Energy Efficiency clearing prices mirrored Base Generation prices in all affected zones except in PEPCO, where they cleared at \$0.01/MW-Day.

X. BROADENED OWNERSHIP ACT

In compliance with § 14-102 of the Economic Development Article, *Annotated Code of Maryland*, entitled the "Broadened Ownership Act," the Commission communicated with the largest gas, electric, and telephone companies in the State to ensure that they were aware of this law. The law establishes the need for affected companies to institute programs and campaigns encouraging the public and employees to purchase stocks and bonds in these companies, thus benefitting the community, the economy, the companies, and the general welfare of the State.

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

(a) NiSource, Inc. ("Parent") owns all of the common stock of the NiSource Gas Distribution Group, Inc., 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 NiSource Retirement Savings Plan. In addition, NiSource, Inc. maintains a Dividend Reinvestment

and Stock Purchase Plan that broadens stock capital ownership by all stockholders, including employees, by enabling them to reinvest their dividends to acquire additional shares of common stock.

On August 31, 2016, the Parent had 321,763,115 shares of its common stock outstanding, of which 205,164 were acquired by employees during the previous 12 months through the ESP Plan and 1,868,135 through the NiSource Inc. Retirement Savings Plan (for an aggregate total of 2,073,299). As of August 31, 2016, the Parent had approximately 455 registered stockholders with Maryland addresses, holding approximately 165,000 shares of Parent common stock.

(b) As of September 30, 2016, Exelon Corporation, the parent of Baltimore Gas and Electric Company, Potomac Electric Power Company, and Delmarva Power & Light Company reported that 13,530 Maryland residents, representing 11.74% of Exelon's total registered shareholders, owned 6,010,109 (0.63%) of the outstanding shares of common stock. Of these Maryland shareholders, 5,605 (4.87%), of Exelon's total registered shareholders owning 1,131,128 (0.12%) of the legal outstanding shares of common stock, were participants in the Direct Stock Purchase Plan.

As of September 30, 2016, 3,252 Maryland residents held an aggregate of 2,005,903 shares of Exelon common stock in the Employee Savings Plan. In addition, 199,183 shares were held by 757 Maryland residents who are participants in the Exelon Employee Stock Purchase Plan.

(c) 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"). In April 2012, the Allegheny Employee

Stock Purchase Plan was merged into the FE Employee Savings Plan (“FE Plan”). Approximately 91% of FE’s employees were contributing to the FE Plan as of December 31, 2015, and 17,615 participants had FE stock as part of their account balance within the FE Plan. As of December 31, 2015, 1,982 Maryland residents held 606,981 shares of FE stock as stockholders of record, which represents approximately 2.1953% of all FE registered stockholders and 0.1433% of all shares. In addition, as of December 31, 2015, nine AE stockholders living in Maryland, owning the equivalent of 1,286 FE shares, had not yet exchanged their AE shares for FE shares.

(d) Washington Gas Light Company submitted its report on broadened ownership of the Company’s capital stock, particularly among residents of Maryland and Company employees, on October 31, 2016. Approximately 26.36% of registered shareholders reside in Maryland, representing 2.70% of WGL’s outstanding common shares. WGL employees also participate in the ownership of the Company. As of October 1, 2016, 143 employees were actively participating in the Company’s “Dividend Reinvestment and Common Stock Purchase Plan” through payroll deductions. Additionally, approximately 828 employees (both active and inactive) owned shares through the Company’s defined contribution plans. Of these, a total of 330 employees, former employees, and retirees reside in Maryland.

(e) Verizon Maryland, LLC 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. As of September 30, 2016, 18,133 Maryland residents held Verizon stock.

XI. 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, operations, fiscal and budget management, the Commission’s information technology system including databases and the official website and intranet website. The OES contains the following divisions:

1. Administrative Division

a. Case Management Unit

The Case Management Unit creates and maintains formal dockets associated with proceedings before the Commission. In maintaining the Commission’s formal docket, this Unit must ensure the security and integrity of the materials on file, while permitting access to 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 2016, this Unit established 40 new non-transportation-related dockets and processed 2,133 non-transportation-related

case items. This Unit is also responsible for archiving the formal dockets based on the record retention policies of the Commission.

b. Document Management Unit

The Document Management Unit is responsible for developing the Commission's Administrative Meeting Agenda ("Agenda"), the official open meeting action agenda mandated by law. During 2016, this Unit scheduled 41 Commission administrative meetings to consider the Agenda at which 538 administrative items were considered and decided upon pursuant to the Commission's authority. Additionally, this Unit is responsible for docketing public conferences held by the Commission. Three administrative docket public conferences were initiated in 2016. This Unit also processed 5,869 filings, including 1,046 memoranda.

c. Regulation Management Unit

This Unit is responsible for providing expert drafting consultation, establishing and managing the Commission's rulemaking docket, and coordinating the adoption process with the Secretary of State's Division of State Documents. During 2016, this Unit managed five rulemaking dockets that resulted in final adoption of regulation changes to COMAR Title 20 – Public Service Commission, and four rulemaking dockets that remain active.

d. Operations Unit

This Unit is responsible for managing the Commission's telecommunications needs and its motor vehicle fleet, as well as being the liaison for building maintenance,

repairs and construction needs of the Commission. In addition, this Unit is responsible for the Equal Employment Opportunity Program.

2. Fiscal Division

a. Fiscal and Budget Management Unit

This Section manages the financial aspects of the daily operations of the Commission. The operating budget totaled \$38,747,063 for fiscal year ending June 30, 2016. This budget consisted of \$38,210,626 in Special Funds and \$536,437 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, 2016, this Section was maintaining approximately 90 items of disposable supplies and materials totaling \$7,600 and fixed assets totaling \$2,243,643.

