PUBLIC SERVICE COMMISSION OF MARYLAND

2014 ANNUAL REPORT

For the Calendar Year Ending December 31, 2014

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

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Table of Contents

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, 2014, the following persons were members of the Commission:

	Term Expires
W. Kevin Hughes, Chairman	June 30, 2018
Harold D. Williams, Commissioner	June 30, 2017
Lawrence Brenner, Commissioner	June 30, 2015
Kelly Speakes-Backman, Commissioner	June 30, 2014[1]
Anne E. Hoskins, Commissioner	June 30, 2016

II. OVERVIEW OF THE COMMISSION

A. General Work of the Commission

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

- electric utilities;
- gas utilities;
- combination gas and electric utilities;
- competitive electric suppliers;
- competitive gas suppliers;
- telecommunications companies;
- water, and water and sewerage (privately-owned) companies;

[1] A commissioner continues to serve until a successor qualifies. *Md. Ann.*, Publ. Util. Art., § 2-102(d)(3).

- bay pilots;
- docking masters;
- passenger motor vehicle carriers (e.g., buses, limousines, sedans);
- railroad companies;[2]
- taxicabs operating in the City of Baltimore, Baltimore County, Cumberland, and Hagerstown;
- hazardous liquid pipelines; and
- other public service companies.

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

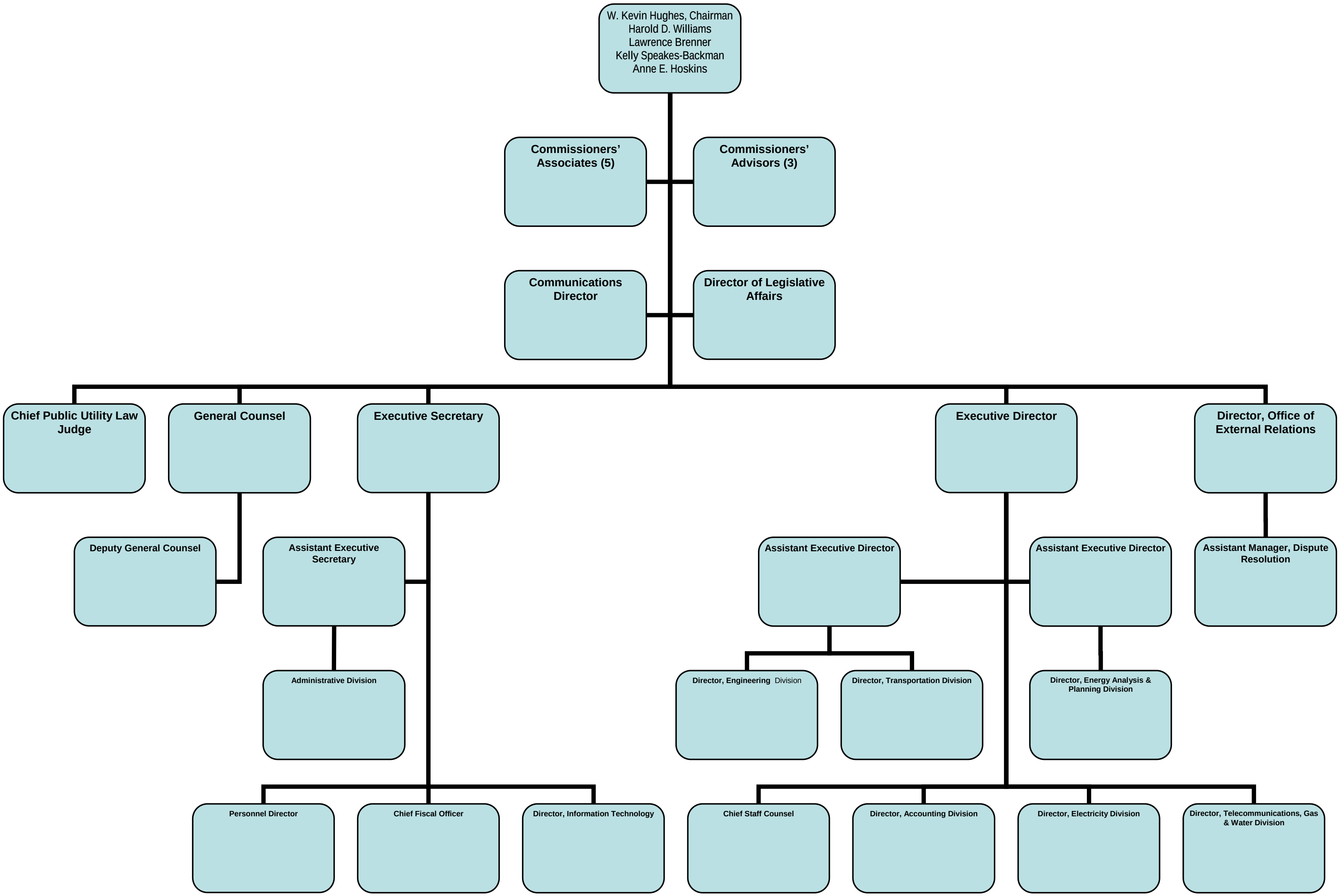
Under its statutory authority, the Commission has broad authority to supervise and regulate the activities of public service companies and for-hire carriers and drivers. It is empowered to hear and decide matters relating to, among others: (1) rate adjustments; (2) applications to exercise or abandon 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

[2] The Commission has limited jurisdiction over railroad companies: (1) the companies must be organized under Maryland law; and (2) 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 2014, the Commission initiated 53 new non-transportation–related dockets, conducted approximately 34 en banc hearings (legislative-style, evidentiary, or evening hearings for public comments as well as status conferences, discovery disputes, and prehearing conferences), held 6 rulemaking sessions, participated in 3 public conferences, and presided over 44 administrative meetings. Also, the Commission actively participated in the 90-day General Assembly Legislative Session for 2014, by submitting comments on bills affecting public service companies, participating in work groups convened by Senate or House committees or sub-committees, and testifying before various Senate and House committees and sub-committees.

B. Maryland Public Service Commission Organization Chart – 12/31/2014



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")[3] 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").[4] 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 WMATC. Governor O'Malley appointed Commissioner Brenner to serve

[3] 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*.

[4] 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.

on the WMATC in November 2008. Commissioner Brenner currently serves as the Chair of WMATC.

In fiscal year ("FY") 2014, which is from July 1, 2013 through June 30, 2014, the WMATC accepted 438 applications to obtain, transfer, amend or terminate a WMATC certificate of authority (up from 414 in FY2013). The WMATC also initiated 162 investigations of carrier compliance with WMATC rules and regulations. The WMATC issued 843 orders in formal proceedings in FY2014. There were 648 carriers holding a certificate of authority at the end of FY2014 – up from 504 at the close of FY2013, which is nearly seven 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 5,900 as of June 30, 2014. The WMATC processed 17 informal complaints in FY2014, down from 28 in FY2013.

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 FY2014 WMATC budget was $797,000, and Maryland's share was $373,076, or 46.81% of the WMATC budget. In FY2014, the WMATC generated $225,550 in non-appropriations revenue (fees and forfeitures), which was returned to the signatories on a proportional basis, including $105,580 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 Brenner currently is the Chair of MADRI.

3. Organization of PJM States, Inc.

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

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 is a member of the Board of Directors. Commissioner Brenner serves as a member of the Committee on Electricity. Commissioner Speakes-Backman serves as a vice-chair of the Committee on Energy Resources and the Environment. Commissioner Hoskins serves as vice-chair of the Committee on International Relations and as a member of the Committee on Gas.[5]

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 Brenner serves on the MACRUC Board of Directors.

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[5] On March 3, 2015, Commissioner Hoskins was appointed as Chair of the Committee on International Relations and as a member of the NARUC Board of Directors.

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 ("CO_2"). 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 CO_2 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 limits power plants' CO_2 emissions and then lowers that cap 10% by 2018. The participating states agreed to use an auction as the means to distribute allowances[9] to electric power plants regulated under coordinated state CO_2 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 CO_2 emissions.

The RGGI Memorandum of Understanding ("RGGI MOU") apportions CO_2 allowances among signatory states through a process that was based on historical emissions and negotiation among the participating signatory states. Together, the emissions budgets of each signatory state comprise the regional emissions budget, or RGGI "cap."

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[6] The RGGI 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 2014, Commissioner Speakes-Backman (Chair) and Secretary Robert Summers of the Maryland Department of the Environment represented Maryland on the Board.

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

[8] Nine of the original ten member states have continued their participation in the RGGI program for the second compliance period of January 1, 2012 – December 31, 2014; 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 CO_2.

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.

Table II.C.1: 2014 Regional Emissions Budget[11]

State	Carbon Dioxide Allowances (short tons)
Connecticut	5,891,895
Delaware	4,064,687
Maine	3,277,250
Maryland	20,360,944
Massachusetts	14,487,106
New Hampshire	4,749,011
New York	35,228,822
Rhode Island	2,284,975
Vermont	655,310
Total	**91,000,000**

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.

In 2014, RGGI held four auctions of CO_2 allowances. These auctions raised approximately $75.7 million[12] for the State's Strategic Energy Investment Fund ("Fund"). Pursuant to § 9-20B-05(g-1) of the State Government Article, *Annotated Code of*

[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://www.rggi.org/design/overview/allowance-allocation*

[12] The calendar year 2014 auction proceeds represent a 29% decrease compared to Maryland's 2013 auction proceeds of $107.1 million, even though the allowance clearing price in each 2014 auction trended higher than in any prior year. The decreased proceeds in 2014 were therefore attributable to the auctioning of a fewer number of allowances as a result of the revised 2014 regional budget.

Maryland, as modified by Section 17 of Chapter 397 (Budget Reconciliation and Financing Act of 2011), Laws of Maryland 2011, the proceeds received from January 1, 2014 through June 30, 2014 by the Fund, were allocated as follows:

> (1) up to 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 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 programs; and
>
> (4) up to 10%, but not more than $4,000,000, 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.

The proceeds received from July 1, 2014 through December 31, 2014 by the Fund were subject to an allocation modified by Chapter 464 (Budget Reconciliation and Financing Act of 2014), Laws of Maryland 2014, 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 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 2014, in addition to the auctions and routine administration of the RGGI Program, Maryland participated in the submission of joint comments, in collaboration with the RGGI states, in response to the June 2, 2014 EPA proposed Carbon Pollution Standards for Existing Power Plants.[13] In filed joint comments,[14] the RGGI states welcomed the EPA's endorsement of regional market-based programs, and RGGI in particular, as a cost-effective approach to achieving compliance with the proposed rule. In the comments, the RGGI states provided information supporting the position that more cost-effective reductions can be made nationwide. A number of revisions to the proposal were also recommended in the RGGI states' comments, in an effort to ensure the recognition of early action to reduce carbon emissions, and that the final state targets are

[13] Using a 2012 baseline, the EPA proposal seeks to cut carbon dioxide emissions nationwide 30% from 2005 levels by 2030. The public comment period on the proposal and accompanying technical support documents closed on December 1, 2014.

[14] *RGGI States' Comments on Proposed Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units* (Nov. 5, 2014), http://www.rggi.org/docs/PressReleases/PR110714_CPP_Joint_Comments.pdf; *RGGI States' Supplemental Comments on Proposed Clean Power Plan* (Dec. 1, 2014), http://www.rggi.org/docs/PressReleases/PR120114_RGGI_SupplementalComments_CPP.pdf.

verifiable, transparent, equitable, and enforceable. While awaiting the finalization of the Clean Power Plan by the EPA, the RGGI states continue to analyze all options for a compliance pathway that will leverage the market-based regional cooperation already established through the RGGI region.

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 entities[15] 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 Suppliers"). The PC16 MOU expressed each entity's commitment to use its best efforts to achieve a goal of 25% Diverse Supplier contracting; 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 8, 2014, a hearing was held to consider the results of the 2013 Annual Reports submitted by 14 of applicable companies.

The results of the Reports, summarized below, were tabulated by the Commission's Technical Staff ("Staff") and presented to the Commission at the July 2014 hearing.

Table 1 - Achieved vs. Target

This table shows the program expenditures as reported by the companies, compared with each company's total spending. Certain types of expenses are excluded

[15] AT&T Corporation; Association of Maryland Pilots ("Assoc. of MD Pilots"); Baltimore Gas and Electric Company ("BGE"); CenturyLink Communications, LLC; 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").

from the tabulation, being either single-sourced or are inapplicable to the diversity program.[16]

Table 1 - 2013 Utility Diverse Supplier Procurement Achievement

Utility	Total Diverse Supplier Procurement ($)	Utility Procurement	Percentage of Diverse Supplier $ to Utility Procurement $	2013 Target
Assoc. of MD Pilots	$233,794	$724,2015	32.28%	25%
BGE[17]	$151,160,369	$926,900,00	16.31%	15%
Chesapeake Utilities	$92,827	$2,945,763	3.15%	n/a
Choptank	$2,239,507	$18,257,484	12.27%	8%
Columbia Gas	$381,910	$11,072,029	3.45%	3%
Comcast	$29,541,571	$161,367,899	18.31%	n/a
DPL	$54,211,979	$348,745,254	15.54%	n/a
Easton	$308,184	$6,324,539	4.87%	n/a
Elkton	$11,338	$1,972,423	0.57%	n/a
Potomac Edison	$14,275,456	$54,074,439	26.40%	25%
Pepco	$80,137,908	$603,146,229	13.29%	n/a
SMECO	$5,795,418	$169,655,127	3.42%	n/a
Verizon	$59,401,219	$329,247,037	18.04%	28%
WGL[18]	$123,931,355	$603,705,589	20.53%	17.34%
Sum	**$521,722,835**	**$3,238,138,018**	**16.11%**	**25%**[19]

Table 2 - Procurement by Diversity Group

In Table 2, the amounts and percentages from Table 1 are further broken down into expenditures by diversity classification. The breakdown reveals that overall the companies spent approximately 53.77% of their diverse supplier expenditures on minority business enterprises (an increase of just over 4% from 2012 (49.62%)), 35.97%

[16] Sources of exempted spend are agreed to in advance and can be found in the respective entity's PC16 MOU.
[17] Excluding natural gas purchases of about $42M for diverse suppliers.
[18] Excluding natural gas purchases of about $60M from diverse suppliers.
[19] The Commission set 25% as the target achievement rate.

on women business enterprises (a decrease of approximately 4% from 2012 (40.15%)), 10.22% on service-disabled veterans (a slight decrease from 2012 (10.92%)), and a small portion on not-for-profit workshops.[20]

Table 2 - 2013 Procurement by Diverse Group

UTILITY	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT-FOR-PROFIT WORKSHOP	TOTAL $ DIVERSE SUPPLIER
Assoc. of MD Pilots	$233,794	$0	$0	$0	$233,794
BGE[21]	$75,592,336	$67,192,228	$8,375,805	$0	$151,160,369
Chesapeake	$12,827	$80,000	$0	$0	$92,827
Choptank	$165,422	$2,068,003	$597	$5,485	$2,239,507
Columbia	$11,628	$370,282	$0	$0	$381,910
Comcast	$14,137,223	$14,239,352	$1,128,173	$36,823	$29,541,571
DPL	$14,325,371	$39,516,020	$269,283	$101,305	$54,211,979
Easton	$4,879	$303,305	$0	$0	$308,184
Elkton	$0	$11,338	$0	$0	$11,338
Potomac Edison	$2,989,842	$10,736,742	$548,872	$0	$14,275,456
Pepco	$62,524,631	$17,588,161	$0	$25,116	$80,137,908
SMECO	$2,069,271	$3,720,463	$3,721	$1,963	$5,795,418
Verizon	$15,989,735	$7,027,391	$36,384,093	$0	$59,401,219
WGL[22]	$92,483,225	$24,829,749	$6,602,493	$15,888	$123,931,355
Sum	**$280,540,185**	**$187,683,034**	**$53,313,037**	**$186,580**	**$521,722,836**
Percentage Total Diverse Suppliers $	**53.77%**	**35.97%**	**10.22%**	**0.04%**	**100%**

B. Rulemaking: RM50 -- Revisions to COMAR 20.08 – Supplier Diversity Program

As reported in the 2013 Annual Report, at a December 6, 2013 rulemaking session, after considering the proposed regulations filed by Staff to codify the existing PC16 MOU, the Commission directed that a work group of stakeholders revise the

[20] The Association of Maryland Pilots is not required to break down their annual spend by diversity classification.
[21] This amount excludes the amount spent in natural gas.
[22] This amount excludes the amount spent in natural gas.

proposed regulations and re-submit them to the Commission. On September 17, 2014, Staff submitted revised proposed regulations on behalf of the work group of stakeholders. A rulemaking session to consider the revised proposed regulations is scheduled for March 25, 2015.

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

As mandated by the EmPOWER Maryland Act of 2008, the five largest electric utilities in the State[23] (hereinafter "EmPOWER MD Utilities" or "Utilities") are responsible for achieving a 10% reduction in the State's energy consumption[24] and a 15% reduction of peak demand by 2015. The EmPOWER Maryland Act also requires the five EmPOWER MD Utilities to implement cost-effective demand response programs designed to achieve a reduction in their peak energy demand (measured in MW) of 5% by 2011, 10% by 2013, and 15% by 2015. To generate their portion of the savings, the EmPOWER MD Utilities are required to file three-year plans, for the periods of 2009 through 2011, 2012 through 2014, and so on.

On December 22, 2011, in Order No. 84569, the Commission approved the EmPOWER MD Utilities' 2012-2014 portfolios with several modifications. This Order provided increased guidance and framework for the 2012-2014 program cycle, and

[23] 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.

[24] The overall reduction in the State's energy consumption under EmPOWER Maryland Act is 15%. The Maryland Energy Administration is responsible for achieving 5% of this 15% reduction in the State's energy consumption.

approved the Maryland Department of Housing and Development ("DHCD") request to operate the EmPOWER Maryland Limited Income Energy Efficiency Program. Additionally, the Commission acknowledged that the availability of financing can be a daunting barrier to participation in many of the EmPOWER MD Utilities' programs, and encouraged the EmPOWER Finance Work Group to develop programs to address these barriers. In 2014, the EmPOWER MD Utilities and DHCD worked to implement the proposed programs as approved in the Commission Order.

Throughout 2014, the EmPOWER MD Utilities, Staff, the Maryland Energy Administration ("MEA") and the Office of People's Counsel ("OPC") met with stakeholders to discuss the design of the 2015-2017 EmPOWER Maryland program cycle. The utilities filed their plans by September 2, 2014, and the Commission held legislative-style hearings during the week of October 20 - 24, 2014 and heard testimony from over 20 groups pertaining to the filed program plans.

On December 23, 2014, the Commission issued Order No. 86785, authorizing BGE, PE, Pepco, DPL, and SMECO to begin transitioning into the next three-year program cycle. The Commission also authorized DHCD to continue its implementation of the EmPOWER Maryland limited-income programs in calendar year 2015. Furthermore, the Commission granted the application of WGL for approval of its natural gas energy efficiency and conservation program, subject to some modifications, as well as the accompanying cost recovery mechanism.

In Order No. 86785, the Commission directed the various EmPOWER Maryland work groups to investigate 15 specific tasks for improving EmPOWER program performance ranging from the incentive structure of the small business program to pursuing alternative methods to reach out to schools in the State. The majority of the tasks have a reporting date of April 15, 2015. Finally, the Commission set a date for comments for the stakeholders to report to the Commission regarding future cost-effectiveness screening tools and the development of goals for the EmPOWER Maryland programs beyond 2015. Hearings for these two issues were held February 12 and 13, 2015.

The following table summarizes the actual electric consumption and coincident peak demand reductions achieved by each EmPOWER MD Utility program-to-date through the close of 2014, and it calculates that reduction as a percentage of the 2015 EmPOWER Maryland goal.

		Coincident Demand Reduction (MW)	Energy Reduction (MWH)
BGE	Goal	1,267.000	3,593,750
	Reported	987.809	2,230,161
	Percentage Achieved	78%	62%
DPL	Goal	18.000	143,453
	Reported	76.985	271,180
	Percentage Achieved	428%	189%
PE	Goal	21.000	415,228
	Reported	75.416	495,264
	Percentage Achieved	359%	119%
Pepco	Goal	672.000	1,239,108
	Reported	516.936	1,162,360
	Percentage Achieved	77%	94%
SMECO	Goal	139.000	83,870
	Reported	85.740	220,975
	Percentage Achieved	62%	263%
Total	Goal	2,117.000	5,475,409
	Reported	1,742.885	4,379,939
	Percentage Achieved	82%	80%

As reflected in the above table, the EmPOWER MD Utilities continued progress during 2014, as compared to achievements reported at the end of 2013, with four EmPOWER MD Utilities approaching or exceeding the 2015 targets in one or both categories. Based solely on current EmPOWER Maryland programs, the Utilities may be challenged to reach the 10% per-capita reduction goal in energy usage or the 15% per-capita reduction goal in peak demand by 2015.[25] The EmPOWER Maryland programs achieved, on a program-to-date basis, the following results through the end of 2014:

- The EmPOWER MD Utilities' programs have saved a total of 4,379,939 MWh and 1,743 MW, and either encouraged the purchase of or installed approximately 47.6 million energy-efficient measures.

- 16,795 low-income customers participated in the Residential Low-Income Programs.

- The EmPOWER MD Utilities have spent over $1.4 billion on the EmPOWER Maryland programs, including approximately $923 million on EE&C programs and $488 million on DR programs.

- The expected savings associated with EmPOWER Maryland programs is approximately $4.1 billion over the life of the installed measures for the EE&C programs.

- The average monthly residential bill impact of EmPOWER Maryland surcharges[26] for 2014 were as follows:

	EE&C	DR	Dynamic Pricing[27]	Total
BGE	$2.74	$1.09	$0.28	$4.11
Pepco	$3.20	$0.02	$0.48	$3.70
DPL	$2.49	$0.53	N/A	$3.02
PE	$4.41	N/A	N/A	$4.41
SMECO	$3.81	$2.39	N/A	$6.20

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"),

[25] These estimations only include energy and demand savings from energy efficiency and conservation ("EE&C") and demand response ("DR") programs. The Commission will allow additional verified savings resulting from the Consumer Investment Fund programs to be counted towards the goals, which will bring the combined Utilities closer to the 2015 EmPOWER Maryland goals.

[26] Assumes an average monthly usage of 1,000 kilowatt hours ("kWh"), and the figures do not include customer savings.

[27] BGE and Pepco offered a Peak Time Rebate program in the summer of 2014 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.

for the purposes of providing energy efficiency and low income energy assistance to BGE customers. On June 16, 2014, the Commission issued Order No. 86399, which approved a disbursement schedule for the semi-annual distribution of the CIF funds for FY2015. 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 FY2014, 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 stated that Staff will review these annual reports and report the results to the Commission. The Commission therefore reserved the right to modify disbursements for FY2015 after receipt of Staff's report.

On December 10, 2014, Staff provided its report to the Commission on the status of the CIF programs during FY2014. The majority of the programs experienced little to no participation due to ramp up, resulting in 52% ($17,343,650) of the FY2014 budget remaining unspent as of June 30, 2014. In addition to limited spending, there was limited savings reported in FY2014. A legislative style hearing was held on December 15, 2014 to consider Staff's report, as well as the programs' FY2014 annual reports. As a result of the hearing, the Commission revised the FY2015 disbursement schedule that resulted in many programs not receiving a disbursement in January 2015, or receiving a lower disbursement. For the programs that received a lower or no disbursement in January 2015, the amount deferred will be received through a future disbursement based on the recipients' progress.

3. Investigation and Development of Innovative and Affordable Residential Energy Efficiency Financing Programs – Case No. 9373

On December 29, 2014, the Commission initiated a new docket, Case No. 9373, to investigate creative solutions that may develop and expand affordable residential energy efficiency financing opportunities. By Order No. 86788, the Commission delegated the matter to the Public Utility Law Division and directed that a status report detailing any findings pertaining to the investigation be filed no later than April 15, 2015.

On January 9, 2015, a notice was issued, which requested parties to submit proposed residential energy efficiency financing models by January 30, 2015. Comments on these proposals were filed by February 27, 2015. A legislative-style hearing to consider the proposals and comments was held on March 12, 2015.

B. Deployment of Advanced Meter Infrastructure/Smart Grid - Case Nos. 9207, 9208 and 9294

The Commission approved Smart Grid Initiatives ("SGI") 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 December 31, 2014, approximately 2.2 million electric and gas meters (so-called "smart meters") have been installed across the State. BGE has installed over 1.5 million electric meters and gas modules, or approximately 73% of the total planned installations. Pepco has installed over 560,800 smart meters, approximately 99% of the total planned installations. DPL has installed over 211,000 smart meters, approximately 96% of the total planned installations. Pepco and DPL planned on completing smart meter installations by the end of 2014, while BGE, at 73% of the total planned installation, is expecting to complete deployment in the first half of 2015. SMECO will begin deploying smart meters in the first quarter of 2015.

Opt Out

As reported in the 2013 Annual Report, in Order No. 85294, the Commission concluded that the public interest required that customers be allowed to decline the installation of a smart meter. A subsequent order issued January 13, 2013, required the four utilities to submit to the Commission proposals regarding the overall additional costs associated with allowing customers to retain their current meter, how to recover the additional costs, and proposals for recovery of costs related to offering customers different Radio Frequency (RF)-free or RF-minimizing options. In 2013, the four utilities submitted the information as directed, and the Commission held a hearing to consider this information. As a result of the hearing, the Commission requested Staff to provide additional cost details from the companies' proposals and additional information about other states' decisions regarding Advanced Meter Infrastructure ("AMI") opt out and associated fees, if any. Staff provided this information in a supplemental filing on September 10, 2013.

On February 26, 2014, the Commission issued Order No. 86200,[28] in which it determined the up-front fees and ongoing, monthly charges that BGE, Pepco, DPL and SMECO may charge each of its customers who decline to allow installation of a smart meter. The effective date for including the opt-out fees on a customer's bill was set at the first full billing cycle following July 1, 2014. The Commission also directed the utilities to track separately the additional infrastructure costs that each utility incurs based on the number and geographic distribution of those customers who decide to opt out of installation of a smart meter. The adopted opt-out fee structure deferred inclusion of the

[28] Commissioner Williams dissented from the Order, and Commissioner Hoskins did not participate in the decision as she was not appointed at the time of the hearing in the proceeding.

cost of additional mesh relays, until such time as the additional infrastructure costs are determined and reviewed.

In the February 2014 Order, the Commission directed the utilities to delineate the opt-out charges as a separate line item on customers' bills. The Commission also adopted, in part, OPC's recommendations of the manner of communication with the customer who elects to opt out, and directed standardized communications to be conducted across each utility with the materials to be developed and submitted by the AMI work group. For those customers who elected to opt out on an interim basis, the utilities were directed to notify each of these customers within 60 days of the Order of the Commission's decision on the opt-out fees associated with declining the installation of a smart meter. For those customers who did not opt out initially, the Commission determined that these customers must take affirmative action to notify their utility of their desire to opt out. The utilities also were directed to report to the Commission by July 1, 2014 on the efforts to contact customers who have inaccessible meters and have been non-responsive to the utilities' request to exchange their meter. Consistent with this directive, Pepco, DPL and BGE filed reports to the Commission detailing their increased efforts to non-responsive customers contact to obtain access to these meters.

In its July 1, 2014 report, BGE renewed its earlier request to default into the opt-out program those customers who do not give BGE access to its meter within a specified time frame. BGE offered to adopt an incremental 4 steps in its engagement strategy for non-responsive customers to 15 steps. Pepco and DPL also requested the Commission approve defaulting eligible customers into opt-out program if the customer remains non-responsive through its 12-step communication process.

On November 25, 2014, the Commission issued Order No. 86727, which directed BGE to complete the 15-step communication protocol for all non-responsive customers prior to imposing on non-responsive customers the opt-out fees approved in Order No. 86200. Similarly, Pepco and DPL were directed to complete the 12-step communication protocol for all non-responsive customers prior to imposing opt-out fees on non-responsive customers. The Commission approved, on February 4, 2015, tariff revisions for BGE, Pepco and DPL to charge approved opt-out fees to non-responsive customers at the conclusion of the 15-step communication process (BGE) or 12-step communication process (Pepco and DPL) beginning with the March 2015 billing cycle. Non-responsive customers may avoid paying opt-out fees by contacting their respective utilities and scheduling a smart meter installation.

C. Electric Reliability-Related Cases

1. Investigation into Service Reliability in Howard County, Maryland: Formal Complaint of the County Council of Howard County, Maryland for an Investigation into the Reliability of the Electric Power Supply for Certain Areas in Howard County – Case No. 9291, Phase II (formerly Case No. 9304)

As reported in the 2012 Annual Report, the Commission consolidated Case No. 9304 into Case No. 9291 as a Phase II proceeding.[29] As part of the Phase II proceeding, the Commission directed Staff to investigate the allegations contained in Howard County Council's Resolution No. 134-2012 as to the service reliability of 33 feeders located in Howard County in the BGE service territory. On February 4, 2014, Staff filed its

[29] On November 26, 2012, the Commission issued Order No. 85214, in which it granted the Council's petition to intervene in Case No. 9291, and consolidated Case No. 9304 into Case No. 9291, as a Phase II proceeding.

Investigative Report. On April 11, 2014, Howard County, OPC and BGE each submitted comments on the Report. On May 7, 2014, Howard County submitted its reply comments. On May 9, 2014, Staff and BGE each submitted reply comments. A legislative-style hearing was held on May 9, 2014, and representatives from Staff, Howard County, OPC and BGE each made presentations and responded to questions from the Panel (comprised of Commissioner Brenner, as Chair, Commissioner Speakes-Backman, and the Commission's Chief Public Utility Law Judge).

On June 16, 2014, the Panel issued Order No. 86398, in which it: (1) found the County's Resolution No. 134-2012 to be satisfied by the findings set forth in the Staff's Investigative Report; (2) directed BGE to continue and complete its Phase II Work Plan for the 33 Phase II Feeders as submitted to the Commission; (3) directed BGE to submit an updated report of its 33 Phase II Feeder Work Plan with system/feeder average interruption frequency index ("SAIFI/FAIFI"), system/feeder average duration frequency index ('SAIDI/FAIDI"), momentary average interruption frequency index; customer average interruption duration index, and customers experiencing multiple interruptions index ("CEMI")$_3$, CEMI$_8$, and CEMI$_{11}$ reliability metrics for the Phase II feeders for 2012 (as a benchmark) and for 2013 by July 16, 2014, and annually thereafter until the calendar year following the completion of all the work described in the Phase II Work Plan; (4) directed BGE to conduct a Phase II Feeder-specific customer survey by June 16, 2015, and annually thereafter until the calendar year following the completion of all the work described in the Work Plan; and (5) denied requests for relief sought by any party that were not specifically granted in the Order.

2. Electric Service Interruptions in the State of Maryland Due to the June 29, 2012 Derecho Storm – Case No. 9298

As reported in the 2013 Annual Report, in Order No. 85385, the Commission directed BGE, Pepco, Delmarva, SMECO, PE, and Choptank to conduct a comprehensive review of their distribution systems and make several filings. In addition, Staff was directed to submit certain filings and reports for the purpose of assisting the Commission in considering whether additional options were available to continue to improve the service quality and reliability of these electric utilities' distribution systems. On September 15, 16, and 17, 2014, the Commission held a hearing to consider the following filings/reports:

- Long Term Comprehensive Reports filed by the utilities and Staff's analyses of them;
- Report on the Derecho Vulnerable Individuals Work Group filed by Staff;
- The NARUC and MD PSC Cost Benefit Analysis of Various Electric Reliability Improvement Projects from the End-Users Perspective Report filed by Staff;
- Silverpoint Consulting, LLC's Final Report on the Examination of Electric Distribution Company Infrastructure and Staff Plans prepared for the Commission;
- Bates White Economic Consulting's Final Report – Analysis of Maryland Utility Long-Term Plan Benefit-Cost and Affordability prepared for Staff; and
- Report on Performance Based Ratemaking Principles and Methods for Maryland Electricity Distribution Utilities filed by Staff.

The Commission noted that it found the presentations at the hearing helpful. The matter remains pending.

3. Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.11 – Case No. 9353

On May 9, 2014, the Commission initiated a new administrative docket, Case No. 9353, to conduct its annual review of the service quality and reliability performance reports which are required to be filed by the applicable electric companies by April 1 of each year. The Commission is mandated to complete its review on or before September 1 of each year. Comments on the reports filed April 1, 2014 were due by July 2, 2014.

On July 10, 2014, the Commission held a legislative-style hearing for the purpose of reviewing the April 1, 2014 reports and to determine whether the electric companies each met the applicable COMAR service quality and reliability standards. In its filing, Delmarva acknowledged that it had not met its SAIFI and SAIDI minimum requirements; therefore, it filed a Corrective Action Plan in compliance with the Commission's regulations.

On August 27, 2014, the Commission issued Order No. 86578, in which it accepted the service quality and reliability annual reports filed by BGE, Pepco, Delmarva, Potomac Edison, Choptank and SMECO. In the Order, the Commission found that BGE, Pepco, Potomac Edison, Choptank and SMECO each met its minimum SAIFI and SAIDI for the January 1 through December 31, 2013 reporting period. The Commission noted Delmarva's Corrective Action Plan and directed Delmarva to file an assessment of its Corrective Action Plan, including 2014 year-to-date SAIFI and SAIDI metrics and updated 2014 SAIFI and SAIDI projections, by October 1, 2014. As to the other safety and reliability standards, the Commission concluded all six utilities met those standards.

On October 1, 2014, as directed, Delmarva submitted its updated Corrective Plan. The Commission noted the updated Corrective Plan and took no further action on it.

D. Rate-Related Cases

1. Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Distribution of Electric Energy – Case No. 9311, Phase II

On August 26, 2014, the Commission issued Order No. 86575, establishing a Phase II in this matter to address tax issues surrounding Pepco's Net Operating Loss Carryforward ("NOLC"). On August 28, 2014, Pepco filed a Motion to Dismiss Phase II Proceedings, to which other parties filed objections. On September 11, 2014, the Commission issued Order No. 86596, in which it stayed Order No. 86575 and any further proceedings in the matter until further notice.

2. Application of Baltimore Gas and Electric Company for Authority to Implement a Strategic Infrastructure Development and Enhancement Plan and Accompanying Cost Recovery Mechanism – Case No. 9331

As reported in the 2013 Annual Report, the Commission authorized BGE to implement its strategic infrastructure development and enhanced ("STRIDE") plan and associated surcharge with certain modifications and conditions, which BGE accepted on February 21, 2014. Along with its notice accepting the modifications and conditions to its STRIDE plan, BGE filed its 2014 STRIDE Project List and its revisions to its Maryland tariff related to the STRIDE surcharge. The Commission considered the 2014 STRIDE Project List at its weekly Administrative Meeting on March 26, 2014.

Prior to the Administrative Meeting, Staff submitted its comments, which included its analysis on the BGE STRIDE Project List and the revised BGE tariff related to the STRIDE surcharge. In its comments, Staff recommended that the Commission accept the tariff revisions, which included Staff's recommendation to accept a $0.37 per month residential surcharge instead of the $0.32 per month residential surcharge proposed by BGE in its Plan and testimony. Staff also recommended that BGE be directed to include non-STRIDE projects in future STRIDE project list filings.

OPC also filed comments prior to the Administrative Meeting. In its comments, OPC noted that it had appealed the Commission's Order approving BGE's STRIDE Plan and associated STRIDE surcharge.[30] It briefly summarized its position in its appeals; primarily that the Commission misapplied a number of provisions in the STRIDE law and failed to harmonize those provisions with existing law regarding rate making.[31] OPC further argued that by the Commission approving projects and surcharge cost recovery after the close of record in Case No. 9331, the Commission implicitly conceded that substantial evidence did not exist to approve the Plan submitted by BGE.

For the purposes of consideration of the matter on the Administrative Meeting agenda, OPC raised an objection to an increase in the residential STRIDE surcharge over the amount set forth in BGE's pleadings and testimony in Case No. 9331. Additionally, OPC asserted that any after-the-fact changes to BGE's plan should trigger the requirement for a formal review as a proposed amendment to the approved Plan. OPC therefore requested the Commission reject the increase in the proposed residential

[30] *See* Section XII, Subsection B, Para. 14. (OPC filed for judicial review of the Commission's BGE STRIDE Order by the Baltimore Circuit Court, which affirmed the Commission's decision. OPC has appealed the Court's decision to the Court of Special Appeals.)
[31] The basis of its appeal before the judicial courts are similar to those raised by OPC in its appeal of the Proposed Order in the WGL STRIDE case, which issues are detailed in Section IV, Subsection D, Para. 4.
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surcharge and initiate a formal proceeding to consider the STRIDE Plan amendments as detailed in the BGE STRIDE Project List.

After considering the comments of OPC and Staff, the Commission approved the 2014 STRIDE Project List and accepted the tariff revisions for filing with an effective date of April 1, 2014. Additionally, the Commission directed the Company to include its list of non-STRIDE projects in future STRIDE plan filings.

On November 17, 2014, BGE filed its 2014 Reconciliation Filing and 2015 Project List. On December 15, 2014, BGE filed a revision to its STRIDE rider to reflect the outcome of its base rate case in Case No. 9355.[32] At its December 17, 2014 Administrative Meeting, the Commission approved the 2015 Project List and approved the Company's proposed surcharges to be effective January 1, 2015. Additionally, the Company was directed to seek approval for project additions and/or substitutions through the Commission's Administrative Meeting process and to meet with Staff and other interested parties regarding the timing of future reconciliation filings. Finally, the Commission directed the company to file a semi-annual status report by June 17, 2015 on the cost variance and project status similar to the status provided in response to OPC's discovery associated with OPC's review of BGE's filings.

3. Application of Columbia Gas of Maryland, Inc. for Authority to Adopt an Infrastructure Replacement Surcharge Mechanism – Case No. 9332

As reported in the 2013 Annual Report, on January 31, 2014, the Commission rejected, without prejudice, Columbia Gas's application for approval of an infrastructure replacement surcharge mechanism filed pursuant to Public Utilities Article, § 4.210,

[32] *See* Section IV, Subsection D., Para. 9.

effective June 1, 2013. The Commission encouraged the Company to reapply on an expedited basis subject to certain conditions.