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 content and technical components of the Commission’s internal and external websites. In 2016, IT (a) instituted a new Remote Data Backup Procedure and System to provide data integrity in the event of a disaster scenario at the 6 Saint Paul Street office location – all PSC data is saved in a fireproof/waterproof Safe Box offsite at the Commission’s Annapolis satellite office; (b) implemented a PRTG Management System to provide notification of Coldfusion/Web Services being unavailable; (c) provisioned a new VM Server: Coldfusion 2016 Enterprise Server to provide dedicated database and transaction processing for Transportation Division’s TNO/TNC system (Rasier/Lyft); (d) implemented a new SQL Server 2014 Database Server for testing and feasibility study; (e) designed and implemented a new Visual Studio/ASP NET DEV platform for database creation; (f) designed and developed an iPad App (available from the Apple Store) for PSC iPad users to access online services and data; (g) created a Theft of Energy Termination Application (administered by the OER Division) that allows secure uploads for Utility company data and subsequent secure viewing of limited data sets by local government agents.

B. Office of General Counsel

The Office of General Counsel provides legal advice and assistance to the Commission on questions concerning 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.

During 2016, in addition to assisting the Commission in timely adjudicating numerous utility rate cases, OGC attorneys also assisted the Commission by addressing utility service reliability, development of new electricity generation and preservation of demand response options in Maryland, and new developments in the taxi cab/limousine industry. OGC also routinely provides legal support to the Commission by responding to requests for information pursuant to the Maryland Public Information Act and by addressing customer complaints related to public service companies.

Below is a summary of selected federal and State cases litigated by OGC:

***1. PPL Energyplus v. Nazarian / Hughes v. Talen Energy Marketing,*⁴² U.S. Supreme Court Case Nos. 14-614 and 14-623**

Commission Order No. 84815 in Case No. [9214](#) (April 12, 2012), directing three of Maryland's electric utilities to enter into a long-term contract with a generating company to enable the construction of much-needed new generation capacity in Southern

⁴² (Upon Kevin Hughes' appointment to the Commission as Chairman, the Supreme Court case was renamed *Hughes v. Talen*).

Maryland, was challenged separately by a consortium of generators in U.S. District Court and by generators and Maryland electric utilities in the Circuit Court for Baltimore City. (See Litigation Item No. 3, below). Following a six-day trial, on September 30, 2013, the U.S. District Court entered a Memorandum of Decision finding that the Commission's use of a long-term Contract for Differences to enable the construction of a new generating plant in Maryland violated the Supremacy Clause of the U.S. Constitution and therefore was preempted. The Commission appealed this decision to the United States Court of Appeals for the Fourth Circuit, which affirmed the District Court's decision on June 2, 2014. The Commission filed a Petition for Certiorari to the U.S. Supreme Court on November 26, 2014, arguing that the use of long-term contracts, which the Fourth Circuit had voided, was essential to ensuring the long-term reliability of electric supply in the State and is not preempted under the Supremacy Clause. On October 19, 2015, the Supreme Court granted certiorari, set a briefing schedule, and oral argument was held on February 24, 2016. In *Hughes v. Talen Energy Marketing, LLC.*, 136 S.Ct. 1288 (Apr. 19, 2016), the Supreme Court affirmed the Fourth Circuit's decision pre-empting the Maryland Commission's Generation Order as attempting to set wholesale electric rates. However, the Court used less expansive reasoning than the Fourth Circuit, stating "[w]e ... need not and do not address the permissibility of various other measures other than the contract for differences States might employ to encourage development of new or clean generation, including tax incentives, land grants, direct subsidies, construction of state-owned generation facilities, or re-regulation of the energy sector." The Court ruled: "So long as a State does not condition payment of funds on capacity clearing the auction, the

State's program would not suffer from the fatal defect that renders Maryland's program unacceptable."

**2. *FERC v. Electric Power Supply Association (FERC v. EPSA)*,
U.S. Supreme Court, Case Nos. 14-840 and 14-841**

In 2012, the Commission intervened in *Electric Power Supply Association v. FERC*, U.S. Court of Appeals for the District of Columbia Circuit, No. 11-1486. The Commission actively participated in this case in support of FERC Order No. 745, which provides that when a demand response resource has the capability to balance supply and demand as an alternative to a generation resource, and when dispatching and paying Locational Marginal Prices ("LMP") to that demand response resource is shown to be cost-effective as determined by FERC's net benefits test, payment of LMP to these resources will result in just and reasonable rates for ratepayers. On May 23, 2014, the D.C. Circuit reversed FERC Order No. 745, declaring that FERC's decision to set pricing for demand response in the wholesale energy market was *ultra vires* and outside the scope of the Federal Power Act. The Court's decision sparked major concerns regarding both the continuing viability of demand response programs, both in the energy market (to which the decision was directly addressed) but also in the capacity market. Petitions for rehearing were denied. On January 15, 2015, the U.S. Solicitor General filed a Petition for Certiorari to the United States Supreme Court in support of FERC jurisdiction over demand response resources. The Commission, along with the California Public Utilities Commission and the Pennsylvania Public Utility Commission, filed a Joint State Brief in Support of Certiorari on February 17, 2015, arguing that the D.C. Circuit's decision was contrary to law and would impose significant costs on end-use ratepayers. On May 4, 2015, the Supreme Court granted *certiorari*. The Commission again joined other states

to file multiple briefs supporting FERC's authority to administer demand response programs at the wholesale level, arguing that these programs were consistent with FERC's authority under the Federal Power Act, and benefited ratepayers by reducing wholesale prices and increasing system reliability. On January 25, 2016, the Supreme Court issued an Opinion and Order reversing the D.C. Circuit Court's decision, finding that FERC is authorized under the Federal Power Act to administer demand response programs and that its LMP compensation was lawful and supported by the record.