On April 1, 2014, Columbia Gas filed an amended application for approval of a revised infrastructure replacement improvement plan and surcharge mechanism in this proceeding. The Commission conducted two days of evidentiary hearings on June 9, 2014 and June 19, 2014, and conducted one evening hearing for public comments in Hagerstown on July 7, 2014. On August 18, 2014, the Commission issued Order No. 86553, in which it approved the Amended STRIDE Plan, subject to acceptance by Columbia Gas of modification and conditions contained in the Order. In the Order, the Commission directed Columbia Gas to notify the Commission of whether Columbia Gas would accept the modifications and conditions within 30 days of the Order's issuance date.[33] On August 25, 2014, Columbia Gas submitted its notice that it accepted the conditions and modifications set forth in the Order along with a compliance tariff to implement the approved STRIDE surcharge. At its October 1, 2014 Administrative Meeting, the Commission considered the compliance tariff and accepted the compliance tariff with an effective date of September 1, 2014.

On October 10, 2014, Columbia Gas filed a request asking the Commission to authorize two substitutions to its list of approved 2014 STRIDE projects. At its November 12, 2014 Administrative Meeting, the Commission considered the request and granted it.

[33] *See* Section XII, Subsection B, Para. 4. (OPC appealed the Commission's Order No. 86553 in the Baltimore City Circuit Court. The Court has stayed consideration of the matter pending the outcome of OPC's appeal of the BGE STRIDE matter to the Court of Special Appeals.)

On November 17, 2014, Columbia Gas filed its 2014 Reconciliation Filing and 2015 Project List. The Commission considered the filing at its December 17, 2014 Administrative Meeting, and it approved the 2015 Project List, approved the 2015 surcharge amounts effective January 1, 2015, and accepted the associated tariff revisions. Additionally, the Commission directed the company to meet with Staff, OPC, and other interested parties regarding the timing of future reconciliation filings. Finally, the Commission directed the company to explain, in writing, the "CF" and "PFY" factors in the surcharge formula set forth in its tariff rider to address the issue raised by OPC challenging the insertion of these factors into the formula.

On December 22, 2014, Columbia Gas filed a letter providing an explanation of the surcharge formula and the proposed changes to the formula.

4. Application of Washington Gas Light Company for Authority to Implement a Strategic Infrastructure Development and Enhancement Plan and Associated Cost Recovery Mechanism – Case No. 9335

As reported in the 2013 Annual Report, on November 7, 2013, WGL filed an application seeking authority to implement its STRIDE plan and associated cost recovery mechanism, pursuant to Public Utilities Article, § 4.210.

On March 21, 2014, a Proposed Order was issued which conditionally approved WGL's STRIDE plan and the associated STRIDE Rider. WGL was directed to accept the conditions set forth in the Proposed Order within 30 days after a final Order was issued in the matter. On April 4, 2014, Notices of Appeal and Memorandums on Appeal were filed by OPC, the Apartment and Office Building Association of Metropolitan Washington ("AOBA"), and WGL.

WGL appealed two issues (the effective date of the STRIDE plan and the ability to substitute STRIDE Projects) and sought clarification of a third (annual audit terms). WGL objected to the Proposed Order's determination that the STRIDE plan was not effective until March 1, 2014. The Commission concluded that as the first-year STRIDE surcharge will commence in 2014, the first-year costs should be limited to projects initiated in 2014. It modified the Proposed Order to reflect an effective date for the STRIDE plan of January 1, 2014. The Commission also agreed with WGL that WGL should have the flexibility to substitute projects during an approved plan period based on changing circumstances. It therefore modified the Proposed Order to allow WGL to substitute projects during the approved plan year, but WGL was directed to seek prior approval for any substituted projects through the Commission's administrative meeting process. The Commission clarified its directive for the annual audit.

OPC cited five deficiencies in the Proposed Order: (1) authorization of WGL's cost recovery before an administrative replacement project is "made;" (2) approval of WGL's project prioritization process; (3) failure to limit surcharge recovery to incremental costs; (4) failure to require WGL to provide the month when each project is scheduled to begin; and (5) use of a demand factor instead of a revenue factor to allocate the class revenue requirement. The Commission reiterated its disagreement with OPC's interpretation of the word "made" in the STRIDE Law and denied this portion of the appeal. The Commission also declined to direct WGL to re-prioritize its 2014 projects concurring with the Proposed Order's finding as to the prioritization issue. The Commission also disagreed with OPC's position as to how to segment recovery of only incremental costs. The Commission, however, found no harm in requiring WGL to provide start dates for the projects, and modified the Proposed Order to require WGL to provide the expected start date with its timelines when it submits its project list. Finally, the Commission rejected OPC's argument that revenue requirement should be based on a demand allocation factor.[34]

AOBA appealed based on seven identified deficiencies: (1) lack of project description; (2) project locations; (3) estimated project costs; (4) the type of infrastructure to be replaced; (5) project risk assessments; (6) estimated project completion dates; and (7) reasons for the replacements. AOBA also claimed that the Proposed Order failed to address the prudency and reasonableness of the WGL Stride plan, and the record lacked substantial evidence to support the decision in the Proposed Order. The Commission found that the deficiencies identified by AOBA would be addressed in WGL's filing of its project lists for approval. It also found none of AOBA's claims warranted modification or reversal of the Proposed Order.

Finally, the Commission approved the STRIDE plan subject to the conditions in the Proposed Order as modified by the Order. On May 7, 2014, WGL submitted its notification that it would accept the modifications and conditions of the Order. On June 4, 2014, WGL filed its 2014 list of STRIDE projects for approval as well as its revised tariffs to implement the STRIDE surcharge for acceptance. On July 9, 2014, the Commission approved the 2014 Project list and accepted the revised tariff effective with the August 2014 billing cycle.

[34] *See* Section XII, Subsection B, Para. 4. (OPC appealed the Commission's WGL STRIDE Order in the Baltimore City Circuit Court. The Court has stayed consideration of the matter pending the outcome of OPC's appeal of the BGE STRIDE matter to the Court of Special Appeals.)

On October 14, 2014, WGL submitted a proposed supplement to the approved 2014 Project list. At its November 5, 2014 Administrative Meeting, the Commission considered and approved the supplement.

On November 17, 2014, WGL filed its 2014 Reconciliation Filing and 2015 Project List. At its December 17, 2014 Administrative Meeting, the Commission considered and approved the 2015 Project List, as modified by Staff. The Commission also directed the company to file a semi-annual status report by June 17, 2015 on the cost variance and project status similar to the status provided in response to OPC's discovery associated with OPC's review of WGL's filings, including identification of any miscellaneous projects within that period. In addition, the Commission approved the company's proposed surcharges as modified by Staff, to be effective December 31, 2014. Finally, the company was directed to meet with Staff and other interested parties regarding the timing of future reconciliation filings.

5. Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy – Case No. 9336 and Case No. 9336, Phase II

As reported in the 2013 Annual Report, on December 4, 2013, Pepco filed an application for an increase to its retail rates for the distribution of electric energy. Pepco asked for a $43,343,000 increase in Maryland distribution rates and an authorized rate of return on equity of 10.25%. Eight parties, in addition to Staff and OPC, were granted intervention in this case. Evidentiary hearings were held on April 22, 23, 25, and 28, 2014. Evening hearings for public comment were held on May 12 and 14, 2014 in Rockville and College Park, respectively.

On July 2, 2014, the Commission issued Order No. 86441, in which it awarded Pepco an increase in rates of $8,754,000 and a return on equity of 9.62%. On July 31, 2014, Pepco filed a Petition for Rehearing of this case with the Commission.

On August 26, 2014, the Commission issued Order No. 86574, establishing a Phase II of this case to address tax issues surrounding Pepco's NOLC. On August 28, 2014, Pepco filed a Motion to Dismiss Phase II Proceedings, to which other parties filed objections. On September 11, 2014, the Commission issued Order No. 86597 denying Pepco's Motion to Dismiss Phase II Proceedings and extending the time for filing briefs on the NOLC issue. Initial and reply briefs by the parties were filed in October 2014.

6. Application of Sandpiper Energy, Inc. for Authority to Revise its Depreciation Rates and Level of Depreciation Reserve – Case No. 9350

On March 24, 2014, Sandpiper Energy, Inc. ("Sandpiper") filed a depreciation study as it was directed to by Order No. 85622 (issued in Case No. 9303[35]). OPC and Staff were the other parties in the matter. On June 20, 2014, OPC and Staff each submitted testimony. On July 11, 2014, Sandpiper submitted its rebuttal testimony. On September 17, 2014, a Joint Motion and Stipulation and Settlement Agreement were filed by the parties to the proceeding. On September 23, 2014, Staff filed Settlement Testimony of its witness. In the Settlement Agreement, among other things, the parties agreed upon specific depreciation rates, which were identified in a schedule attached to the Settlement Agreement. Pursuant to the terms of the Settlement Agreement, the parties agreed that all dispute issues were settled and that the Settlement Agreement was

[35] *Joint Application of Chesapeake Utilities Corporation and the Eastern Shore Gas Company for Approval of an Agreement by which Chesapeake Utilities Corporation Will Acquire Certain Franchises, Assets, Rights and Authority of the Eastern Shore Gas Company,* Case No. 9303.

conditioned upon the Commission's acceptance of all the terms and conditions. On September 29, 2014, a Proposed Order was issued finding that the agreed-upon depreciation rates were just and reasonable and the approval of all the terms and conditions contained in the Settlement Agreement were in the public interest. There was no appeal of the Proposed Order, and it became Order No. 86690.

7. Application of Columbia Gas of Maryland, Inc. for Authority to Increase Rates and Charges, Pursuant to the "Make-Whole" Provisions of Section 4-207 of the Public Utilities Article, Annotated Code of Maryland – Case No. 9354

On July 1, 2014, Columbia Gas filed an application for an increase to its retail rates for the distribution of natural gas under the "make whole" provision of Public Utilities Article, § 4-207. Columbia Gas requested a $1,312,921 increase in its revenues. On July 2, 2014, by Order No. 86432, the Commission initiated a new docket, Case No. 9354, to consider the application, suspended the revised tariff, and delegated the matter to the Public Utility Law Judge Division.

Columbia Gas, OPC and Staff each filed direct testimony in the matter and Columbia Gas and Staff each filed rebuttal testimony. Prior to the scheduled evidentiary hearing, the parties entered into a settlement agreement that would permit Columbia Gas to raise its operating revenues by $1,087,500. On August 19, 2014, an evidentiary hearing was held to introduce the pre-filed testimony of Columbia Gas, OPC and Staff. Evening public hearings were held in Hagerstown and Cumberland on August 25 and 26, 2014, respectively. On September 4, 2014, a Proposed Order approving the settlement was issued. There was no appeal of the Proposed Order, and it became Order No. 86605.

8. Application of Baltimore Gas and Electric Company for Adjustments to its Electric and Gas Base Rates – Case No. 9355

On July 2, 2014, BGE filed its application for authorization to adjust its electric and gas base rates. By Order No. 86442, issued on July 8, 2014, the Commission initiated a new docket, Case No. 9355, to consider the application, suspended the accompanying revised tariffs, and delegated the matter to the Public Utility Law Judge Division. On September 10, 2014, BGE filed supplemental testimony to update its revenue requirement request based on actual data for the test year, ending August 31, 2014. On September 15, 2014, OPC, Walmart, the Department of Defense and the Federal Executive Agencies, the Maryland Energy Group, and Staff each submitted direct/reply testimony. On October 10, 2014, the parties requested suspension of the procedural schedule to facilitate settlement negotiations of the parties. On October 14, 2014, the procedural schedule was suspended. On October 17, 2014, the parties submitted a Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement ("9355 Settlement Agreement"). On October 23, 2014, an evidentiary hearing was held to admit the pre-filed testimony of the parties' witnesses and the 9355 Settlement Agreement into the record. On November 6, 10, 13, 17, and 18, 2014, evening hearings for public comments were held in Towson, Annapolis, Columbia, Baltimore City, and Bel Air, respectively.

On December 4, 2014, a Proposed Order was issued which granted the Joint Motion and approved the 9355 Settlement Agreement. As a result of the approval of the 9355 Settlement Agreement, BGE was authorized to file tariffs to increase electric distribution rates by no more than $22 million and to increase gas distribution rates by no more than $38 million for service rendered on or after December 15, 2014 (or a date to be determined by the Commission in its final Order in the matter) and otherwise consistent with the 9355 Settlement Agreement. The Proposed Order also directed the parties to abide by the other agreed-upon terms and conditions and take any action necessary to comply with those terms and conditions. No appeal was taken of the Proposed Order, and it became Order No. 86757.

On December 15, 2014, BGE filed revised tariffs to increase electric rates and gas distribution rates pursuant to the 9355 Settlement Agreement. On January 7, 2015, the Commission accepted the tariff revisions with an effective date of December 15, 2014.

9. Application of Choptank Electric Cooperative, Inc. for Authority to Revise its Rates and Charges for Electric Services – Case No. 9368

On October 28, 2014, Choptank filed an application seeking authority to increase its revenues by approximately $9,184,341, or 7.01%. The proposal would increase the average residential customer bill by $11.86 per month, or 7.22%. By Order No. 86691 issued on October 30, 2014, the Commission initiated a new docket, Case No. 9368, to consider the application, suspended the tariff revisions accompanying the application, and delegated the matter to the Public Utility Law Judge Division. A pre-hearing conference was held on November 25, 2014. Evidentiary hearings were held February 23 and 24, 2015. An evening hearing for public comments was held on March 16, 2015 at Choptank headquarters in Denton. A Proposed Order is anticipated to be issued by April 17, 2015. The suspension period expires on May 27, 2015.

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

1. Application of Constellation Power Source Generation, Inc. for a Certificate of Public Convenience and Necessity Authorizing

the Modification of the Perryman Generating Station in Harford County, Maryland – Case No. 9136

On January 29, 2008, Constellation Power Source Generation, Inc. ("CPSG") filed the above application in which CPSG sought a CPCN to construct a 640 MW pipeline natural gas and low-sulfur diesel powered electric generating station at the Perryman site in Harford County (the "Project"). On July 30, 2008, after CPSG filed its direct testimony, the parties requested and were granted a postponement of the procedural schedule. Further testimony was filed, an evidentiary hearing held, and briefs filed in late 2008 and early 2009. The application was then held in abeyance, undergoing five amendments from 2009 to 2013. Periodic status reports were filed during that period. To update the record, evidentiary and public hearings were held on April 23, 2014. Final modifications to recommended conditions were filed on May 19, 2014. In its final form, the Project was significantly smaller than when first proposed. On June 19, 2014, the Public Utility Law Judge filed a Proposed Order approving the final version of CPSG's Perryman installation, consisting of a 120 MW gas generating package. There was no opposition to CPSG's proposal. No appeal of the Proposed Order was taken, and it became Order No. 86430.

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

As reported in the 2013 Annual Report, CPV Maryland, LLC filed a motion to amend certain of the conditions that were incorporated into the CPCN granted for its St. Charles Project, including an extension of the construction deadline associated with its air permit. The Commission tolled the construction deadline until it was able to make a decision on the matter. On March 6, 2014, the Maryland Department of Natural Resources, the Power Plant Research Program ("PPRP") and the Maryland Department of the Environment, the Air and Radiation Management Administration submitted their analysis and report including amendments to the licensing conditions incorporated into the CPCN. On April 23, 2014, the Commission granted the motion to amend and extended the construction commencement date to within 72 months after November 8, 2008.

3. Application of Keys Energy Center, LLC for a Certificate of Public Convenience and Necessity to Construct a Nominal 735 MW Generating Facility in Prince George's County, Maryland—Case No. 9297

As reported in prior Annual Reports, on July 3, 2012, Keys Energy Center filed an application for a CPCN to construct a nominal 735 MW generating facility in Prince George's County, Maryland. On July 18, 2012, the Commission delegated this matter to the Public Utility Law Judge Division. Keys filed direct testimony in October 2013. On April 2, 2013, the procedural schedule in this matter was suspended at the request of the PPRP. Keys filed periodic updates during 2013, and filed an updated Environmental Review Document in December 2013. After filing of supplemental direct testimony by Keys in April 2014, and direct testimony by PPRP and the Commission Staff in July 2014, the parties submitted a Stipulation and Settlement Agreement on August 12, 2014. All pre-filed testimony entered the record by stipulation at an evidentiary hearing on September 23, 2014. Also on September 23, 2014, an evening hearing for public comment was held in Prince George's County.

On October 17, 2014, the Public Utility Law Judge issued a Proposed Order accepting the Stipulation and Agreement, subject to all recommended conditions of the parties. The Proposed Order also accepted final stipulated conditions between Keys and Joint Base Andrews, filed on July 2, 2014, in which Keys agreed to fully remedy any condition at the project site that interfered with Joint Base Andrews' radar or other function. No appeal was taken of the Proposed Order, and it became Order No. 86692.

4. Application of Dominion Cove Point, LNG, LP for a Certificate of Public Convenience and Necessity to Construct a Generating Station with a Name-Plate Capacity of 130 MW at the Dominion Cove Point Liquefied Natural Gas Terminal in Calvert County, Maryland – Case No. 9318

As reported in the 2013 Annual Report, on April 1, 2013, Dominion Cove Point, LNG filed its application for a CPCN to construct a generating station at the Dominion Cove Point Terminal in Calvert County. The Commission heard the matter in February 2014, and held a hearing for public comments in March 2014. Briefs were filed in March and April 2014. Intervenors included the PPRP, WGL, the Sierra Club, the Accokeek, Mattawoman, Piscataway Creeks Communities Council, Inc. ("AMP"), and the Chesapeake Climate Action Network. This case generated a great deal of public interest and comment, including thousands of letters filed with the Commission. On June 2, 2014, the Commission issued Order No. 86372 granting a CPCN for the construction of the generating station subject to the conditions proposed by the PPRP and Staff, along with additional safety and economic benefit conditions from the Commission. Dominion accepted all conditions on June 9, 2014.

On June 24, 2014, AMP sought review of Order No. 86372 in the Circuit Court for Baltimore City ("Court").[36] On September 5, 2014, AMP moved the Commission to stay enforcement of Order No. 86372 pending resolution of its appeal. On December 17,

[36] *See* Section VII, Subsection B, Para. 5.

2014, the Court denied AMP's petition for review. On December 19, 2014, by Order No. 86774, the Commission denied AMP's motion.[37] On January 15, 2015, AMP filed an appeal to the Maryland Court of Special Appeals.

5. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Rebuild an Existing 138 kV Overhead Transmission Line on Existing Right-of-Way from the Maryland/Delaware State Line to Cecil Substation in Cecil County, Maryland – Case No. 9321

As reported in the 2013 Annual Report, on April 12, 2013, Delmarva filed an application for a CPCN to rebuild a portion of an existing 138 kilovolts ("kV") overhead transmission line from the Maryland/Delaware state line to Cecil Substation in Cecil County, as well as a waiver of the CPCN requirement for another portion of the line, which was granted in 2013. On January 17, 2014, Staff and PPRP each submitted the testimony of its witness. Staff and PPRP each recommended grant of the CPCN, with certain conditions to be incorporated into the CPCN. OPC, as a party to the proceeding, did not submit testimony in the matter, but exercised its right to cross-examine the other parties' witnesses at the evidentiary hearing held on February 26, 2014. OPC opposed the grant of the CPCN.

On March 25, 2014, an evening hearing for public comments was held in Elkton, Maryland. On March 24, 2014, DPL and OPC each submitted a brief in the matter, and Staff submitted a letter in lieu of brief. On April 16, 2014, a Proposed Order was issued, which granted the CPCN, incorporating the Recommended Licensing Conditions of PPRP and of Staff. No appeal of the Proposed Order was taken, and it became Order No. 86342.

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[37] *Id.*

6. Application of Old Dominion Electric Cooperative, Inc. for a Certificate of Public Convenience to Construct a Nominally Rated 1000 MW Generating Facility in Cecil County, Maryland – Case No. 9327

As reported in the 2013 Annual Report, on May 20, 2013, Old Dominion Electric Cooperative, Inc. ("ODEC") filed an application for a CPCN to construct a nominally rated 1000 MW combined-cycle, natural gas-fired generating station, including interconnection facilities next to the existing Rock Spring Generation Facility, on land co-owned by ODEC and Essential Power, LLC in Rising Sun, Cecil County (but contractually controlled by ODEC). On January 22, 2014, an evening hearing for public comment was held. All the comments made at the hearing supported the grant of the CPCN. Pursuant to the agreement of the parties (ODEC, PPRP, and Staff), the pre-filed testimony of the parties' witnesses were stipulated into the record and no evidentiary hearing was held. Both Staff and PPRP recommended grant of the CPCN, subject to the license conditions recommended by PPRP and by Staff. On March 24, 2014, a Proposed Order was issued, which granted the CPCN, incorporating the Recommended Licensing Conditions of PPRP and of Staff as part of the CPCN. No appeal of the Proposed Order was taken, and it became Order No. 86290.

7. Application of Potomac Electric Company for a Certificate of Public Convenience and Necessity to Rebuild an Existing Double-Circuit 230 kV Overhead Tower Line on Existing Right-of-Way from the Burtonsville Substation to the Takoma Station in Prince George's County, Maryland – Case No. 9329

As reported in the 2013 Annual Report, on June 21, 2013, Pepco filed an application for a CPCN to rebuild an existing 9.9 mile double-circuit 230 kV overhead tower line on existing right-of-way from the Burtonsville Substation to the Takoma Station in Prince George's County. An evidentiary hearing and hearing for public comments were held in March 2014. On April 10, 2014, a Proposed Order was issued which granted the CPCN as being in the public interest. No appeal was taken of the Proposed Order, and it became Order No. 86333.

8. 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 the 2013 Annual Report, the evidentiary hearing to consider Mattawoman Energy's CPCN application was scheduled for April 30-May 2, 2014. On January 31, 2014, MEA filed a motion to amend and suspend the procedural schedule, to which Mattawoman did not object. MEA's motion was granted, and, on May 28, 2014, an amended procedural schedule was issued, which included evidentiary hearings to be held on May 18-22, 2015 and a target date for a Proposed Order to be issued on June 22, 2015. On March 10, 2015, several of the parties in the matter filed a Joint Motion to Modify Procedural Schedule, which was granted on March 13, 2015. Under this amended procedural schedule, evidentiary hearings and hearings for public comments are scheduled for July 21-24, 2015. The target date for the Proposed Order to be issued is modified to August 31, 2015.

9. Application of H.A. Wagner LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Herbert A. Wagner Generating Station – Case No. 9338

On January 14, 2014, H.A. Wagner, LLC ("Wagner") filed an application for a CPCN authorizing the modification of the Herbert A. Wagner Generating Station on Fort Smallwood Road in Anne Arundel County. The modifications at Wagner's coal-fired generating Units 2 and 3 involved receipt and combustion of subbituminous coals and use of a dry sorbent injection system for flue de-gassification. These modifications were designed to allow Units 2 and 3 to comply with the EPA's Mercury and Air Toxics Standards.

The Commission delegated this matter to the Public Utility Law Judge Division on January 15, 2014. On June 9, 2014, the PPRP filed direct testimony, an Environmental Review Document, and a Secretarial Letter approving the project. With its Environmental Review Document, the PPRP also filed numerous proposed conditions applicable to the Wagner project. Staff also filed direct testimony on June 9, 2014, and Wagner filed reply testimony on June 20, 2014. An evidentiary hearing was held on July 17, 2014, at which all pre-filed testimony was admitted by stipulation. An evening hearing for public comment was held on July 17, 2014.

On July 30, 2014, the Public Utility Law Judge issued a Proposed Order approving the Wagner project, subject to all proposed conditions. No appeal of the Proposed Order was taken, and it became Order No. 86585.

10. Application of Panda-Brandywine, L.P. and KMC Thermo, LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Panda-Brandywine Power Plant – Case No. 9341

On February 14, 2014, Panda-Brandywine, L.P. and KMC Thermo, LLC filed an application for a CPCN to modify the Panda-Brandywine Power Plant by adding a 4 MW diesel unit to act as a black start unit, which would allow the existing power plant to start up after a blackout, and to be a resource to bring up the power grid after a widespread outage. On February 20, 2014, the Commission initiated a new docket, Case No. 9341, to consider the application and delegated the matter to the Public Utility Law Judge Division. The evidentiary hearing, where all pre-filed testimony and documents were admitted by stipulation, and a hearing for public comment were both held on May 27, 2014. On June 18, 2014, a Proposed Order was issued which granted the CPCN subject to the licensing conditions recommended by PPRP and Staff. No appeal of the Proposed Order was taken, and it became Order No. 86457.

11. Application of OneEnergy Cambridge Solar, LLC for a Certificate of Public Convenience and Necessity to Construct a 3.3 MW Solar Photovoltaic Generating Facility in Dorchester County, Maryland – Case No. 9348

On April 1, 2014, OneEnergy Cambridge Solar, LLC ("OneEnergy") filed its application for a CPCN to construct a 3.3 MW solar photovoltaic generating facility in Dorchester County, Maryland. On April 3, 2014, the Commission initiated a new docket, Case No. 9348, to consider the application and delegated the matter to the Public Utility Law Judge Division. Pursuant to the procedural schedule, OneEnergy filed its direct testimony on May 15, 2014, PPRP filed its testimony on July 24, 2014, and Staff filed its testimony on July 25, 2014. PPRP and Staff recommended grant of the CPCN, subject to each of its recommended licensing conditions. On August 11, 2014, OneEnergy submitted a letter accepting PPRP's and Staff's recommended licensing conditions. The parties stipulated the pre-filed testimony into the record, and no evidentiary hearing was held. On August 14, 2014, an evening hearing for public comment was held in Cambridge, Maryland. On August 21, 2014, a Proposed Order was issued, which granted the CPCN, subject to PPRP's and Staff's recommended licensing conditions. No appeal was taken of the Proposed Order, and it became Order No. 86593.

12. Application of Rockfish Solar LLC for a Certificate of Public Convenience and Necessity to Construct a 10 MW Solar Photovoltaic Generating Facility in Charles County, Maryland – Case No. 9351

On April 16, 2014, Rockfish Solar LLC filed an application for CPCN to construct a 10 MW solar photovoltaic facility in Charles County. On April 21, 2014, the Commission initiated a new docket, Case No. 9351, to consider the application and delegated the matter to the Public Utility Law Judge Division. An evidentiary hearing, at which all pre-filed testimony was admitted without objection, and a hearing for public comment were both held on August 18, 2014. On September 3, 2014, a Proposed Order was issued which granted a CPCN subject to the licensing conditions recommended by PPRP and Staff. No appeal of the Proposed Order was taken, and it became Order No. 86607.

13. Application of Constellation Solar MC, LLC for a Certificate of Public Convenience and Necessity to Construct a 20 MW Solar Photovoltaic Generating Facility in Harford County, Maryland – Case No. 9365

On October 17, 2014, Constellation Solar MC, LLC filed an application for a CPCN to construct a 20 MW solar photovoltaic generating facility in Harford County. On October 21, 2014, the Commission initiated a new docket, Case No. 9365, to consider the application and delegated the matter to the Public Utility Law Judge Division. The evidentiary hearing and the public hearing both were held on March 19, 2015. The target date for the Proposed Order is April 1, 2015.

14. Application of LS-Egret, LLC for a Certificate of Public Convenience and Necessity to Construct a 15.0 MW Solar Polycrystalline Photovoltaic Generating Facility in Wicomico County, Maryland – Case No. 9366

On October 20, 2014, LS-Egret, LLC filed an application for a CPCN to construct a 15.0 MW solar polycrystalline photovoltaic generating facility in Wicomico County. On October 22, 2014, the Commission initiated a new docket, Case No. 9366, to consider the application and delegated the matter to the Public Utility Law Judge Division. If a settlement is reached among the parties to the matter, an evidentiary hearing will be held on March 30, 2015. If no settlement is reached, an evidentiary hearing will be held on April 10, 2015. A hearing for public hearing is scheduled for March 30, 2015.

15. Application of Delmarva Power & Light Company for a Certificate of Public Convenience and Necessity to Rebuild an Existing 138 kV Overhead Transmission Line on Existing Right-of-Way from the Church Substation in Queen Anne's County to Steele Substation in Caroline County – Case No. 9367

On October 28, 2014, DPL filed an application for a CPCN to rebuild an existing 25.5 mile 138 kV overhead transmission line on existing right-of-way from its Church substation in Queen Anne's County, Maryland to its Steele Substation in Caroline County, Maryland. In its Application, DPL explained that the rebuild was needed to address the age and condition of the line. It also proposed to construct pole structures and conductors capable of carrying 230 kV, even though it only planned to energize the line at 138 kV initially. DPL also noted the pole structures will be able to support a future 230 kV double circuit configuration. One of DPL's witness testified to the cost effectiveness of designing the rebuilt transmission line for a double 230 kV circuit configuration. DPL stated that it wished to begin construction by February 2016 with a completion date of May 2017.

On December 17, 2014, a pre-hearing conference to consider preliminary matters and set a procedural schedule was held. Evidentiary hearings and public hearings for public comment are scheduled in the matter during the week of July 20, 2015, with the time, date and location to be determined.

16. Application of OneEnergy Dorchester, LLC for a Certificate of Public Convenience and Necessity to Construct a 15.5 MW Solar Photovoltaic Generating Facility in Dorchester County, Maryland – Case No. 9370

On November 3, 2014, OneEnergy Dorchester, LLC filed an application for a CPCN to construct a 15.5 MW solar photovoltaic generating facility in Dorchester County. On November 6, 2014, the Commission initiated a new docket, Case No. 9370, to consider the application and delegated the matter to the Public Utility Law Judge Division. If a settlement is reached among the parties to the matter, an evidentiary hearing will be held on April 13, 2015. If no settlement is reached, an evidentiary hearing will be held on April 28, 2015. A hearing for public hearing is scheduled for April 13, 2015.

F. 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 2014, electric suppliers in the state served 581,875 commercial, industrial and residential customers. This number represents an approximate 8.2% decrease from 2013, when 634,045 customers were served by suppliers.

Customer Accounts Enrolled with Electric Suppliers
As of December 31, 2014

	Residential	Non-Residential	Total
Total Eligible Accounts	2,028,934	246,140	2,274,534
Customers Enrolled	484,909	96,966	581,875
Percentage Enrolled with Suppliers	23.9%	39.4%	25.6%

At the end of December 2014, the overall demand in megawatts of peak load obligation served by all electric suppliers was 6,683 MW, down from 6,816 MW in 2013.

Peak Load Obligation Served by Electric Suppliers
As of December 31, 2014

	Residential	Non-Residential	Total
Total MW Peak	6,972 MW	6,354 MW	13,326 MW
Demand Served	1,759 MW	4,923 MW	6,683 MW
Percentage Served by Suppliers	25.2%	77.5%	50.1%

BGE had the highest number of residential accounts (307,565), commercial accounts (53,097), and peak-load (3,770 MW) served by suppliers. The number of electric suppliers licensed in Maryland has increased from 2013 to 2014 by approximately 3.8%, as compared to a 5% increase from 2012 to 2013.

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, 2014

	Residential	Small C&I	Mid-Sized	Large C&I	Total
BGE	54	565	54	20	184
DPL	37	43	38	18	136
PE	24	29	28	14	95
Pepco	46	43	43	21	153

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 2014, SOS rates for residential and small commercial customers generally increased compared with the previous year. With the exception of Potomac Edison,[38] 2014 bids were completed in April of 2014. Rate changes expressed as a percentage change in the total annual cost for an average customer are shown below.[39]

Residential

- BGE -8.5%
- DPL -5.0 %
- Pepco -6.4%
- Potomac Edison +10.2

TYPE I SOS (Small Commercial Customers)

- BGE -6.7%
- DPL -5.4%

[38] PE completed bids for 2014 in January 2014.

[39] 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.

- Pepco -7.1%
- Potomac Edison no change[40]

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

The Proposed Order in this matter was issued on May 31, 2011, and was appealed by each of the parties in the matter. On November 10, 2014, the Commission issued Order No. 86703, which reversed the Proposed Order and remanded the matter to the Public Utility Law Judge Division for rehearing. The Commission found that Administrative Charge should not be eliminated and that SOS issues should not be considered in the context of BGE's future rate cases. The Commission concluded that the SOS rate should include some form of Administrative Charge, in addition to the purchased power costs, transmission charges and taxes. It directed that in the rehearing the record be developed to permit a finding as to the SOS incremental and uncollectable costs for BGE, and the correlating kWh rates to cover these costs. Additionally, the Public Utility Law Judge was directed to make a finding as to whether cash working capital ("CWC") should be included in the return component, or whether the return and the CWC should be separately stated. BGE was directed, and the other parties invited, to provide evidence of the ability to finance SOS CWC needs using short-term debt exclusively, and the cost of doing so. The Commission made no finding as to whether the Administrative Adjustment should remain part of the Administrative Charge because it found the record insufficient to make this determination.

[40] PE bids Type I load every two years.

On December 17, 2014, a pre-hearing conference was held in the matter and a procedural schedule was adopted. On March 9, 2015, the procedural schedule was suspended in order to allow the parties to review Order No. 86881 issued in Case No. 9226, Review of Standard Offer Service Administrative Charge -- Delmarva Power & Light Company, and Case No. 9232, Review of Standard Offer Service Administrative Charge -- Potomac Electric Power Company,[41] which address administrative charge issues similar to those in this case.

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 the 2013 Annual Report, the Commission remanded the two cases back to the Public Utility Law Judge Division for further hearing to determine an appropriate SOS Administrative Charge for each company. On February 4, 2014, Pepco, Delmarva, Staff and the Retail Energy Supply Association filed a Joint Motion for Approval of Stipulation and Settlement. Washington Gas Energy Service, a party in both matters, did not join in the settlement agreement, but it filed a letter indicating it did not oppose the settlement terms and conditions. OPC, however, opposed the settlement for a number of reasons.

An evidentiary hearing to consider the Joint Motion was held on May 8, 2014. A Proposed Order was filed on July 31, 2014. The Proposed Order accepted the settlement as being in the public interest. On September 2, 2014, the OPC filed an appeal of the Proposed Order. By Order No. 86881 issued on March 3, 2015, the Commission rejected

[41] *See* Section IV, Subsection F, Para. 4.

the settlement and remanded the matter back to the Public Utility Law Judge Division for further proceedings.

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

On November 26, 2013, the Report of the Public Utility Law Judge was submitted to the Commission. As required by the Commission's Order No. 83467, the Public Utility Law Judge conducted a proceeding in the matter, which primarily was based on written testimony and arguments on brief. As directed, the Public Utility Law Judge concluded his Report with findings of fact rather than ordering paragraphs. Based on the record, he found, among other things, that: (1) the record was not sufficient to determine if any subsidies by Constellation to BGE were unreasonable or inappropriate (as alleged); (2) there was no persuasive evidence that BGE erected cost barriers to HVAC participation in BGE's billing system; (3) there was no justification for excluding BGE Home from the use of BGE's billing system; and (4) that BGE's costs are distributed in a manner consistent with its cost allocation manual. Accordingly, he found no violation of the Commission regulations by BGE or BGE Home by the exchange of unlawful subsidies, intentional exclusion of competitors for BGE's billing system, or any other practice.

On February 12, 2014, the Commission issued Order No. 86184, in which it accepted the findings in the Report of the Public Utility Law Judge and closed the investigation and the docket.

On March 12, 2014, the Maryland Alliance for Fair Competition, which brought this matter to the Commission on October 22, 2009, filed a Request for Rehearing and

Reconsideration of the findings in the Proposed Order and the Commission's Order No. 86184. The Commission Staff filed a Response to the Alliance's Request on April 11, 2014. On April 22, 2014, the Alliance filed a Reply to Staff's April 11, 2014 Response. The Staff then filed a Motion to Strike the Alliance's April 22, 2014 Reply as not being a filing authorized by statute.

6. Investigation into the Marketing Practices of Starion Energy PA, Inc. – Case No. 9324

As reported in the 2013 Annual Report, the Commission held an evidentiary hearing in this matter in 2013. On March 7, 2014, the Commission issued Order No. 86211, in which the Commission found that Starion engaged in multiple practices that violate State law and Commission regulations. Based on these violations, the Commission imposed a civil penalty on Starion in the amount of $350,000 (payable to the State’s General Fund); directed Starion to send a written contract to all customers solicited through door-to-door marketing within 45 days of the Order to properly advise the customers of their right to cancel within 3 days; directed Starion to notify in writing all of its SMECO customers and Pepco commercial customers that Starion was not licensed to provide them electricity service and inform the customers that they may switch service back to their utility without any termination fees or other charges by notifying Starion in writing within 30 days; prohibited Starion from enrolling any new SMECO customers or Pepco commercial customers; directed Starion to provide Staff and OPC within 14 days a list of all marketing vendor companies and copies of the most current contract templates and marketing materials to be used in Maryland; directed Starion to provide Staff and OPC, every six months, a list of all statewide customer complaints; and granted permission to Starion, after six months, to file an application to market in SMECO's service territory and to Pepco's commercial customers with the requirement that Starion submit evidence of whether it has significantly improved its marketing practices.

On March 20, 2014, Starion filed a Motion for Limited Clarification of Order No. 86211 to address whether Starion's ability to market and serve Pepco's commercial customers was prohibited. On April 16, 2014, the Commission agreed that Staff had recommended that an electricity supplier license be granted to Starion in December 2010, and therefore removed the application of the ordering clauses to Starion's ability to serve and market to Pepco's commercial customers.

On April 7, 2014, OPC filed a request for rehearing requesting the Commission re-visit certain issues that OPC raised during the hearing. In Order No. 86531 issued on August 7, 2014, the Commission denied the request.

As directed in Order No. 86211, on September 5, 2014, Starion filed its list of all statewide customer complaints filed between March and August 2014. On October 31, 2014, the Commission scheduled an evidentiary hearing to further review the nature and significance of the complaints detailed in the filing, particularly whether the allegations levied against the Company demonstrate non-compliance with the Commission's previous order. On December 8, 2014, Starion filed direct testimony. On January 6, 2015, OPC and Staff each filed testimony.

On December 19, 2014, the Commission delegated the matter to the Public Utility Law Judge Division for hearing. Evidentiary hearings were held on January 15 and 16, 2015 and February 4, 2015.