3. *In the Matter of the Petition of Calpine Corporation, Circuit Court for Baltimore City, Case No. 24-C-12-002853; Maryland Court of Special Appeals, No. 1738/16*

On October 1, 2013, the Circuit Court for Baltimore City upheld Commission Order No. 84815 in Case No. [9214](#) on appeal, holding that Commission orders directing Maryland EDCs (Electric Distribution Companies) to negotiate and enter into a Contract for Differences with a new merchant power plant authorized by the Commission, were within the Commission's statutory authority. (The Contract for Differences authorized the utilities to recover their costs, or return credits to their ratepayers through the Standard Offer Service ("SOS") provisions of the EDCs' tariffs). The Petitioners appealed to the Maryland Court of Special Appeals, which appeal was stayed pending U.S. Supreme Court resolution of the *Hughes v. Talen Energy Marketing* litigation described in Section XI, Subsection B.1 above. Following the Supreme Court's decision in *Hughes v. Talen*, Calpine filed for voluntary dismissal of its appeal. The Court dismissed the appeal on September 14, 2016.

4. *Accokeek, Mattawoman, Piscataway Creeks Communities Council, Inc. v. PSC, Circuit Court for Baltimore City, Case No. 24-C-14-003896; Maryland Court of Appeals, No. 26/16*

Accokeek, Mattawoman, Piscataway Creeks Communities Council, Inc. (“AMP”) filed a Petition for Judicial Review in the Baltimore City Circuit Court challenging Commission Order No. 86372 in Case No. [9318](#), which granted a Certificate of Public Convenience and Necessity (CPCN) to Dominion Cove Point LNG, LP (“DCP”) to construct a 130 MW generating station at DCP LNG terminal in Calvert County, Maryland. In affirming the Commission’s decision, the Circuit Court found that the Commission afforded appropriate due process to all parties, reasonably considered the factors underlying its determination to grant the CPCN, was deliberate and cautious in balancing the considerations associated with the negative and positive effects of the project, did not act outside of its statutory authority by attaching financial conditions in granting the CPCN requested in this case, conducted the necessary balancing required under Public Utilities Article § 7-207(e), and satisfied all of the elements necessary for granting a CPCN including appropriate consideration of the overall liquefaction project. The Circuit Court further held that balancing of positive and negative effects of the project on a strict dollars and cents basis, or mathematically, was not required, rather only that the overall project satisfy the public good. On January 15, 2015, AMP filed an appeal to the Maryland Court of Special Appeals, which heard argument on December 1, 2015.

The Maryland Court of Appeals granted certiorari to consider the question of whether the Commission’s requirement of monetary conditions constitutes a tax, which the Commission is not authorized to impose. In an Opinion and Order issued on December 16, 2016, the Court of Appeals affirmed the Commission’s decision;

concluding that the exactions imposed by the conditions required by the PSC were primarily regulatory rather than revenue measures and thus did not constitute taxes.

5. *Columbia Gas of Maryland, Inc. v. PSC, Circuit Court for Washington County, Case No. 21-C-13-48802; Maryland Court of Special Appeals, No. 0835/16*

Columbia Gas of Maryland, Inc. filed a Petition for Judicial Review challenging Commission Order No. 85858 issued in Case No. [9316](#), which denied recovery of certain costs of environmental remediation that Columbia Gas requested as part of its February 27, 2013 application for rate increases. After a hearing on April 4, 2013, the Circuit Court for Washington County affirmed Commission Order No. 85858. Columbia Gas appealed to the Maryland Court of Special Appeals, arguing that the Commission's denial of Columbia's request for recovery of costs to acquire and remediate property constituted an unlawful taking without just compensation and was otherwise unlawful. Argument was held on June 5, 2015. The Court of Special Appeals affirmed the judgment of the Circuit Court on August 28, 2015, finding that Columbia failed to demonstrate that the remediated property was "used and useful" for ratemaking purposes, that the property's exclusion from rate base was proper, and that the Commission's factual findings were supported by substantial evidence on the record. Columbia Gas petitioned for a *Writ of Certiorari* to the Court of Appeals. In 2016, the Company's petition was denied.

6. STRIDE Cases – (PSC Case No. [9335](#)) – *Columbia Gas v. PSC, Baltimore Gas and Electric Co. v. PSC, and Washington Gas Light v. PSC (Maryland Office of People’s Counsel v. PSC)*; Circuit Court for Baltimore City Case Nos. 24-C-14-005338, 24-C-001051 and 24-C-14-004634; Maryland Court of Special Appeals No. 1689/14

In 2014, OPC appealed each of the Commission’s Strategic Infrastructure Development and Enhancement (“STRIDE”) case rulings, which approved rate tracking mechanisms to accelerate the modernization and safety of the natural gas distribution systems for Columbia Gas, BGE and WGL. Baltimore City Circuit Court affirmed the Commission’s decision in the BGE STRIDE case, and OPC appealed that decision. The Court stayed (or held in abeyance) the two remaining cases pending the outcome of OPC’s appeal of the BGE case in the Court of Special Appeals.

On January 28, 2016, the Court of Special Appeals affirmed the Commission’s decision, finding that the Commission’s multi-step approval process eliminated unnecessary delay while also ensuring that ratepayers would not pay surcharges until after the Commission had determined that the utility’s proposed projects and estimated costs were reasonable and prudent.