7. 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

On April 1, 2014, the Commission issued an Order to Show Cause, Case No. 9346, to American Power Partners, LLC ("APP"); Blue Pilot Energy, LLC; Major Energy Electric Services, LLC and Major Energy Services, LLC; and Xoom Energy Maryland, LLC and directed each company to provide a response as to why the Commission should not find that the company violated certain statutes, regulations, or Commission orders in its customer marketing, advertising, or trade practices.

On December 17, 2014, the Commission issued Order No. 86769 in the matter and dismissed the Order to Show Cause against APP. The Commission's decision was based on a notice dated June 23, 2014 filed by U.S. Gas & Electric, d/b/a Maryland Gas & Electric, advising the Commission that Maryland Gas & Electric had acquired APP. Additionally, the company's notice noted that APP would no longer have Maryland customers as of September 24, 2014, and APP would submit a request to surrender its electricity supplier license once it had ceased serving Maryland customers.

On December 17, 2014, the Commission issued Order No. 86768 in this matter, in which it determined that the factual submissions filed by Blue Pilot, Major Energy, and Xoom were insufficient to evaluate the veracity of allegations against the suppliers. Accordingly, the Commission delegated these matters to the Public Utility Law Judge Division for hearing.

Because of the competitive nature of supplier services, a sub-matter was initiated to conduct individual proceedings for each company (and affiliated company): Case No. 9346(a), Xoom Energy Maryland, LLC; Case No. 9346(b), Major Energy Electric Services, LLC and Major Energy Services, LLC; and Case No. 9346(c), Blue Pilot

Energy, LLC. An evidentiary hearing is scheduled for May 1, 2015 in Case No. 9346(a); for May 12, 2015 in Case No. 9346(b); and for June 2, 2015 in Case No. 9346(c).

On January 16, 2015, OPC filed a Motion for Reconsideration of Commission Order No. 86769 with the Commission. OPC requested the Commission to reverse its decision in Order No. 86769 and hold an evidentiary hearing in the matter.

8. Investigation into the Marketing, Advertising, and Trade Practices and the Licensing Status of U.S. Gas & Electric and Energy Service Providers, Inc. D/B/A Maryland Gas & Electric – Case No. 9347

On April 1, 2014, the Commission issued an Order to Show Cause, Case No. 9347, to U.S. Gas & Electric and Energy Service Providers, Inc. (both d/b/a Maryland Gas & Electric) and directed the companies to provide a response as to why the Commission should not find that the companies violated certain statutes, regulations, or Commission orders in its customer marketing, advertising, or trade practices. After each company submitted an application to modify its supplier license and responded to the Show Cause Order, the Commission issued Order No. 86696, in which it dismissed the Show Cause Order against both companies, but reserved its right to levy a penalty for the acknowledged licensing violation of each company's existing natural gas supplier license. The Commission indicated it would consider the appropriate penalty at the time it considered each company's modification application.

At its January 7, 2015 Administrative Meeting, the Commission granted the modification to each company's supplier license and assessed a civil penalty to each company in the amount of $2,500 for its violation of the Commission's regulations.

9. Complaint of Integrys Energy Services – Natural Gas, LLC; Compass Energy Services, LLC; Novec Energy Solutions, Inc.;

Direct Energy Services, LLC; and Bollinger Energy LLC v. Washington Gas Light Company – Case No. 9364

On September 16, 2014, Integrys Energy Services-Natural Gas, LLC; Compass Energy Services, LLC; Novec Energy Solutions, Inc.; Direct Energy Services, LLC; and Bollinger Energy LLC filed a complaint against WGL regarding WGL's operational flow order noncompliance penalties. On September 30, 2014, the Commission initiated a new docket, Case No. 9364, to investigate the complaint and delegated the matter to the Public Utility Law Judge Division. An evidentiary hearing in the matter is scheduled for April 23, 2015. On February 26, 2015, WGL filed a motion to amend the procedural schedule with the evidentiary hearing re-scheduled to May 27, 2015.

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

1. Merger of Exelon Corporation and Pepco Holdings, Inc. – Case No. 9361

On August 19, 2014, Exelon Corporation, Pepco Holdings, Inc., Pepco and Delmarva ("Joint Applicants') submitted an application to obtain Commission authorization to allow Exelon to acquire the power to exercise substantial influence over the policies and action of Pepco and Delmarva to allow Exelon to acquire PHI pursuant to a merger agreement entered into between Exelon and PHI (the parent company of Pepco and Delmarva). At the pre-hearing conference on September 19, 2014, in addition to Staff and OPC, the Commission granted party rights to over 23 intervenors: The Commission, however, denied the petition to intervene filed by IBEW Local 614 and Harry G. Nurk.

Evidentiary hearings were held in the matter on January 26–February 6, 2015. Evening hearings for public comment were held on January 6, 7, 8, 13 and 14, 2015 in

Chestertown, Wye Mills, Salisbury, Rockville, and Largo, respectively. The Commission is expected to issue its decision by April 29, 2015.[42]

2. Application of Baltimore Washington Rapid Rail, LLC for Approval to Transfer Passenger Railroad Franchise – Case No. 9363

On September 4, 2014, Baltimore Washington Rapid Rail, LLC ("BWR Rail") filed an application with the Commission seeking the transfer of the railroad franchise abandoned by the Washington, Baltimore and Annapolis Electric Railroad Company ("WBA"). In its application, BWR Rail explained that it intended to construct and operate a superconducting magnetic levitation train ("SCMAGLEV") to run from Washington, DC to Baltimore, Maryland. To facilitate its construction and operation of the SCMAGLEV, BWR Rail asked the Commission's approval to transfer WBA's abandoned franchise to BWR Rail.

On September 23, 2014, the Commission issued a notice requesting comments on the BWR Rail application as well as providing an opportunity for persons to file an alternative application for the transfer of the passenger railroad franchise; a 90-day filing date was established (or December 22, 2014). The Commission received approximately 15 comments supporting the grant of BWR Rail's application. The Commission received no alternative applications for transfer of the WBA franchise.

[42] On March 17, 2015, the Joint Applicants filed a Request for Adoption of Settlements, which included a Stipulation to allow an extension of the date by which the Commission was required to issue its order in the matter. The Joint Applicants stipulated that the filing date of the application was September 16, 2014, which extended the date by which the Commission is required to issue an order from April 1, 2015 to April 29, 2015. This Stipulation superseded an earlier Stipulation filed by the Joint Applicants on February 12, 2015, which resulted in the date on which the order in the matter was due being extended from April 1, 2015 to April 8, 2015.

Staff submitted comments on the sufficiency of the application and the applicable law governing the transfer of utility franchises. In its comments, Staff recommended a hearing be held to obtain an evidentiary record on which the Commission could determine whether the public convenience and necessity would be served by authorizing the transfer of the abandoned railroad franchise to BWR Rail. On March 3, 2015, the Commission delegated the matter to the Public Utility Law Judge Division to conduct the appropriate proceedings. A pre-hearing conference is scheduled in the matter for April 2, 2015.

H. Other Matters

1. Gas Price Hedging – Case No. 9224

On January 31, 2014, WGL filed an application for approval of a 2014 summer hedging program similar to programs approved by the Commission in prior years. On March 19, 2014, the Commission held a hearing on the application. By Order No. 86229 dated March 20, 2014, the Commission authorized WGL to proceed with its 2014 summer storage injection hedging program and directed WGL to file a 2014 summer injection program report by November 24, 2014. The Commission also closed the docket and directed that any future applications for natural gas hedging programs be filed for consideration at the Commission's weekly Administrative Meeting.

2. 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 the 2013 Annual Report, an evidentiary hearing in the matter was scheduled for May 21-22, 2014. On May 5, 2014, pursuant to the request of the parties, an amended schedule was issued, and the evidentiary hearings were canceled. On

June 24, 2014, the parties requested that a mediator be appointed to facilitate the settlement negotiations among the parties. On June 24, 2014, a mediator was assigned, and the procedural schedule was suspended. On March 13, 2015, the mediator filed a letter notifying the Commission that the mediation process was completed without any resolution to the dispute. A status conference is scheduled for April 10, 2015 to determine further handling of the matter.

3. Formal Complaint of Neil J. and Lea Schwartz v. Baltimore Gas and Electric Company – Case No. 9342

On April 28, 2011, Neil and Lea Schwartz filed a formal complaint against the BGE alleging that a defective controller on their heat pump caused a spike in their electricity usage during the summer of 2009. BGE denied the allegation. On February 19, 2014, the Commission directed the Public Utility Law Judge Division to facilitate a mediation session(s) between Mr. and Mrs. Schwartz and BGE. On May 12, 2014, the Chief Public Utility Law Judge notified the Commission that a mediation session was conducted, but the parties were unable to come to a voluntary agreement to resolve the dispute.

On July 9, 2014, the Commission delegated the case to the Public Utility Law Judge Division to conduct evidentiary proceedings. An evidentiary hearing was held on September 15, 2014 for the purposes of cross-examination of the parties' witnesses. Mr. Schwartz testified on his and his wife's behalf and Mr. Jeffrey Shyrock testified for BGE. A Proposed Order was issued on October 2, 2014 which dismissed the formal complaint. No appeal of the Proposed Order was taken, and it became Order No. 86697.

4. Formal Complaint of Howard County General Hospital v. Baltimore Gas and Electric Company – Case No. 9343

On May 29, 2012, Howard County General Hospital filed a formal complaint against BGE because of BGE's denial of an energy-efficiency program rebate to the Hospital. On March 31, 2014, the Commission initiated a new docket, Case No. 9343, for a further investigation of the Complaint and delegated the matter to the Public Utility Law Judge Division. On April 24, 2014, Howard County General Hospital filed a letter stating that it did not intend to pursue the matter. On May 6, 2014, a Proposed Order was issued, which treated the Hospital's request as a request to withdraw the Complaint. The Proposed Order granted the request and closed the docket. No appeal was taken of the Proposed Order, and it became Order No. 86383.

5. Formal Complaint of Andre Walton v. Washington Gas Light Company – Case No. 9349

On May 1, 2013, Andre Walton filed a formal complaint against WGL disputing the billing of his account. WGL responded to the formal complaint and made certain allegations against Mr. Walton, which Mr. Walton denied. On April 9, 2014, the Commission initiated a new docket, Case No. 9349, to further investigate the matter and delegated the matter to the Public Utility Law Judge Division. A hearing in the matter was scheduled for October 28, 2014, but was canceled at the request of Mr. Walton's attorney. Negotiations between the parties are ongoing, and a procedural schedule will be reset if a party makes that request.

6. Formal Compliant of Maisha McCoy v. Baltimore Gas and Electric Company – Case No. 9352

On January 31, 2013, Ms. Maisha McCoy filed a formal complaint against the BGE alleging that she was being billed for electricity usage at a property she did not own (as the account had an address different than the address of the property she owned) and that she was overbilled on her commercial property account. BGE responded that its record reflected that electricity was being used on an inactive account, which BGE determined, after an investigation, was an account, not a physical address, for the second and third floors of Ms. McCoy's property which Ms. McCoy acknowledged that she owned. BGE therefore denied all of Ms. McCoy's allegations

On May 6, 2014, the Commission initiated a new docket, Case No. 9352, and delegated the case to the Public Utility Law Judge Division to conduct evidentiary proceedings. Evidentiary hearings were held on August 21, 2014 and October 2, 2014. On November 12, 2014, a Proposed Order was issued dismissing the formal complaint. On December 11, 2014, Ms. McCoy filed an appeal asserting prejudice and conflict of interest. The matter remains pending before the Commission.

7. Formal Complaint of Charles and Chante Flowers v. Southern Maryland Electric Cooperative, Inc. – Case No. 9369

On June 4, 2014, Charles and Chante Flowers filed a formal complaint against SMECO, in which they asserted that SMECO removed the electric meter from the home based on allegations of tampering with the meter and theft of electric services (which the Flowers' deny). In response to the complaint, SMECO submitted the evidence it collected during its investigation of the condition of the meter. After the complaint was submitted, service was restored to the premises, but the Flowers disputed the under-billed amount SMECO was seeking to collect from them.

On October 30, 2014, the Commission issued a Letter Order in which it concluded that sufficient evidence existed to establish that the meter had been tampered with as alleged by SMECO. The Commission, however, found that a factual dispute remained as to whether SMECO accurately calculated the unmetered service charges owed by the Flowers. It, therefore, initiated a new docket, Case No. 9369, to determine the actual unmetered service charges owed by the Flowers and delegated the matter to the Public Utility Law Judge Division. An evidentiary hearing in the matter was held on February 20, 2015, but the hearing was continued to allow the Flowers to obtain an attorney to represent them in the matter.

8. 2014 Arrearage, Collection and Termination Practices of Maryland Electric, Gas, or Electric and Gas Utilities – Case No. 9340

On February 11, 2014, the Commission initiated a new docket, Case No. 9340, to address the arrearage, collection and termination practices of the Maryland electric, gas, and combined electric and gas utilities in wake of the persistent and unusually severe cold weather conditions experienced in the State between December 2013 and March 2014 and the potential for dramatic increases in utility bills by these utilities' customers. Each of the Maryland electric, gas and combined gas and electric utilities was required to provide responses to certain data requests issued by the Commission. After each utility responded, Staff analyzed the data and provided its comments and recommendations based on its analysis. On March 7, 2014, the Commission conducted a legislative-style hearing on the matter. On April 11, 2014, the Commission issued Order No. 86293, in which it took the following action:

- Waived the Code of Maryland Regulations ("COMAR") 20.53.04.03B(2) and 20.59.04.03B(2) through July 31, 2014, to allow the utilities to expedite the requests to switch by customers with installed smart meters when such customers are legally able to do so and require the utilities to effectuate the transfer requests within three to five business days of receiving notice of the customer's request;
- Directed the utilities to apply energy assistance grants for eligible customers to the entirety of a customer's energy bill;
- Directed Staff, after consultation with interested parties, to propose draft regulation to amend COMAR addressing customers transfer of service from competitive suppliers and other appropriate revisions, as permanent regulations;
- Directed Staff and participants in the Purchase of Receivables Work Group to develop and recommend best practices for including supplier commodity charges in utility-designed billing programs;
- Directed Staff to submit a progress report on or before June 30, 2014 with regard to the draft regulations and the progress of the issues designated in the Order ("Progress Report"); and
- Directed each utility to file, no later than May 14, 2014, a report, including monthly data for the period of December 2013 through April 2014, for the categories described in the Order.

In May 2014, each utility filed its report, as directed. On June 30, 2014, Staff filed the Progress Report, as directed.

After reviewing the options and discussions contained in the Progress Report, the Commission issued Order No. 86492 on July 25, 2014, in which the Commission concluded that these options would be more appropriately addressed in the context of the Public Conference 35 ("PC35") proceeding.[43] The Commission asked for comments on the Progress Report, but directed the comments be filed in the PC35 docket.

[43] *See* Section IV, Subsection J, Para. 3.

Additionally, the Commission directed the PSC Leader identified in the notice convening PC35 to take into consideration the options discussed in the Progress Report as well as any comments filed in response to it. Specifically, the Commission directed that the topics of expedited customer switching and the inclusion of the supplier commodity charges in utility-designed budget billing programs be addressed in the context of PC35. Finally, the Commission indicated that it had concluded its investigation of the 2014 arrearage, collection and termination practices of the Maryland gas, electric, and gas and electric utilities and closed the docket.

I. Rulemakings and Regulations – New and Amended

1. RM49 -- Revisions to COMAR 20.79 – Applications Concerning the Construction or Modifications of Generating Stations and Overhead Transmission Lines

As reported in the Commission's Annual Report for 2013, the Commission considered proposed regulations revising COMAR 20.79 to implement changes enacted during the 2012 session of the Maryland General Assembly to Public Utilities Article, § 7-207 (allowing for the modification of overhead transmission lines without the need for first obtaining a CPCN) and § 7.207.1 (directing the Commission to adopt regulations in coordination with the Patuxent River Navel Air Station ("PAX River NAS") to prevent construction of a wind-powered generating station within 20 miles of PAX River NAS and, for proposed facilities within 46 miles of NAS, to require an evaluation by the PAX River NAS to determine whether the erection of a proposed wind turbine would adversely impact the PAX River NAS's Doppler Radar or missions). At the December 11, 2013 rulemaking session, the Commission remanded the proposed regulations back to

Staff to work with stakeholders and re-submit revised proposed regulations within 60 days. On February 11, 2014, Staff filed revised proposed regulations.

2. RM51 -- Revisions to COMAR 20.51 and COMAR 20.61 – Renewable Energy Portfolio Standard Program – Offshore Wind

On April 7, 2014, in response to HB226 (2013), Chapter 3 of the Acts of Maryland – the Maryland Offshore Wind Energy Act of 2013, Staff filed proposed regulations to revise COMAR 20.51 and 20.61 to give effect to the Act ("Offshore Wind Regulations"). Accompanying the proposed regulations were two other documents entitled: (1) *MD OSW Regulations with Staff Recommendations*, which contained explanatory notes to the proposed changes or additions to COMAR 20.51 and 20.61; and (2) *Recommended Criteria and Process for the Evaluation and Selection of Offshore Wind Application* prepared by Levitan & Associates, Inc. On April 8, 2014, the Commission initiated a rulemaking, Administrative Docket RM51, to consider the Offshore Wind Regulations.

On May 8 and 12, 2014, the Commission conducted rulemaking sessions to consider the proposed regulations and the comments thereto. After considering the presentations and comments made at the rulemaking sessions, the Commission voted to publish the Offshore Wind Regulations, as amended at the rulemaking sessions, in the *Maryland Register* for notice and comment as provided for by the Maryland Administrative Procedures Act.

On July 11, 2014, the Offshore Wind Regulations were published in the *Maryland Register*. On August 26, 2014, the Commission held a rulemaking session and finally adopted the Offshore Wind Regulations as published. The Offshore Wind Regulations became effective September 15, 2014.

3. RM52 -- Revisions to COMAR 20.31.01 and .03 – Restrictions for Serious Illness and Life-Support Equipment

On November 6, 2014, the Commission initiated a rulemaking, Administrative Docket RM52, to consider proposed revisions to COMAR 20.31.01 and .03 related to the restrictions on termination of utility service for customers with serious illness and using life-support equipment; primarily, the proposed revisions would add “nurse practitioners” to the list of medical professionals that may certify to an electric or gas utility that the utility’s customer has a serious illness, or requires electric or gas for the customer’s life-support equipment.

A rulemaking session was held on December 4, 2014. At the session, OPC requested the Commission add “physician’s assistant” to the list along with “nurse practitioners.” After considering the request, the Commission determined that it needed additional information about the licensing of a physician’s assistant and the delegated medical activities a physician’s assistant may be allowed to conduct. The Commission voted to publish the revised proposed regulations, as amended at the rulemaking session, in the *Maryland Register* for notice and comment as provided for by the Maryland Administrative Procedures Act.