7. *In the Matter of the Application of Washington Gas Light Company for Authority to Implement a Strategic Infrastructure Development and Enhancement Plan and Associated Cost Recovery Mechanism, Circuit Court for Montgomery County, Case No. 407503-V; Maryland Court of Special Appeals No. 00117/16*

On July 2, 2015, in Case No. [9335](#), the Commission ruled that the STRIDE Act did not permit reimbursement to WGL for that portion of its gas infrastructure improvements located outside of Maryland, regardless of whether the improvements would provide benefits within Maryland. WGL appealed that decision to the Circuit

Court for Montgomery County, which issued an opinion affirming the Commission’s decision on March 23, 2016. WGL has appealed that decision to the Court of Special Appeals.

8. *In the Matter of the Merger of Exelon Corporation and Pepco Holdings, Inc., Circuit Court for Queen Anne’s County – Case No. 17-C-15-019974; Maryland Court of Special Appeals, No. 2547, (PSC Case No. [9361](#))*

On May 15, 2015, the Commission approved the merger of Exelon and PHI, Inc. OPC, Sierra Club, and Chesapeake Climate Action Network filed petitions for judicial review in the Circuit Court for Queen Anne’s County. On August 12, 2015, the Circuit Court issued an order agreeing with the Commission that the merger should not be stayed pending additional discovery by petitioners. On January 8, 2016, the Circuit Court affirmed the Commission’s merger order, finding that the Commission “properly and objectively” considered the relevant evidence and that the order was supported by substantial evidence.

The three petitioners appealed that decision to the Court of Special Appeals, arguing that the Commission did not consider all of the harms the merger could impose on customers. In an unreported opinion issued on January 27, 2017, the Court of Special Appeals affirmed the decision of the Commission and that of Calvert County Circuit Court, finding that the Commission properly considered all of the potential harms of the merger and that the Commission’s findings were supported by substantial evidence on the record.

9. *In the Matter of the Petition of John T. Bradley, et al., Circuit Court for Baltimore City – Case No. 24-C-15-006830) (PSC Case No. [9330](#))*

Several Petitioners appealed the Commission's decision to affirm the Public Utility Law Judge (PULJ) ruling granting a CPCN to Mattawoman Energy, LLC. Petitioners alleged that the Commission failed to adequately articulate the basis of its decision and that the PULJ had erred when it denied their petition to intervene.

On June 2, 2016, the Circuit Court for Baltimore City affirmed the Commission, concluding that the Commission fully articulated the basis for its decision and properly denied the Petitioners' untimely request to intervene.

10. Petitions for Judicial Review of Order Nos. 87591 and 87695 in the Matter of the Application of Baltimore Gas and Electric Company for Adjustments to Its Electric and Gas Base Rate, Circuit Court for Baltimore County - Case No. 03-C-16-008879 (PSC Case No. 9406)

On June 3, 2016, the Commission issued Order No. 87591 in Case No. [9406](#) authorizing an increase in BGE's electric rates of \$41.762 million and an increase in gas rates of \$47.776 million, for a total increase of \$89.538 million. On June 30, 2016, BGE filed a Petition for Rehearing of Order No. 87591. Maryland Office of People's Counsel also filed a Petition for Rehearing. On July 26, 2016, the Commission granted the Petition for Rehearing in part, and denied it in part, clarifying that BGE was permitted to defer Smart Grid incremental costs incurred between December 1, 2015 and May 31, 2016 in a new smart grid regulatory asset. BGE filed a Petition for Judicial Review in Baltimore County Circuit Court; OPC filed its Petition for Judicial Review in the Circuit Court for Baltimore City. Various parties in the case responded with their intention to join in both matters. The Petition in Baltimore City was transferred to Baltimore County in late 2016 where consolidation was sought.

**11. *Steverson v. Potomac Electric Power Company*, Circuit Court
for Prince George’s County, Case No. CAL14-30263**

Mr. William Steverson sought judicial review of the Commission’s September 30, 2014 Order directing Potomac Electric Power Company to re-credit \$30.03 to his electric service account and finding that otherwise the Company had adequately addressed the payment issues raised in response to the Commission’s February 17, 2012 and June 4, 2013 Show Cause Orders. On December 5, 2016, the Court issued an order dismissing Mr. Steverson’s petition. The matter is pending a notice of appeal to the Maryland Court of Special Appeals.

C. Office of the Executive Director

The Executive Director and two Assistant Executive Directors 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 Investigations Division

The Accounting Investigations 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 the financial integrity of alternative suppliers seeking licenses to provide services, 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 applies its expertise to electric, gas, telecommunications, water, wastewater, taxicabs, maritime pilots, and toll bridge matters.

During 2016, the Accounting Investigations Division's work responsibilities included assisting other divisions, conducting audits of utility fuel programs and other rate adjustments, ongoing evaluation of utility base rates, STRIDE 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 15 utility fuel programs and 11 other rate adjustments, and provided appropriate analysis and comment with respect to 154 filings submitted by utilities. In addition, Division personnel participated in approximately 16 formal proceedings and a number of special assignments.

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.

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 2016, the Division's work included expert testimony and/or policy recommendations in approximately 59 administrative proceedings, three formal proceedings, three rate cases, and one rulemaking. 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. The Division was also tasked with evaluation of legislation on renewable energy programs, community solar, and smart meters.

3. Energy Analysis and Planning Division

The Energy Analysis and Planning Division ("EAP") is primarily responsible for evaluating and reporting to the Commission on the results of AMI deployment and the EmPOWER Maryland energy efficiency and demand response programs, which are operated by the electric utilities in accordance with the EmPOWER Maryland legislation.

Division members have analytical and/or oversight responsibilities on a wide range of subjects: 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; the SOS competitive solicitations, the wholesale energy markets focusing on prices and availability, Maryland's renewable energy portfolio standard ("RPS"), wholesale market demand response programs, applications for retail natural gas and electricity suppliers, and applications for small generator exemptions to the CPCN process.

During 2016, EAP was directly responsible or involved in several significant initiatives including:

- EmPOWER Maryland
 - Preparing semi-annual reports for the utilities' energy efficiency and demand response programs.
 - Assisting in the development of the annual EmPOWER Maryland report the Commission prepares for the General Assembly.
 - Overseeing the evaluation, measurement, and verification process of the Independent Evaluator. The Independent Evaluator prepares the annual impact and cost-effectiveness verification report.
 - Conducting work groups related to the 2015-2017 EmPOWER Maryland energy efficiency and demand response plans.
 - Reviewing the annual EmPOWER Maryland surcharge filings for cost recovery of the EmPOWER Maryland programs.
 - Monitoring the CIF programs and preparing the annual CIF report.
- AMI/Smart Meters
 - Evaluating and reporting on the quarterly Smart Grid metric reports prepared by BGE, Pepco and DPL.
 - Preparing testimony on AMI cost recovery and cost-benefit analysis in utility rate cases.
- Preparing the "Ten-Year Plan (2016-2025) of Electric Companies in Maryland."
- Preparing the "Renewable Energy Portfolio Standard Report of 2016."
- Monitoring several PJM committees and work groups, including the Transmission Expansion Advisory Committee, Markets and Reliability Committee, Planning Committee, Market Implementation Committee, Members Committee, Demand Response Subcommittee, Resource Adequacy Analysis Subcommittee, and Regional Planning Process Task Force.
- Monitoring the SOS procurement processes to ensure they were conducted according to codified procedures consistent with the Maryland restructuring law.
- Continuing to work with electricity and natural gas suppliers to bring retail choice to the residential and small commercial markets.

- Participating with electric vehicle industry stakeholders to assess the electric vehicle pilot programs offered by BGE and Pepco pursuant to Senate Bill 176.
- Participating in NARUC activities.
- Monitoring, and where appropriate, participating in initiatives of the PJM, FERC, and OPSI.
- Providing assistance on rate cases and mergers.

4. Engineering Division

The Commission's Engineering Division monitors the operations of public service companies. Engineers check the utilities' operations for safety, efficiency, reliability, and quality of service. The Division's primary areas of responsibility include electric distribution and transmission, metering, private water and sewer distribution, certification of solar renewable energy facilities, and natural gas and hazardous liquid pipeline safety.

In 2016, the Engineering Division continued its monitoring and review of the utilities' implementation of the Commission's electric distribution system service quality and reliability regulations, the so-called RM43 regulations, found in COMAR 20.50.12. By April 1 of every year the utilities file their annual reliability reports for the previous year.⁴³ Staff reviews each of the reports and provides the Commission with its analysis and recommendations in a hearing before the Commission in August. Staff also reviews and provides recommendations on any Corrective Action Plans and initiatives outlining how the utilities expect to meet reliability targets in the future when the reliability targets have been missed in the previous year. This year, Staff was directed to organize a work group to determine the effectiveness of the poorest performing feeder program (PPF) and

⁴³ See Section IV, Subsection C.2 (Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.11 – Case No. 9353). Case No. 9353 was originally opened in May 2014 for the purpose of reviewing the annual reliability performance reports first filed for calendar year 2013.

the treatment of repeat PPFs. A new method for ranking the PPFs was agreed upon by all the utilities, and Staff filed a report proposing the agreed-upon COMAR changes in Case No. 9353.

During January through December 2016, Staff participated in a work group related to vegetation management practices. On January 23, 2017, Staff filed a report in RM43 addressing the concerns raised by consumers when the Commission was resetting the reliability indices for 2016 through 2019 on September 1, 2015. The report contains recommendations about best practices shared by the electric utilities with emphasis on communications among ratepayers, utilities, local jurisdictions, and tree trimming contractors.

The Division received 22,361 applications for in-state photovoltaic ("PV") Solar Renewable Energy Credits ("SRECs") and approved 21,315. The approved applications amount to approximately 242 MW (AC) of distributed generation connected to the grid. The number of applications has increased by more than 100% of the 11,000 applications received in calendar year 2015. In previous years, the application volume increased from 98 in 2008 to approximately 4,600 in 2014.

Most PV solar systems approved have been small residential installations (1-20 kW). Twenty CPCN applications for PV solar farms (6-60 MWs) were approved by the Commission. Additionally, approximately 150 applications for solar hot water heating systems were approved in 2016 as compared to 125 approved in 2015.

The Commission also approves Renewable Energy Credits (RECs) certificates for geothermal, landfill gas generation, biomass, hydro and wind systems, which may be located both in-state and out-of-state. The RECS are purchased and retired by Maryland

utilities and electric suppliers to satisfy the Renewable Portfolio Standard. A registry of RECs is maintained by the PJM GATS-EIS (Generator Attribute Tracking System Environmental Information Service). PSC Engineering is working with the PSC IT Division, utilities/electric suppliers, and GATs to further refine the application submittal and review processes. As of September 30, 2016, PJM GATS has reported the following statistics on solar systems:

- 101,462 solar PV facilities in 18 states and the District of Columbia
- 1,190 solar thermal facilities in 9 states and the District of Columbia
- Total solar PV nameplate capability: 3,479.27 MW
- Total solar thermal nameplate capability: 12.89 MW
- Largest solar PV project registered in PJM: 112.1 MW
- Total number of renewable generators in Maryland is 32,972

The Engineering Division has begun to review two off-shore wind applications (OSW) for compliance with COMAR 20.61.06, which became effective September 15, 2014. According to the COMAR provision, the projects will be funded with offshore wind renewable energy credits. Review of these projects has been docketed as a case (No. 9431) and will continue through 2017.