4. RM53 -- Revisions to COMAR 20.79.01.02 -- Definition of Generating Station

On June 30, 2014, the Commission initiated a rulemaking, Administrative Docket RM53, to consider proposed revisions to COMAR 20.79.01.02B(11), which would increase from 1500 kW to 2000 kW the threshold below which a generating plant or unit would not be considered a "generating station" under the regulations that govern the approval process for construction of generating facilities; specifically, Public Utilities Article, §§ 7-207, 7-207.1, 7-207.2 and 7-208. At the rulemaking session held on October 1, 2014, the Commission voted to publish the proposed revisions in the *Maryland Register* for notice and comment as provided in the Maryland Administrative Procedure Act. The proposed revisions to COMAR 20.79.01.02B(11) were published in the *Maryland Register* dated December 1, 2014. A rulemaking session was held on January 21, 2015, at which the Commission finally adopted the proposed revisions as published.

5. RM54 -- Revisions to COMAR 20.32, 20.51, 20.53, and 20.59 – Competitive Electricity and Gas Supply

On December 5, 2014, the Commission initiated a rulemaking, Administrative Docket RM54, to consider the revisions to COMAR 20.32, 20.51, 20.53, and 20.59 submitted on behalf of the stakeholders who participated in PC35. The revised proposed regulations were attached to the Final Report filed by the stakeholders in PC35. The revised proposed regulations were designed to update and enhance the consumer protection regulation for the Maryland electric and gas competitive supplier market. A rulemaking session to consider the proposed revised regulations was held on February 26, 2015. The Commission took no action on the proposed revised regulations and will schedule another rulemaking session to further consider the proposed revised regulations.

J. Public Conferences

1. PC34 – 2014 Summer Electric Reliability Status Conference

On May 21, 2014, the Commission held its annual summer reliability status conference to provide it the opportunity to inquire into electric generating resource adequacy of the competitive electric industry. The conference allows the Commission to gather information on the existing or proposed methods of ensuring an adequate and reliable electric system and assists the Commission in developing its position on various reliability issues. PJM sent representatives to participate in the conference and to present an overview of the 2014 Maryland projected capacity and peak load, and to discuss any reliability or capacity concerns that PJM is monitoring or addressing. BGE, Pepco, Delmarva, PE, and SMECO also participated in the conference and made presentations on each utility's readiness to deliver reliable electricity service during the summer season. The Commission found the presentations informative, and found no basis to undertake any specific action as a result of the conference.

2. PC35 – Current Status of Protections for Customers in Connection with Competitive Retail Gas Supply and Competitive Retail Electricity Supply

On May 5, 2014, the Commission convened PC35 to meet its obligation to submit, by January 1, 2015, a report to the General Assembly on the status of the Commission's efforts to provide appropriate protections for consumers in connection with competitive retail gas and electricity supply.[44] In addition, the Commission noted that in review of the testimony and comments in its proceeding to investigate the

[44] *See* Chapters 77 and 78, Laws of Maryland 2014 (Senate Bill 1044/ House Bill 928). The General Assembly passed this legislation during the 2014 Maryland Legislative Session in response to unusually high consumer complaints.

Maryland electric, gas, and utility arrearage, collection and termination practices (i.e., Case No. 9340) revealed that a large part of the immediate issues facing customers involve variable rate contracts offered by a number of the Commission-licensed electric suppliers and natural gas suppliers as well as the required purchase of these suppliers' receivables by the utilities. Consequently, the Commission established PC35 to "review the current status of protections for customers in connection with competitive retail gas and electricity supply, and to solicit recommendations on ratepayer protections."[45]

On July 25, 2014, the Commission issued Order No. 86492 in both Case No. 9340 and PC35. In the Order, the Commission asked for comments on the Progress Report filed by Staff in Case 9340, but directed the comments be filed in PC35. It also directed the assigned PC35 Leader to take into consideration the options contained in the Progress Report as well as the comments thereto. The Commission also directed that the topics of expedited customer switching and inclusion of the supplier commodity charges in utility-designed budget billing programs be addressed in the context of PC35.[46]

On November 13, 2014, the PSC Leader filed a Final Report and Recommendation of the PSC Leader in PC35, which included with non-consensus recommendations ("PC35 Report"). The report recommended: (1) expeditious adoption of proposed regulations; (2) creation of a separate division responsible for coordinating and managing supplier relations, engaging with local government and state agency stakeholders, and empowered with the authority to investigate and where appropriate

[45] In The Matter Of the Current Status of Protections for Customers In Connection With Competitive Retail Gas Supply and Competitive Retail Electricity Supply, May 15, 2014.
[46] In Order No. 86293 (April 11, 2014) at 12-13, the Commission had directed the Purchase of Receivables Work Group to develop and file recommendations on how to implement budget billing that would encompass supplier programs. The Work Group had intended to file its report with its recommendations with the Commission on August 28, 2014. Consequently, the Work Group's recommendations were contained within the PC35 Report.

initiate enforcement proceedings; and (3) reestablishment of the Consumer Education Advisory Board to manage and implement a competitive choice consumer education effort.

On December 30, 2014, the Commission forwarded the PC35 Report to the General Assembly, as required. Additionally, the Commission initiated RM54 to consider the proposed revisions to COMAR 20.53 and 20.59, which accompanied the PC35 Report.[47]

3. PC36 – 2014 Retail Gas Market Conference

On November 12, 2014, the Commission held its annual retail gas conference to review the regulated gas utilities' preparations for the 2014-2015 winter heating season. The conference also is intended to increase awareness of gas customers about upcoming market conditions and the potential impact on service costs and reliability. BGE, Columbia Gas, WGL, Chesapeake Utilities, Easton, and Elkton participated in the conference. The Commission found the information presented informative, and found no basis to take any specific action as a result of the conference.

V. COMMISSION TELECOMMUNICATIONS CASES AND ACTIVITIES

A. Petition for Expedited Arbitration of Interconnection Rates, Terms and Conditions with New Frontiers Telecommunications, Inc. Pursuant to Section 252(B) of the Telecommunications Act of 1996; Petition for Expedited Arbitration of Interconnection Rates, Terms and Conditions with Xspedius Management Co. Switched Services, LLC and Xspedius Management Co. of Maryland Pursuant to Section 252(B) of the Telecommunications Act of 1996; and Petition for Arbitration of Interconnection Rates,

[47] *See* Section IV, Subsection I, Para. 5.

Terms and Conditions with Core Communications, Inc. Pursuant to 47 U.S.C. Section 252(b) – Case No. 9013 (Consolidated)

Verizon, Core and Xspedius each filed appeals of the February 2006 Proposed Order issued in this matter. On December 12, 2014, the Commission issued Order No. 86758 directing the parties to restate their positions in the matter in light of the changed circumstances in the telecommunications industry since the Proposed Order was issued and the appeals filed. As directed, on February 9, 2015, the parties submitted a Joint Stipulation on Appeals. On February 10, 2015, each party submitted a restatement of its positions.

B. Petition of Verizon Maryland Inc. for Consolidated Arbitration of an Amendment to Interconnection Agreements of Various Competitive Local Exchange Carriers and Commercial Mobile Radio Service Providers Pursuant to Section 252 of the Telecommunications Act of 1996 – Case No. 9023

On July 31, 2006, the Commission issued Order No. 80958 in this matter to resolve the various issues raised by the parties. Covad and XO filed a Joint Petition for Clarification in response to the Order, and Verizon filed a Petition for Reconsideration and Rehearing. On September 26, 2007, Verizon and AT&T filed a Joint Motion noting withdrawal of AT&T from the matter. On November 6, 2014, the Commission issued Order No. 86701 in which it granted AT&T's withdrawal request and stated that Covad's and XO's joint petition and Verizon's Petition for Reconsideration and Rehearing would be denied within 30 days of the date of the Order unless the applicable parties submitted pleadings to revive the petitions. On December 22, 2014, Order No. 86779 was issued and closed the docket. The Order noted that no filings were received from any party within the prescribed 30-day period.

C. Peerless Network, Inc. and IntelePeer, Inc. Joint Application for Approval of a Transfer of Control of an Authorized Telecommunications Provider – Case No. 9339

On December 24, 2013, Peerless Network, Inc. and IntelePeer, Inc. filed a joint application seeking the Commission's approval for a transfer of control of the stock of IntelePeer to Peerless that occurred on November 29, 2013. On January 13, 2014, Staff submitted comments on the application, and recommended the Commission approve the transfer of control, *nunc pro tunc*. At its January 23, 2014 Administrative Meeting, the Commission considered the matter and took it under advisement. On February 4, 2014, the Commission issued an Order to Show Cause (Order No. 86162) requiring the applicants to submit a filing to show cause why a finding of a violation of the State law should not be entered and a civil penalty should not be imposed if a violation is found, and why the acquisition should not be deemed void pursuant to State law. In the Order, the Commission also delegated the matter to the Public Utility Law Judge Division.

On February 18, 2014, the applicants filed their response to the Show Cause Order. On July 1, 2014, the applicants filed testimony of their witness. On August 12, 2014, Staff filed the testimony of its witness. On September 30, 2014, a hearing was held in the matter. On October 2, 2014, a Proposed Order was issued which found the applicants violated the State law, but imposed no penalty on the applicants as a result of the violation. The Proposed Order also approved the transaction, *nunc pro tunc*, to avoid the transaction being considered void in Maryland pursuant to the applicable provision of State law. No appeal of the Proposed Order was taken, and it became Order No. 86676.

VI. COMMISSION TRANSPORTATION CASES

A. Increase of Rates for Taxicab Service in Baltimore City and Baltimore County – Case No. 9184, Phase II

As reported in the 2013 Annual Report, the Commission conducted hearings in the matter in 2013 and received briefs on the issues. On July 29, 2014, the Commission issued Order No. 66499 and decided to maintain the rates and charges as currently in effect at the time. The Commission, however, ordered that all taxicabs in Baltimore City and Baltimore County must be equipped with electronic meters with certain capabilities, including the acceptance of credit and debit cards with a rear-seat payment center by December 31, 2014. Further, the Commission prohibited the taxicab owners from passing on the costs of these new in-cab requirements to drivers.

In the Order, the Commission also established a usage standard of 12,000 minimum miles, beginning calendar year 2015; taxicabs driven less than the minimum annual miles may be subject to show cause orders and permit revocation if good cause is not shown for the apparent lack of usage. Further, the Commission directed permit holders and associations, beginning with the 2014 reporting, to submit annual reports on forms provided by Staff and to submit the data in the format established by Staff. The associations were directed to report all affiliated permits within 60 days of the Order.

Additionally, Staff was directed to:

- file a report within 60 days on whether the new electronic meters could direct electronic transmission of operational data and allow a passenger to enter an email address for electronic delivery of receipts;
- work with permit holders and associations to improve and streamline reporting after full implementation of the new electronic meters and file a report by July 31, 2015, which includes the results of the work group and the recommendations;

- take appropriate action to enforce compliance with the reporting requirements, including action against permit holders and associations that fail to file required reports and file inaccurate reports; and
- develop and propose, within 90 days, a process by which the Commission is able to evaluate applications for permits for 25 wheelchair accessible cabs: 20 in Baltimore City and 5 in Baltimore County.

On September 24, 2014, Staff submitted its report on Taximeter. On October 28, 2014, Staff submitted its Wheelchair Accessible Taxicab Report and Proposed Regulations.

On October 16, 2014, Yellow Cab Company, Inc. filed a request for extension of the deadline to install the electronic meters in all cabs in Baltimore City and Baltimore County. After considering the request at its November 12, 2014 Administrative Meeting, the Commission extended the deadline until July 1, 2015 for all Baltimore City and Baltimore County taxicabs and waived the six-month inspection requirement of COMAR 20.90.02.16H(2) for the spring 2015 meter inspections.

B. National Cab Association, Inc. Operations of Taxicabs without Proof of Insurance as Required by the Public Service Commission of Maryland – Case No. 9250

On June 11, 2014, Kuljit Gill filed a Petition for Reinstatement of Taxicab Permits that were revoked by the Commission in 2011 by Order No. 84128. On July 29, 2014, the Commission issued Order No. 86500 and denied the Petition on procedural grounds.

C. Investigation to Consider the Nature and Extent of Regulation over the Operations of Uber Technologies, Inc. and Other Similar Companies – Case No. 9325

As reported in the 2013 Annual Report, a hearing on the matter was held in November 2013, with a briefing period expiring on January 22, 2014. On April 24, 2014, a Proposed Order was issued in the matter and found that Uber was common carrier. The Proposed Order directed Uber to file its application for approval as a common carrier within 60 days of the final order in the matter.

On May 27, 2014, Uber noted its appeal of the Proposed Order, and filed its memorandum on appeal on June 6, 2014. On June 26, 2014, Staff, OPC and Yellow Transportation each filed reply memoranda and each asked the Commission to deny Uber's appeal. On August 6, 2014, the Commission issued Order No. 86528,[48] in which it affirmed the Proposed Order, directed Uber to file an application for a motor carrier permit within 60 days of the Order, and directed Staff to draft regulations within 90 days of the Order that "more effectively regulate the provision of transportation services."

On September 5, 2014, Uber filed a Motion to Stay and a Request for Rehearing in the matter. On October 10, 2014, Staff, OPC and Yellow Transportation each filed an opposition to the Motion and Request. On November 25, 2014, Staff, on behalf of Uber and itself, filed a Joint Motion for Approval of Agreement of Stipulation and Settlement. Pursuant to the terms and conditions of the Settlement, the affiliate of Uber, Drinnen LLC, agreed to file for a motor carrier permit upon the Commission's approval of the Settlement and to disclose to the Commission the identity of its drivers. Additionally, Uber agreed to withdraw its application for rehearing and its appeal in the Court of

[48] Commissioner Hoskins filed a concurring statement to the Order.

Special Appeals case against the Commission. Further, Staff and Uber agreed that Drinnen may retain the use of surge pricing in Maryland.

Staff filed testimony in support of the Settlement on December 9, 2014, and Uber filed a letter adopting Staff's testimony. On December 16, 2014, OPC and Yellow Transportation filed comments. A hearing on the Settlement was held on December 19, 2014. Briefs in the matter were filed on January 16, 2015. By Order No. 86877 issued on February 26, 2015, the Commission approved the Settlement.

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 2013 Annual Report, the County and the Company were unable to come to a voluntary agreement in which the County would assist the Company in obtaining financing to upgrade the Manchester Park wastewater facilities and then transfer them to the County. The Commission directed Staff to continue to monitor the matter and prepare a progress report on the parties' efforts to enter into an agreement. On March 31, 2014, Staff reported that an agreement between the County and the Company is not likely to occur. On May 5, 2014, the Commission noted the filing and took no further action in the matter.

B. Application of Green Ridge Utilities, Inc. for Authority to Revise its Rates and Charges for Water Service – Case No. 9344

On March 31, 2014, Green Ridge Utilities, Inc. filed an application for authority to revise its rates and charges for water service in Harford County. The application asked for an authorization to increase the company's rates to produce additional annual revenue of approximately $150,163, a 30.91% increase. On April 3, 2014, the Commission initiated a new docket, Case No. 9344, to consider the application, suspended the tariff revisions, and delegated the matter to the Public Utility Law Judge Division. A hearing was held on July 11, 2014, at which the parties submitted a settlement that provided for an increase of $120,000, among other terms. On August 4, 2014, a Proposed Order was issued that accepted the settlement as being reasonable and in the public interest. No appeal of the Proposed Order was taken, and it became Order No. 86589.

C. Application of Maryland Water Service, Inc. for Authority to Revise its Rates and Charges for Water and Wastewater Services – Case No. 9345

On March 31, 2014, Maryland Water Service, Inc. ("MWS") filed an application for authority to revise its rates and charges for water services to the subdivisions of Pinto and Highland Estates and wastewater services to Pinto. On April 3, 2014, the Commission initiated a new docket, Case No. 9345, to consider the application, suspended the revised tariff sheets, and delegated the matter to the Public Utility Law Judge Division. On May 19, 2014, MWS submitted supplemental direct testimony of its witness which revised the requested revenue requirement. On June 27, 2014, OPC and Staff each filed direct/reply testimony. On July 29, 2014, the parties filed a Joint Motion for Approval of a Stipulation and Settlement Agreement. On July 29, 2014, an evidentiary hearing for the admission of the pre-filed testimony by stipulation of the parties as well as an evening hearing for public comments was held in Cresaptown. On August 5, 2014, a Proposed Order was issued and accepted the Stipulation and Settlement Agreement. No appeal was taken of the Proposed Order, and it became Order No. 86591.

D. Application of Maryland-American Water Company for Authority to Adjust its Existing Schedule of Tariffs and Rates – Case No. 9372

On December 19, 2014, Maryland-American Water Company filed an application for authority to adjust its existing rates for its water system services in Harford County. On December 22, 2014, the Commission initiated a new docket, Case No. 9372, to consider the application, suspended the tariff, and delegated the matter to the Public Utility Law Judge Division. Evidentiary hearings are scheduled for April 8 and 9, 2015. The Proposed Order is expected to be issued by May 27, 2015.

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 2014. As discussed in the 2013 Annual Report, the Commission participated in three dockets before the Federal Communications Commission, which remain pending.

A. Second Return on Equity Complaint against BGE and PHI Companies – FERC Docket No. EL15-27

On December 8, 2014, the Maryland PSC (jointly with the Delaware, Virginia, District of Columbia and New Jersey commissions and consumer advocates ("Joint Complainants") filed a second complaint against the PHI and BGE Companies' transmission rates of return and formula rates with FERC. In November 2014, the parties reached an impasse in the pending BGE-PHI Companies FERC Transmission Plant ROE/Protocols case (FERC Docket No. EL13-48), in which the Commission sought a return on equity ("ROE") reduction from 10.8 and 11.3% down to 8.7%. The Joint Complainants filed a second complaint in order to establish a new refund effective date (closing some of the gap between the refund effective date set for the initial complaint and the time period for consideration of the new complaint). The second complaint also proposes an 8.9% ROE for the BGE and PHI Companies based on current economics, as well as the application of recent FERC ROE reforms.

B. PJM's Capacity Performance Proposal – FERC Docket Nos. ER15-623, 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 Maryland PSC intervened in the proceeding and intends to participate actively in a case that presents significant rate and reliability impacts to Maryland ratepayers.

C. 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 rerun certain capacity auctions with demand response resources excluded, given the decision of the D.C. Circuit in *EPSA v. FERC*, discussed in Section XII, Subsection B.3 herein. The Maryland PSC filed a protest of the complaint and asked that FERC reject FirstEnergy's request to rerun 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* decision.

D. PJM Motion to Waive Offer Cap – FERC Docket No. ER14-1144

On January 23, 2014, in response to emergency conditions associated with the January 2014 polar vortex, PJM moved FERC for a temporary wavier of its tariff from January 24, 2014 to March 31, 2014 for authority to exceed its $1000/MWH energy offer cap. The Maryland PSC protested the proposal, arguing that it was not justified, would result in unjust and unreasonable pricing, and would burden end users. FERC granted PJM's waiver request, but also directed the Market Monitor to submit an informational filing within 30 days of the expiration of the requested waiver that identifies: (1) the total amount of energy in MWhs that was accepted over the bid cap; (2) the associated cost of such energy; and (3) information on any unverifiable bids that were rejected.

E. PJM Offer Cap Proceeding – FERC Docket No. EL15-31

On December 15, 2014, PJM filed proposed tariff revisions to replace its long-standing $1000/MWH energy offer cap with a new offer cap of up to $1,800. The Maryland PSC intervened in the proceeding and protested the proposal, arguing that PJM had not demonstrated need, that generators would obtain an unwarranted windfall, and that the cost implications to end-use customers could be substantial. On January 16, 2015, FERC granted the PJM proposed tariff revisions until April 1, 2015.