With a simplified solar facility application review process, the Division reallocated resources to support its electric reliability and safety programs and its water and sewage systems inspection program. The Division inspected all 19 jurisdictional water and sewage companies in 2016. The Division participated in two water rate cases in 2016.

The Engineering Division testified in three electric utility cases in 2016: BGE, Pepco, and Delmarva. Topics for the engineering division included recovery of the costs associated with funding upgrades to the Baltimore City underground conduit system, recovery of the costs for installation of the BGE AMI meters, recovery of storm-related restoration expenses, and recovery of costs for reliability upgrades.

The Division's Pipeline Safety Group 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 George's County, and monitoring the progress of Sandpiper Energy (formerly Eastern Shore Gas) in its conversion of its distribution system from propane to natural gas. All of the Commission's senior pipeline and hazardous liquid safety engineers are fully trained for their roles in enforcement of Federal pipeline safety regulations within the State.

During the 2013 legislative session, the Maryland General Assembly enacted Public Utilities Article § 4-210, authorizing gas companies to develop STRIDE plans for replacement of eligible infrastructure. The purpose of the plans was to allow gas companies to improve public safety and or infrastructure reliability by replacing aging infrastructure. The law also allowed for the recovery of costs by the gas companies as they implement approved STRIDE plans. In 2014, three gas companies chose to develop STRIDE Plans and present them to the Commission: Columbia Gas, BGE and WGL. The Division's Pipeline Safety Group participated in the review of the plans for the Commission and is currently monitoring the companies' progress in the implementation of each of the plans.

In 2016, the Division's Pipeline Safety Group continued with its inspections of jurisdictional pipeline operators to ensure compliance with applicable pipeline safety regulations. The Group will also continue monitoring the progress of the gas companies that have approved STRIDE plans and the conversion of Sandpiper's distribution system from propane to natural gas. Additionally, in 2016, the Division's Pipeline Safety Group conducted one incident investigation: a gas explosion involving two connected apartment buildings that occurred in WGL's operating territory in Silver Spring, Maryland.

Annually, the Division's Pipeline Safety Program is audited by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), United States Department of Transportation, as part of its agreement with the PHMSA. The audit is conducted by PHMSA to ensure that the Division's Pipeline Safety Group is conducting inspections of its jurisdictional operators according to PHMSA's State Guidelines and the Group's own procedures. In 2016, the Pipeline Safety Group was audited on its CY2015 inspections. As a result of that audit, the Pipeline Safety Group received a score of 94.9% for its Gas State Program and 95% for its Hazardous Liquids Program.

During 2016, the Engineering Division devoted staff time and effort resulting from the Commission's participation in the Maryland Emergency Management Agency's ("MEMA") emergency preparedness and response efforts. This included activation during major storms; participating in state-wide emergency training sessions, drills and coordination meetings; updating the agency's MEMA Event Storm Manual that outlines the Commission's contacts and procedures for staffing the State's Emergency Operations Center ("SEOC"); and participating in the Joint Operations Group responsible for establishing situational awareness and initial management and coordination during

emergent situations prior to activation of the SEOC. During major outage event restoration emergencies, the Commission is required to provide sufficient staff coverage to ensure that MEMA's SEOC is covered on a 24-hour basis whenever the SEOC is activated in response to an actual or perceived emergency.

Members of the Engineering Staff take an active role in public relations, communicating with homeowners associations, community groups, and legislators on a variety of electric distribution and pipeline safety reliability and safety issues. During 2016, the Engineering Division and others met with a delegation of regulators from Mexico. The Engineering staff continues to stay abreast of trends in utility regulation such as smart grid, distributed generation, microgrids, energy efficiency, and demand response. The Division continues to advise the Commissioners through so-called "bucksheets" on technical issues as they arise; for instance, modifications to power plants or waivers associated with transmission line upgrades.

Finally, in 2016, the Division conducted approximately 50 electric meter referee tests. It also participated in the drafting of proposed regulations to eliminate double electric poles by use of a database shared by the stakeholders; however, the regulations were not adopted since the problems have been sufficiently addressed by the utilities.

5. Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation and presentation of the 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 identifies issues in public service company applications, and evaluates the applications for legal sufficiency and compliance with the Public Utilities

Article of the *Annotated Code of Maryland*, 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 the Technical Staff's testimony, reports, proposed legislation analysis, and comments before submission to the Executive Director. In addition, the attorneys draft and coordinate the promulgation and issuance of regulations, review and comment on items handled administratively, provide legal services to each division within the Office of Executive Director, and handle inquiries from utilities, legislators, regulators and consumers.

During 2016, Staff Counsel 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, consideration of numerous requests for CPCNs, review of SOS matters, telecommunications proceedings, supplier issues, merger proceedings, taxi matters, and electric reliability matters. The Staff Counsel Division also was involved in a variety of efforts intended to address the EmPOWER Maryland Act of 2008, smart meter proceedings and the continued implementation of the Maryland RPS 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, 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, similar to other Technical Staff divisions, this Division assists the Commission's Office of External Relations in the resolution of consumer complaints on an as-needed basis, and leads or participates in industry work 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. Year to date, the Division has reviewed 157 tariff filings, including rate revisions, new service offerings and related matters. Of those, 121 were telecommunications, 34 were natural gas, and two were water. The Division also presented testimony in five cases before the Commission. Staff participated in four base rate proceedings (two concerning natural gas and two concerning water), one merger case, and three natural gas purchased gas adjustment charge proceedings.