F. PJM Proposal to Limit Participation of Demand Response Resources – FERC Docket ER14-504

On November 29, 2013, PJM filed proposed tariff revisions designed to limit the participation of demand response resources in its base residual capacity auctions. The Maryland PSC submitted several filings in late 2013 and early 2014 criticizing the proposal and demonstrating the negative consequences of limiting demand response to ratepayers and to the reliability of PJM's transmission system. Nonetheless, FERC found it reasonable for PJM to distinguish between each class of resources when designing its capacity market rules, finding that PJM's proposal retains an adequate opportunity for limited-availability demand response to participate in PJM's capacity markets. FERC concluded that limited-availability demand response will be able to compete up to the procurement caps, and they will retain the ability to offer both annual and limited products into the auction.

G. PJM Proceeding regarding Reliability Pricing Model Speculation – FERC Docket No. ER14-1461

The Maryland PSC actively participated in the FERC proceeding addressing speculation and arbitrage in PJM's wholesale capacity market, initiated by PJM through its March 10, 2014 filing.

H. CPV Maryland, LLC – FERC Docket No. ER14-2106-000

On June 2, 2014, CPV Maryland, LLC requested FERC approval of its Contracts for Differences entered into between CPV and certain Maryland Electric Distribution Companies as a result of the Maryland PSC's Case No. 9214 investigation into long-term reliability. The Maryland PSC actively participated in the FERC proceeding and supported CPV's request for FERC approval. On August 5, 2014 FERC dismissed the CPV filing based on the Federal Court of Appeal's decision that the Contracts for Differences were invalid.

I. Triennial Review of PJM's Capacity Market – FERC Docket No. ER14-2940

On September 25, 2014, PJM initiated a FERC-mandated proceeding to review and amend its Reliability Pricing Model and wholesale capacity market auction parameters. The Maryland PSC participated actively in the proceeding to advocate for tariff provisions that preserve reliability, mitigate impact to ratepayers, and promote healthy competitive markets. On November 28, 2014, FERC accepted PJM's proposed changes. The Maryland PSC has requested Rehearing.

J. Intra-PJM 500 kV and Above – Extra High Voltage Transmission Plant Cost Allocation – FERC Docket No. EL05-121

On December 18, 2014, FERC established hearing and settlement judge procedures to determine the assignment of cost allocation for intra-PJM 500 kV and above transmission facilities. In June 2014, the U.S. Seventh Circuit Court of Appeals remanded for a second time FERC Order 494, which had adopted a 100% PJM-wide postage stamp (or load ratio share, socialized) cost allocation methodology for new transmission facilities planned and constructed after 2006. Opponents of the postage stamp method, namely western PJM states and related Transmission Owners, prefer a Distribution Factor (i.e., Dfax) direct beneficiary-based allocation approach. Maryland PSC continues to support FERC Order 494's load ratio share allocation methodology since 500 kV and above facilities provide backbone reliability that benefits the entire grid.

K. Various FERC Electric Transmission Plant Abandonment Cost Cases

In 2014, the Commission's OGC continued to challenge unfavorable wholesale electric generation and transmission policies; including transmission plant abandonment cost recovery filings, namely *PJM Interconnection, LLC and Potomac-Appalachian Transmission Highline, LLC (PATH)* – Docket No. ER12-2708-000 (challenging the PATH Companies' request for plant abandonment cost recovery), and *Potomac Electric Power Company, Delmarva Power & Light Company, (PHI Companies) and PJM Interconnection, LLC* – Docket No. ER13-607-000 (challenging the PHI Companies MAPP-related plant abandonment cost recovery). Both cases were assigned to the FERC Administrative Law Judges ("ALJ") Division for Settlement Judge Procedures. On December 18, 2013, an Offer of Settlement was submitted to FERC in the MAPP proceeding. FERC issued an order on February 28, 2014, finding the settlement fair and reasonable and in the public interest. The PATH Abandonment Plant Case reached an impasse in settlement proceedings and is on track for litigation. An Initial ALJ Decision is scheduled to be issued in the case in July 2015.

IX. PJM INTERCONNECTION, INC. – THE RELIABILITY PRICING MODEL 2017/2018 DELIVERY YEAR BASE RESIDUAL AUCTION RESULTS

PJM conducted the Reliability Pricing Model ("RPM") 2017/2018 delivery year base residual action ("BRA") in May 2014. It was the fourth BRA under new rules that established two additional demand resource products.[49] The new BRA rules recognize the greater reliability value of more flexible resources.

The 2017/18 BRA cleared sufficient capacity resources in PJM to provide a 19.7% reserve margin. The total quantity of demand resources offered into the 2017/2018 BRA decreased 22.2% over the demand resources that were offered into the 2016/2017 BRA.

The four Maryland investor-owned utilities cleared at the RTO price for the 2017/2018 BRA which was $120/MW-Day for the Annual and Extended Summer Capacity products and $106.02/MW-Day for the Limited Capacity product. Three of Maryland's investor-owned utilities – BGE, DPL and Pepco – experienced minimal increases of 0.73% for the Annual and Extended Summer products and a decrease of 11% for the Limited product. PE experienced an increase of over 100% in the Annual and Extended Summer Capacity product and an increase of over 78% in the Limited product resource clearing prices. The increase to the RTO and therefore PE's capacity prices is due to a significant decrease in imports, as well as a decrease in cleared Demand Resources leading to the $60.63/MW-day increase. BGE, Pepco and DPL did not experience a significant increase in capacity prices because the location of the cleared new entry resources led to the absence of binding transmission constraints for the MAAC zone. The following table illustrates the clearing prices for the last two BRAs for each of Maryland's investor-owned utilities.

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

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

Utility	Capacity Type	2017/18 Clearing Price	2016/17 Clearing Price	Increase / (Decrease) 2017/18 vs 2016/17	Percent Change 2017/18 vs. 2016/17
BGE	Annual	$120.00	$119.13	$0.87	0.73%
	Extended Summer	$120.00	$119.13	$0.87	0.73%
	Limited	$106.02	$119.13	($13.11)	-11.00%
DPL	Annual	$120.00	$119.13	$0.87	0.73%
	Extended Summer	$120.00	$119.13	$0.87	0.73%
	Limited	$106.02	$119.13	($13.11)	-11.00%
PE	Annual	$120.00	$59.37	$60.63	102.12%
	Extended Summer	$120.00	$59.37	$60.63	102.12%
	Limited	$106.02	$59.37	$46.65	78.58%
Pepco	Annual	$120.00	$119.13	$0.87	0.73%
	Extended Summer	$120.00	$119.13	$0.87	0.73%
	Limited	$106.02	$119.13	($13.11)	-11.00%

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 benefiting 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) PHI continues to encourage broadened ownership of the Company's capital stock, particularly among Maryland residents. PHI is the parent company of Pepco and Delmarva. As of September 10, 2014, more than 251 million shares of PHI common stock outstanding were held by more than 44,000 shareholders. PHI's records show that 8,208 shareholder accounts, representing 5.8 million shares, are registered directly to Maryland residents.

PHI reported that broadened individual ownership of PHI's common stock is encouraged through PHI's Shareholder Dividend Reinvestment Plan, which permits shareholders to purchase additional PHI common stock through reinvested dividends or voluntary cash contributions.

(b) 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, 2014, the Parent had 315,946,644 shares of its common stock outstanding, of which 109,549 were acquired by employees during the previous 12 months through the ESP Plan and 1,222,416 through the NiSource Inc. Retirement Savings Plan (for an aggregate total of 1,331,965). As of August 31, 2014, the Parent had approximately 510 registered stockholders with Maryland addresses, holding approximately 190,287 shares of Parent common stock.

(c) As of September 30, 2014, Exelon, the indirect parent of BGE, reported that 14,711 Maryland residents, representing 11.69% of Exelon's total registered shareholders, owned 6,656,806 (0.78%) of the outstanding shares of common stock. Of these Maryland shareholders, 5,636 (4.48%), of Exelon's total registered shareholders owning 1,089,627 (0.13%) of the legal outstanding shares of common stock, were participants in the Direct Stock Purchase Plan.

In 2014, all legacy Constellation Energy Group and subsidiary company 401(k) saving plans were consolidated into the Exelon Corporation Employee Savings Plan. As of September 30, 2014, 3,444 Maryland residents held an aggregate of 2,019,359 shares of Exelon's Employee Savings Plan. In addition, 98,424 shares were held by 432 Maryland residents who are participants in the legacy Exelon Employee Stock Purchase Plan.

(d) The Potomac Edison Company was a wholly-owned subsidiary of Allegheny Energy, Inc. ("AE") through February 25, 2011, at which point it became a subsidiary of FirstEnergy Corporation ("FE"). In April 2012, the Allegheny Employee Stock Purchase Plan was merged into the FE Employee Savings Plan. FE continued its Employee Savings Plan throughout 2012. Approximately 90% of FE's employees were contributing to the Plan as of December 31, 2012, and 17,029 participants had FE stock as part of their account balance within the FE Plan. As of December 31, 2013, 2,175 Maryland residents held 665,887 shares of FE stock as stockholders of record, which represents approximately 2.2062% of all FE registered stockholders and 0.1584% of all shares. In addition, as of December 31, 2013, 29 AE stockholders living in Maryland, owning the equivalent of 1,411 FE shares, had not yet exchanged their AE shares for FE shares.

(e) 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 15, 2014. Approximately 26.62% of registered shareholders reside in Maryland, representing 2.95% of WGL's outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2014, 99 employees were actively participating in the Company's "Dividend Reinvestment and Common Stock Purchase Plan" through payroll deductions. Additionally, approximately 892 employees (both active and inactive) owned shares through its defined contribution plans. Of these, a total of 356 employees, former employees and retirees reside in Maryland.

(f) 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, 2014, 20,909 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 2014, this Unit established 45 new non-transportation-related dockets and processed 2,075 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 2014, this Unit scheduled 44 Commission administrative meetings to consider the Agenda at which 768 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 2014.[50] This Unit also processed 9,747 filings, including 1,374 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 2014, this Unit managed one rulemaking docket that resulted in emergency or final adoption of regulation changes to COMAR Title 20 – Public Service Commission, and five rulemaking dockets that remain active.[51]

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

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[50] *See* Section IV, J (Public Conferences).

[51] *See* Section III, B (Rulemaking: RM50 – Revisions to COMAR 20.08 – Supplier Diversity Program) and Section IV, I (Rulemakings and Regulations – New and Amended)

This Unit manages the financial aspects of the daily operations of the Commission. The operating budget totaled $44,168,344 for fiscal year ending June 30, 2014. This budget consisted of $43,341,519 in Special Funds and $826,825 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 Unit also administers the financial accountability of the Pipeline Safety Program and the Hazardous Liquid Pipeline Safety Program, which is partially reimbursed by the Federal Department of Transportation, by maintaining all associated financial records consistent with federal program rules, regulations, and guidelines that require additional record keeping.

b. Purchasing and Procurement Management Unit

This Unit is responsible for expert services procurement and any other procurements required by the Commission, as well as the overall control of supplies and equipment. This Unit is also responsible for agency forms management and record retention management. This Unit'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, 2014, this Unit was maintaining approximately 103 categories of disposable supplies and materials totaling $6,347 and fixed assets totaling $2,180,690.

3. Information Technology Division

The Information Technology Division ("IT") functions as the technical staff for the Commission's network and computer systems. IT is responsible for computer hardware and software selection, installation, administration, training and maintenance. IT manages and maintains the Commission's internal and external websites and the information/databases conveyed therein. In 2014, IT: (a) completed migration from Microsoft Exchange/Outlook to GOOGLE MAIL/APPS; (b) created a new Electric Choice Website and online Calculator whereby Suppliers input rates and offers and Consumers can view expected estimates along with rate information; (c) designed and implemented a new online SOLAR PV Application System; (d) deployed new Windows 7/Office 2010 64-bit laptops in the 16th Floor Hearing Room; (e) implemented an online Transportation LEASE RATE application; (f) designed and implemented a new online Transportation Inspection Scheduling System; (g) Implemented a new Office of External Relations (OER) Online Payment Arrangement/Extension Request System; (h) Designed and launched an Online Referee Meter Test Application for the Engineering Division.

4. Personnel Division

The Personnel Division is responsible for day-to-day personnel transactions of the Commission, which include recruitment, testing, hiring, retirements and terminations, and all associated records management. In addition, this Division is responsible for payroll, timekeeping, and State and federal employment reports. The Division serves as the liaison between the State's Department of Budget and Management's Office of Personnel Services and Benefits, the Commission, and Commission employees. During 2014, this Division provided the Commission's managers and personnel with advice, direction, and guidance on hiring, personnel matters, performance evaluations, salary issues under the Commission's independent salary plan, and retirement and training.

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 2014, 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. New Jersey Board of Public Utilities v. FERC, U.S. Third Circuit Court of Appeals, Nos. 11-4245

The Commission intervened in *New Jersey Board of Public Utilities v. FERC*, U.S. Third Circuit Court of Appeals, Nos. 11-4245, and filed a Petition for Review of

FERC's 2011 decision in ER11-2875-000 (wherein FERC directly eliminated a long-standing Minimum Offer Price Rule exemption for state-sponsored generation projects, and substituted a more restrictive unit-specific review provision and rejected a proposed increase in the mitigation threshold). Briefs were filed, and oral argument was held on September 10, 2013. The Court denied the petitions for review on February 20, 2014.

2. ***PPL Energyplus v. Nazarian*, U.S. District Court for the District of Maryland, Case No. 12-CV-01286**

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 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. 4, 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. 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.

3. *Electric Power Supply Association v. FERC (EPSA v. FERC),* U.S. Circuit Court of Appeals for the District of Columbia Circuit, Nos. 11-1486

In 2012, the Commission also intervened in *Electric Power Supply Association v. FERC*, U.S. Circuit Court of Appeals for the District of Columbia Circuit, Nos. 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 the net benefits test, payment of LMP to these resources will result in just and reasonable rates for ratepayers. On May 23, 2014, the Court 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 California Public Utilities Commission and Pennsylvania Public Utility Commission, filed a Joint State Brief in Support of Certiorari on February 17, 2015.

4. *In the Matter of the Petition of Calpine Corporation,* Circuit Court for Baltimore City, Case No. 24-C-12-002853

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 Companies tariffs). The Petitioners have appealed to the Maryland Court of Special Appeals, which appeal is stayed pending U.S. Supreme Court resolution of the *PPL Energyplus v. Nazarian* litigation described in Litigation Item No. 2, above.

5. *Accokeek, Mattawoman, Piscataway Creeks Communities Council, Inc. v. PSC,* Circuit Court for Baltimore City, Case No. 24-C-14-003896

Accokeek, Mattawoman, Piscataway Creeks Communities Council, Inc. filed a Petition for Judicial Review challenging Commission Order No. 86372 in Case No. 9318, which granted a 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 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 MD. CODE ANN. 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 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.

6. *Washington Gas Light Co. v. PSC*, Circuit Court for Baltimore City, Case No. 24-C-12-002607; and *Washington Gas Light Co. v. PSC*, Circuit Court for Baltimore City, Case No. 24-C-12-006179

Washington Gas Light Company filed Petitions for Judicial Review challenging two PSC Orders. In *Washington Gas Light Co. v. PSC*, Circuit Court for Baltimore City, Case No. 24-C-12-002607, WGL challenged Commission Order No. 84781 issued in Case No. 9267, which denied in part WGL's Petition for Rehearing and Clarification of Order No. 84775 – the Commission's order resolving WGL's 2011 rate case. Specifically, WGL challenged the Commission's decision not to include in rates the "costs to initiate" its outsourcing contract with Accenture (costs that the Commission excluded because WGL could not demonstrate offsetting contract savings as of the time the rate case order was issued).

In *Washington Gas Light Co. v. PSC,* Circuit Court for Baltimore City, Case No. 24-C-12-006179, WGL challenged Commission Order No. 85120 issued in Case No. 9104, Phase II, which denied WGL's Petition for Clarification or Rehearing. In its Petition for Judicial Review, WGL had asserted that the Commission announced a new standard for cost recovery in Order No. 84277 when it stated that Accenture cost recovery must be offset by contract savings in WGL's then pending rate case, Case No. 9267. WGL also challenged Commission determinations regarding capital structure ROE

Case Nos. 24-C-12-002607 and 24-C-12-006179 were consolidated and the Commission's decisions in both cases were affirmed. The court found that the

Commission acted reasonably in denying WGL's request for cost recovery and in determining WGL's capital structure, and it found the Commission's return on equity determination to be well within the zone of reasonableness for gas utilities.

7. *Emergence Technology Consultants, LLC v. Baltimore Gas and Electric Co.*, Circuit Court for Baltimore County, Case No. 03-C-12-000691

In *Emergence Technology Consultants, LLC v. Baltimore Gas and Electric Co.,* Circuit Court for Baltimore County, Case No. 03-C-12-000691, Emergence Technology Consultants, LLC challenged BGE's EmPOWER program in Case No. 9154. This case relates to the eligibility of Emergence for rebates for LED lights. On March 27, 2014, the Court granted the Joint Motion to Dismiss filed by the parties.

8. Columbia Gas of Maryland, Inc. v. PSC, Circuit Court for Washington County, Case No. 21-C-13-48802

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 which Columbia Gas requested as part of its February 27, 2013 application for rate increases. After a hearing on April 4, 2013, the Circuit Court affirmed Commission Order No. 85858. Columbia Gas has appealed to the Maryland Court of Special Appeals.

9. Uber Technologies, Inc. v. PSC, Circuit Court for Baltimore City, Case No. 24-C-13-06089

Uber Technologies, Inc. filed a Petition for Judicial Review of Commission Order No. 85860 in Case No. 9325 which directed Uber to produce certain discovery materials pursuant to Commission subpoena. The Commission filed a motion to dismiss the

Petition, which the Circuit Court granted. Uber appealed the dismissal to the Court of Special Appeals. Uber voluntarily dismissed its appeal to the Court of Special Appeals on March 13, 2015.

10. *In Re Petitions for Judicial Review In the Matter of the Application of Potomac Electric Power Company for an Increase In Its Retail Rates for the Distribution of Electric Energy* (PSC Order No. 85724), Baltimore City Circuit Court Case No. 24-C-13-006543

On July 12, 2013, the Commission issued Order No. 85724, granting Pepco authority to increase distribution rates by $27,883,000 with an increase in return on equity to 9.36 percent. Additionally, the Commission approved the establishment of a Grid Resiliency Charge ("GRC") limited in scope to the Accelerated Priority Feeders component of the Company's request. On July 26, 2013, Pepco filed in a Petition for Judicial Review in Baltimore City Circuit Court. The Maryland Office of People's Counsel ("OPC") and AARP Maryland also filed Petitions for Judicial Review in Baltimore City Circuit Court. Subsequently, Montgomery County Maryland filed a Petition for Review in Montgomery County. That case was later transferred to Baltimore City. The Baltimore City Circuit Court affirmed in part, and reversed and remanded in part, the Commission's decision. OPC and AARP have appealed the Court's affirmance of the Commission's GRC decision to the Court of Special Appeals.