This year, the Division also conducted two public conferences which resulted in topical studies that were presented to the Maryland General Assembly. One concerned the current status of the market of utility pole attachments in Maryland, and the other concerned the appropriate manner to withdraw regulated telecommunication services in Maryland.

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, is responsible for reviewing Federal Communications Commission compliance

filings by carriers, administers the certification of all payphone providers in the state, and monitors the provision of low income services, E911 and telecommunications relay services. Year to date, the Commission authorized six new carriers, and certified 38 payphone service providers and 715 payphones in Maryland.

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 economical 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 economical water services in the State.

Finally, the Division provides assistance to other Divisions, particularly in matters of statistical analysis and economic policy.

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 1,282), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County,

Cumberland, and Hagerstown (total 1,398). The Commission is also responsible for licensing drivers (total 7,349) 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 6,727), 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 civil penalties. As of July 1, 2015, State statutes went into effect creating a new category of common carrier – Transportation Network Company [Public Utilities Article, § 1-101(e)(2)(viii)]. As a result, a new category of for-hire driver was defined – Transportation Network Operator. Staff worked with authorized Transportation Network Companies to formulate a method to license those Transportation Network Operators and permit their respective vehicles. Beginning in December 2015, Commission Staff began issuing temporary Transportation Network Operator (“TNO”) Licenses and vehicle permits and by year’s end had issued temporary TNO licenses to 35,021 drivers and vehicle permits to 39,391 vehicles.

During 2016, the Transportation Division continued its involvement with Case No. 9184, *In the Matter of an Increase of Rates for Taxicab Service in Baltimore City and Baltimore County*, in which the Commission granted an extension of the deadline for the installation of new meters in all taxicabs that meet the requirements set forth in Order No. 86499, which includes the capability of the meter to accept credit and debit cards with a

rear-seat payment center, to February 29, 2016. Transportation Division staff conducted meter inspections to ensure compliance by all regulated taxicab permit holders. The Transportation Division also testified in Case No. 9425--Rasier and Lyft filed petitions in this matter to waive the requirement for a fingerprint-supported criminal history background check.⁴⁴

During 2016, 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.

Additionally, the Division maintained its regular enforcement in 2016 by utilizing field investigations and joint enforcement projects 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, such as an electronic TNO application process and an investigators database.

⁴⁴ See Section VI.A – "Case No. 9425, The Petitions of Rasier, LLC and Lyft, Inc. for Waiver of Public Utilities Article Section 10-104(b).

D. Office of External Relations (OER)

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 2016, the OER investigated 3,123 consumer complaints. Out of those complaints 2,606 involved gas and electric issues, while 317 were telecommunication complaints, 84 complaints related to water companies, and 66 complaints involved other issues. The majority of complaints against gas and electric local distribution companies and suppliers concerned billing issues, followed by service quality issues. OER also investigated 403 complaints against suppliers. Most supplier disputes involved unauthorized enrollment, misrepresentation of terms and increases in price of the variable rate contracts. In addition, OER staff fulfilled 570 requests for information concerning the Commission, utilities and suppliers. The OER intake unit received 4,013 requests for payment plans or extensions.

OER staff members work proactively to provide the public with timely and useful utility related information based on feedback received from consumers as well as continuing to have regular meetings with the utilities to ensure that all parties are responding appropriately to consumer concerns. Additionally, OER staff participated in extensive training on new consumer protections adopted by the Commission in Rulemaking 54 to ensure that OER staff could provide accurate information to customers. The OER continued to revise the informal Fast Track process for customers requesting payment arrangements and to handle requests for information more efficiently. The OER answered 12,654 calls for assistance in 2016, with an abandoned call percentage of 2.08%.

E. Public Utility Law Judge 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 carriers and drivers and Transportation Network Operators. 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 2016, 357 cases were delegated by the Commission to the Division: 28 non-transportation-related matters; and 329 relating to transportation matters of which 102 were taxicab-related and 95 were

transportation network operator-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 431 hearings, and issued 283 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 seven days and no more than 30 days. There were 18 appeals/requests for reconsideration filed with the Commission resulting from the Proposed Orders – the Commission issued four orders reversing a Proposed Order and two orders remanding the matter to the Division for further proceedings.

XII. RECEIPTS AND DISBURSEMENTS FY 2016

Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	\$	6,837,262
Public Utility Regulation Fund	\$6,837,262	
Technical and Special Fees	\$	191,054
Public Utility Regulation Fund	\$191,054	
Operating Expenses	\$	19,617,611
Public Utility Regulation Fund	\$2,259,506	
Customer Investment Fund	\$17,358,105	
Total Disbursements for Fiscal Year 2016	\$	26,645,927
Public Utility Regulation Fund	\$ 9,287,822	
Customer Investment Fund	\$17,358,105	
Reverted Appropriation	\$	4,016,510
Public Utility Regulation Fund	\$2,228,774	
Customer Investment Fund	\$1,787,736	
Total Appropriation for Fiscal Year 2016	\$	30,662,437
Public Utility Regulation Fund	\$11,516,596	
Customer Investment Fund	\$19,145,841	

C90G002 – Telecommunications, Gas and Water Division

Salaries and Wages	\$	490,416
Operating Expenses	\$	9,912
Total Disbursements for Fiscal Year 2016	\$	500,328
Reverted Appropriation	\$	11,934
Total Appropriation for Fiscal Year 2016	\$	512,262

C90G003 – Engineering Investigations Division

Salaries and Wages	\$	1,657,291
Public Utility Regulation Fund	\$1,275,379	
Federal Fund	\$381,912	
Operating Expenses	\$	123,335
Public Utility Regulation Fund	\$29,263	
Federal Fund	\$94,072	
Total Disbursements for Fiscal Year 2016	\$	1,780,626
Public Utility Regulation Fund	\$1,304,642	
Federal Fund	\$475,984	
Reverted Appropriation	\$	216,596
Public Utility Regulation Fund	\$156,143	
Federal Fund	\$60,453	
Total Appropriation for Fiscal Year 2016	\$	1,997,222
Public Utility Regulation Fund	\$1,460,785	
Federal Fund	\$536,437	

C90G004 – Accounting Investigations Division

Salaries and Wages	\$	596,048
Operating Expenses	\$	7,925
Total Disbursements for Fiscal Year 2016	\$	603,973
Reverted Appropriation	\$	21,661
Total Appropriation for Fiscal Year 2016	\$	625,634

C90G005 – Common Carrier Investigations Division

Salaries and Wages	\$	1,438,183
Public Utility Regulation Fund	\$1,438,183	
For-Hire Driving Services Enforcement Fund	\$0	
Technical and Special Fees	\$	192,801
Public Utility Regulation Fund	\$52,224	
For-Hire Driving Services Enforcement Fund	\$140,577	
Operating Expenses	\$	71,935
Public Utility Regulation Fund	\$59,759	
For-Hire Driving Services Enforcement Fund	\$12,176	
Total Disbursements for Fiscal Year 2016	\$	1,702,919
Public Utility Regulation Fund	\$1,550,166	
For-Hire Driving Services Enforcement Fund	\$152,753	
Reverted Appropriation	\$	13,427
Public Utility Regulation Fund	\$5,366	
For-Hire Driving Services Enforcement Fund	\$8,061	
Total Appropriation for Fiscal Year 2016	\$	1,716,346
Public Utility Regulation Fund	\$1,555,532	
For-Hire Driving Services Enforcement Fund	\$160,814	

C90G006 – Washington Metropolitan Area Transit Commission

Operating Expenses	\$	239,168
Total Disbursements for Fiscal Year 2016	\$	239,168
Reverted Appropriation	\$	2,973
Total Appropriation for Fiscal Year 2016	\$	242,141

C90G007 – Electricity Division

Salaries and Wages	\$	416,497
Operating Expenses	\$	12,836
Total Disbursements for Fiscal Year 2016	\$	429,333
Reverted Appropriation	\$	29,685
Total Appropriation for Fiscal Year 2016	\$	459,018

C90G008 – Public Utility Law Judge Division

Salaries and Wages	\$	837,308
Operating Expenses	\$	2,339
Total Disbursements for Fiscal Year 2016	\$	839,647
Reverted Appropriation	\$	15,482
Total Appropriation for Fiscal Year 2016	\$	855,129

C90G009 – Office of Staff Counsel

Salaries and Wages	\$	1,071,725
Operating Expenses	\$	8,808
Total Disbursements for Fiscal Year 2016	\$	1,080,533
Reverted Appropriation	\$	20,246
Total Appropriation for Fiscal Year 2016	\$	1,100,779

C90G0010 – Energy Analysis and Planning Division

Salaries and Wages	\$	530,536
Operating Expenses	\$	7,961
Total Disbursements for Fiscal Year 2016	\$	538,497
Reverted Appropriation	\$	37,598

Total Appropriation for Fiscal Year 2016	\$	576,095
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Summary of Public Service Commission
Fiscal Year Ended June 30, 2016:

Salaries and Wages	\$	13,875,266
Public Utility Regulation Fund	\$13,493,354	
Federal Fund	\$381,912	
For-Hire Driving Services Enforcement Fund	\$0	

Technical and Special Fees	\$	383,855
Public Utility Regulation Fund	\$243,278	
Federal Fund	\$0	
For-Hire Driving Services Enforcement Fund	\$140,577	

Operating Expenses	\$	20,101,830
Public Utility Regulation Fund	\$2,637,477	
Federal Fund	\$94,072	
For-Hire Driving Services Enforcement Fund	\$12,176	
Customer Investment Fund	\$17,358,105	

Total Disbursements for Fiscal Year 2016	\$	34,360,951
Public Utility Regulation Fund	\$16,374,109	
Federal Fund	\$475,984	
For-Hire Driving Services Enforcement Fund	\$152,753	
Customer Investment Fund	\$17,358,105	

Reverted Appropriation	\$	4,386,112
Public Utility Regulation Fund	\$2,529,862	
Federal Fund	\$60,453	
For-Hire Driving Services Enforcement Fund	\$8,061	
Customer Investment Fund	\$1,787,736	

Total Appropriations	\$	38,747,063
Public Utility Regulation Fund	\$18,903,971	
Federal Fund	\$536,437	
For-Hire Driving Services Enforcement Fund	\$160,814	
Customer Investment Fund	\$19,145,841	

Assessments collected during Fiscal Year 2016: \$ 21,566,807

Other Fees and Revenues collected during Fiscal Year 2016:

1) Fines & Citations	\$	425,410
2) For-Hire Driving Services Permit Fees	\$	183,856
3) Meter Test	\$	460
4) Filing Fees	\$	301,025
5) Copies	\$	1,258
6) Miscellaneous Fees	\$	2,265

Total Other Fees and Revenues \$ 914,274

Interest Earned on Customer Investment Fund balance \$ 258,157

Interest Earned on Offshore Wind Energy Fund balance \$ 19,008

Assessments collected that were remitted to other
State Agencies during Fiscal Year 2016
From the Public Utility Regulation Fund:

1) Office of People's Counsel	\$	2,861,587
2) Railroad Safety Program	\$	477,921

Monies collected that were remitted to other
State Agencies during Fiscal Year 2016
From the Customer Investment Fund:

1) MD Dept. of Housing and Comm. Dev.	\$	6,200,000
2) Maryland Energy Administration	\$	3,280,206