11. *In Re Petition for Judicial Review In the Matter of the Application of Baltimore Gas and Electric Co. for Adjustments to Its Electric and Gas Base Rates* (PSC Order Nos. 86060, 86270), Baltimore City Court Case No. 24-C-14-000176

On December 13, 2013, the Commission issued Order No. 86060 granting BGE authority to increase its electric distribution rates to $33.6 million and a return on equity of 9.75 percent, and an increase in its gas rates by $12.5 million with a ROE of 9.6%. Additionally, the Commission partially granted BGE's request for an Electric Reliability Investment ("ERI") to implement a five-year $72.6 million initiative consisting of five out of eight proposed infrastructure projects. On March 31, 2014, the Commission issued Order No. 86270 which examined BGE's compliance filing pertaining to its ERI initiative that was approved. Order No. 86270 found that the Company had complied with the Commission's requirements in Order No. 86060 requesting additional detailed information regarding the five approved ERI projects. On January 13, 2014, OPC filed a Petition for Judicial Review of Order No. 86060 in the Circuit Court for Baltimore City initiating Case No. 24-C-14-000176/AA. On April 28, 2014, OPC filed a Petition for Judicial Review of the Commissions ERI Compliance Order, Order No. 86270 initiating Case No. 24-C-14-002431/AA. The cases were consolidated on July 22, 2014 under Case No. 24-C-14-000176/AA. On November 17, 2014, a hearing was held in in the Circuit Court for Baltimore City for Case No. 24-C-14-002431/AA. The Court's decision in this matter remains pending.

12. *In Re Petition for Judicial Review In the Matter of the Application of Potomac Electric Power Company for Adjustments to Its Retail Rates for the Distribution of Electric Energy* (PSC Order Nos. 86441, 86711, and 86712), Baltimore City Court Case No. 24-C-14-007621

On July 2, 2014, the Commission issued Order No. 86441 granting Pepco authority to increase distribution rates by $8,754,000 with a return on equity of 9.62 percent. On July 31, 2014, Pepco filed a Petition for Rehearing of Order No. 86441. On August 26, 2014, the Commission instituted a Phase II proceeding in Case No. 9336 to address the issue of Pepco's Net Operating Loss Carry Forward ("NOLC"). On

November 13, 2014, the Commission issued Order No. 86711 resolving the NOLC issues. Also on November 13, 2014 the Commission issued Order No. 86712 denying Pepco's Request for Rehearing with respect to Order No. 86441. On December 11, 2014, Pepco filed a Petition for Judicial Review in Baltimore City Circuit Court.

13. *In the Matter of the Petition of Washington Gas Energy Services, Case No. 24-C-12-004362*

On December 13, 2013, the Circuit Court for Baltimore City issued an order affirming the Commission's decision to re-set all negative discount rates for the utilities' purchase of receivables to 0%. WGES had claimed that this violated the language in BGE's tariff. WGES appealed the Circuit Court's decision to the Court of Special Appeals. On December 30, 2014, the Court of Special Appeals affirmed the Circuit Court's decision and the Commission's order.

14. *Columbia Gas v. PSC* (Case No. 24-C-14-005338); *Baltimore Gas and Electric Co. v. PSC* (Case No. 24-C-001051) and *Washington Gas Light v. PSC* (Case No. 24-C-14-004634) (STRIDE Cases)

In 2014, OPC appealed each of the Commission's STRIDE case rulings, which approved rate tracking mechanisms to accelerate the modernization and safety of the natural gas distribution systems for Columbia Gas of Maryland, BGE and WGL. Baltimore City Circuit Court (Judge Pierson) affirmed the Commission's decision in the BGE STRIDE case, and OPC has taken a further appeal of that decision. The Court has 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.

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 Investigation Division

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety of accounting, taxation and financial issues. The Division's primary function includes developing utility revenue requirements, auditing fuel costs, auditing the application of rates and charges assessed by utilities, monitoring utility earnings, examining the effectiveness of cost allocations, analyzing 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 2014, the Accounting Investigation 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 90 filings submitted by utilities. In addition, Division personnel participated in approximately 21 formal proceedings and a number of special assignments.

2. Electricity Division

The Electricity Division focuses most of its work on regulation, policy and market activities related to the provision of retail electricity. Specifically, the 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 generally includes: analysis of retail competition policies and implementation related to restructuring in the electric utility industry; rate of return on equity and capital structure; pricing structure and design; load forecasting; analysis of low-income customer policies and statistics; 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 work group 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: (1) 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; (2) 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 (3) 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 2014, the Division's work included expert testimony and/or policy recommendations in approximately 61 administrative proceedings, two rate cases, and two public conferences. In addition to traditional regulatory analysis, Electricity Division personnel facilitated several stakeholder work groups covering: net energy metering, retail market electronic data exchange, and retail market supplier coordination.

The Division also was tasked with evaluation of legislation on renewable energy programs 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 including: energy efficiency and demand response programs; regional power supply and transmission planning through participation in PJM working groups and committees; advanced metering infrastructure and smart grid implementation; oversight of the SOS competitive solicitations; developments in the wholesale energy markets focusing on prices and availability; Maryland's renewable energy portfolio standard ("RPS"); wholesale market demand response programs; certification of retail natural gas and electricity suppliers; and applications for small generator exemptions to the CPCN process.

During 2014, 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
    - Direct oversight of the evaluation, measurement & verification process of the Independent Evaluator, producing annual impact and cost-effectiveness evaluation.

    - Conducting work groups related to the approval of the 2015-2017 EmPOWER Maryland energy efficiency and demand response plans.
    - Preparing the 2015-2017 Plans Comments on behalf of Staff.
    - 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 recommendations to the Commission in regards to the non-responsive customers issue in the Utilities' smart meter installations.
    - Preparing testimony on AMI cost recovery in utility rate cases.
    - Participating in the National Institute of Standards & Technology's Smart Grid Interoperability Panel as a voting member.
- Preparing the "Ten-Year Plan (2014-2023) of Electric Companies in Maryland."
- Preparing the "Renewable Energy Portfolio Standard Report of 2014."
- Developing Offshore Wind regulations in conjunction with a Commission-led technical consultant.
- 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; electric, private water and sewer distribution; certification of solar renewable energy facilities; and natural gas and hazardous liquid pipeline safety.

In 2014, 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. During 2014, the Division received the annual reliability reports from each of the electric utility companies pursuant to the reliability and service quality regulations, including operations and maintenance manuals, vegetation management plans, and major outage event plans. Staff reviewed each of the reports and provided the Commission with its analysis and recommendations in the Commission's July 2014 hearing held in Case No. 9353.[52] In that hearing, Staff recommended working with utilities to develop a refined uniform data reporting template for future annual report filings, to allow Staff to better examine reliability data and performance trending in its assessments. Staff also reviewed and provided recommendations on DPL's Corrective Action Plan, a detailed report outlining how the utility expects to meet reliability targets in the future after missing targets in 2013. Staff determined that all of the utilities have shown an overall trend in

[52] *See* Section IV, Subsection C.3 (Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.11 – Case No. 9353).

increasing reliability and, with the DPL Corrective Action Plan implementation, all appear to be taking correct measures to further improve their electric distribution systems and comply with reliability indices specified by RM43 regulations. In 2015, the Engineering Division will continue to monitor the activities and subsequent filings of each utility company to ensure each is in compliance with COMAR regulations, conduct audits of the utilities' systems and provide recommendations on proposed reliability targets for 2016 through 2019.

Working with utilities, solar developers and PJM, the Division made significant process improvements designed to simply and expedite the review and approval of applications for certification of energy facilities eligible to receive Solar Renewable Energy Credits ("SRECs"). Approximately 4600 applications for photovoltaic ("PV") system certification were received in the calendar year. In previous years, application volume increased from 98 in 2008 to 2419 in 2013. This represents a 65% increase from 2013 to 2014, and a 4000% increase from 2008 to 2014. Approximately 75 MW of PV capacity was approved in 2014, which amounts to more than half of the total capacity (130 MW) approved over the prior six-year period. Most solar systems have been small residential installations (1-20 kW), with some commercial or institutional installations as large as 20 MW. Additionally, approximately 180 applications for solar hot water heating systems were approved in 2014. As the solar renewable energy requirement increases, the Division anticipates a 25% growth in applications to be filed in 2015.

With a simplified solar facility application review process, the Division will be reallocating resources to support its Water and Sewage Systems inspection program. The Division plans to inspect 30 systems attributed to 22 jurisdictional utilities in 2015.

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 2014 Maryland General Assembly Legislative Session, members of the Division's Pipeline Safety Group testified on numerous bills regarding pipeline safety at various Committee meetings. The Pipeline Safety Group also aided the Commission in the completion of the 2013 Interstate Pipeline Agency study, which was required under § 15-102 of the Public Safety Article, *Annotated Code of Maryland*. The law requires the Commission to perform a study to assess whether it is in the best interest of the citizens of Maryland for the Commission to apply to the U.S. Department of Transportation to become an Interstate Pipeline Agent. In 2014, the Commission applied to become an Interstate Pipeline Agent. During the 2013 Session, the Maryland General Assembly passed § 4-210 of the Public Utilities Article ("PUA"), 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 cost, for those plans, by the gas companies as they are implementing those plans. In 2014, three gas companies chose to develop STRIDE Plans and present them to the Commission. Those companies include Columbia Gas of MD, Baltimore Gas & Electric and Washington Gas Light. 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 those plans. In 2015, the Division's Pipeline Safety Group plans to continue 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.

The Division also worked with the transmission owners and relevant State agencies to review the plans for several transmission lines proposed in Maryland. New transmission requirements are based upon the need to replace existing aging infrastructure and to meet anticipated load growth. PJM peak load forecasts anticipate future electric demand growth of approximately 1%, reflecting continued low economic activity, demand response programs and solar installations. On the other hand, as of the end of 2014, PJM has approximately 13,000 MW of requested generator deactivation (retirement) capacity for the period December 31, 2014 to November 1, 2018 including approximately 1,300 MW in Maryland. The Division conducted analyses of major electric issues including the cost impacts on generation capacity market pricing, bulk transmission system restoration in the event of a major blackout and the impacts of last winter's "Polar Vortex" weather on generation performance to support Commission policy positions at PJM and FERC.

As of the end of 2014, the Division reviewed approximately 15 applications for issuance of a CPCN to modify existing, or to construct new generation (12) and transmission facilities (3). Replacement of aging electric transmission and distribution infrastructure, retiring generation and modification of existing generation facilities to comply with new air emissions requirements announced by the EPA, new fossil and perhaps offshore wind generation are significant issues that may require the Division's increased focus in 2015.

The Division received 12 requests for gas meter referee tests in 2014, an amount approximately average to the amount received annually over the past five years (7 in 2013, 12 in 2012, 6 in 2011 and 12 in 2010). Also the Division received 59 requests for electric meter referee tests in 2014, an amount approximately average to the amount received annually over the past five years (49 in 2013, 39 in 2012, 72 in 2011, 11 in 2010). Approximately 35% of electric meter tests were conducted on smart meters, compared to 20% in 2013. The total amount of installed meters that are smart meters increased throughout the State from 60% to 75% over the past year.

During 2014, the Engineering Division devoted staff time and effort to storm-related activities resulting from the Commission's participation in the Maryland Emergency Management Agency's ("MEMA") emergency preparedness and response efforts. This included 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"); 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; participating in the Governor's Senior Policy Group table top exercises; advising MEMA's Backup Power Workgroup on technical and regulatory matters; advising the State's Homeland Security and Cybersecurity departments on local and regional utility functions; and staffing the SEOC during emergencies. 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 it is activated in response to an actual or perceived emergency. The Division had a unique role in responding to concurrent gas and electric reliability concerns during the Polar Vortex event in early 2014, leading communication efforts with PJM, electric utilities, merchant generators, gas transmission and distribution companies, and local governments. In 2015, the Division is expected to provide increased support on cyber security matters.

The Engineering Division also attended the 2014 NARUC Winter Conference in February 2014, held in Washington, DC. At the conference, Staff interacted with government staff from other states and shared the Division's experiences with recent storms and efforts to improve electric service quality and reliability. Engineering staff also attended sessions on other topics such as legislative changes, resiliency, distributed generation and emerging technologies in gas pipeline safety. The Division has sponsored one of its staff members to participate in NARUC's Women in Energy Mentoring Program and plans to continue its involvement in NARUC and increase its involvement in other industry forums in 2015.

Members of the Engineering staff participated in the Governor's task force investigating microgrids, providing a technical and regulatory prospective on the operation of the electric grid and its interfacing devices. The Division has also taken 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. As a result of the Order in Case No. 9298, Division staff participated in Technical Staff's efforts to draft proposed rules for grid resiliency and electric power restoration during major outages. The Division has participated in inter-divisional reviews of the proposed Exelon-PHI merger and expects to continue these efforts in 2015. The Engineering Division also provided testimony in several filed rate cases and hearings and sponsored agency training on the roles and responsibilities of public service regulators.

5. Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation of Technical Staff's position in all matters pending before the Commission, under the supervision of the Executive Director. In performing its duties, the Staff Counsel Division 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 Technical Staff's testimony, reports, proposed legislation analysis, and comments before submission to the Executive Director. In addition, the attorneys: (1) draft and coordinate the promulgation and issuance of regulations; (2) review and comment on items handled administratively; (3) provide legal services to each division within the Office of Executive Director; and (4) handle inquiries from utilities, legislators, regulators and consumers.

During 2014, 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 several requests for CPCNs, taxi matters, and 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. The Division has reviewed 226 tariff filings, including rate revisions, new service offerings and related matters. Of those, 195 were telecommunications, 30 were natural gas, and 1 was water. The Division also presented testimony in six cases before the Commission. Staff participated in three base rate proceedings (one concerning natural gas and two concerning water), two natural gas purchased gas adjustment charge proceedings, and one telecommunications proceeding dealing with a *nunc pro tunc* transfer of control.

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 filed 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 14 new carriers, and certified 39 payphone service providers and 1,127 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.

The Division expects 2015 to present a similar work load in terms of filings and cases. Additionally, the Division will be working on sweeping regulatory recommendations particularly related to the changing environment of the telecommunications industry in Maryland, and will be looking to expand its provision of assistance to other divisions with matters of statistical and economic analysis.

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 1,445), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland and Hagerstown (tota1 1,398). The Commission is also responsible for licensing drivers (total 8,493) 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 7,269), 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.

During 2014, the Transportation Division continued its involvement with two cases, Case No. 9184 and Case No. 9325. On July 29, 2014, In the Matter of an Increase of Rates for Taxicab Service in Baltimore City and Baltimore County, Case No. 9184, the Commission issued an order mandating that the current rates and charges in effect shall remain in effect and requiring the installation of new meters in all taxicabs meeting specific requirements which includes the capability of the meter to accept credit and debit cards with a rear-seat payment center. In the Matter of an Investigation to Consider the Nature and Extent of Regulation Over the Operations of Uber Technologies, LLC and Other Similar Companies, Case No. 9325, Uber and Staff reached proposed settlement for compliance that was approved by the Commission. Additionally, on February 12, 2015, Staff proposed amendments to the Commission's Passenger-for-Hire regulations (COMAR 20.95), as it was directed to do in Order No. 86528.[53]

During 2014, the Transportation Division continued to conduct vehicle inspections and report results via on-site recording of inspection data and electronic transmission of that information to the Commission's databases and to the Federal Motor Carrier Safety Administration's Safety and Fitness Electronic Records ("SAFER") System. SAFER provides carrier safety data and related services to industry and the public via the Internet.

The Division maintained its regular enforcement in 2014 by utilizing field investigations and joint enforcement projects efforts with local law enforcement officials, Motor Vehicle Administration Investigators, and regulators in other jurisdictions.

Administratively, the Division continued to develop, with the Commission's Information Technology staff, projects designed to streamline processes through

[53] *See* Section VII, Subsection C.

automation, electronic filings by the industry, and better intra-agency communication among the Commission's internal databases.

D. Office of External Relations

The Office of External Relations ("OER") investigates and responds to consumer complaints relating to gas, electric, water and telephone services. OER investigators act as mediators in order to resolve disputes between consumers and utility companies based on applicable laws and tariffs. In 2014, the OER investigated 5,258 consumer complaints, a slight decrease from 2013 (5,278). Of those complaints, 4,809 involved gas and electric issues (an approximate 4.4% increase from 2013 at 4,606); while 330 were telecommunication complaints (a decrease of approximately 22.2% from 2013 at 424); 48 complaints related to water companies (approximately 30.3% decree slight increase from 2013 at 46); and 71 complaints involved other issues (an approximate 65.4% decrease from 2013 at 202).

OER also investigated 2,288 complaints against suppliers (an approximate 87.9% increase from 2013 at 1,218). Approximately 1,150 of these complaints were made during the period January 2014 and March 2014, which encompassed the so-called "polar vortex periods." Due to the extreme cold during these periods, suppliers that offered variable rate products saw an increase in the market price of electricity due to the unanticipated demand for generation during the period. These suppliers then passed these higher wholesale prices onto their retail customers with variable rates, which created rate shock for a number of customers. The majority of complaints during the January 2014 and March 2014 period were from customers with variable rates, which included complaints about the high rates as well as the inability to contact the supplier to switch to either SOS or other competitive supply services.

In addition, OER staff fulfilled 1,194 requests for information concerning the Commission, utilities and suppliers (an approximate 16.9% decrease over 2013 at 1,437). The OER intake unit received 8,287 requests for payment plans or extensions (an approximate 32% increase). Overall, OER received 33,949 telephone calls in 2014 (an approximate 11% increase than in 2013 at 30,580).

OER staff members work proactively to provide the public with timely and useful utility-related information based on the feedback received from consumers. OER also continued to have regular meetings with the utilities to ensure that all parties are responding appropriately to customer concerns.

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, a part-time attorney License Hearing Officer, and two administrative support personnel. Typically, the Commission delegates proceedings to be heard by the Public Utility Law Judges that pertain 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. The part-time License Hearing Officer hears matters pertaining to certain taxicab permit holders and also matters regarding Baltimore City, Cumberland, and Hagerstown taxicab drivers, as well as passenger-for-hire drivers. The Public Utility Law Judges also hear transportation matters.

While most of the Division's activity concerns delegated cases from the Commission, the Commission may also conduct its proceedings in three-member panels, of which 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.

The Public Utility Law Judges and the License 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 2014, 262 cases were delegated by the Commission to the Division: 41 non-transportation-related matters; and 221 relating to transportation matters, of which 53 were taxicab-related. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of civil penalties against carriers for violations of applicable statutes or regulations.

The Division held 347 hearings and issued 240 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 20 appeals/requests for reconsideration filed with the Commission resulting from the Proposed Orders – the Commission issued 2 orders reversing a Proposed Order and 6 orders remanding the matter to the Division for further proceedings.

XII. RECEIPTS AND DISBURSEMENTS FY 2014

Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	$	6,813,978
Public Utility Regulation Fund	$6,813,978	
Federal Fund	$0	
Technical and Special Fees		172,176
Public Utility Regulation Fund	$148,769	
Federal Fund	$23,407	
Operating Expenses		28,558,241
Public Utility Regulation Fund	$2,522,434	
Federal Fund	$58,379	
Customer Investment Fund	$25,006,663	
Offshore Wind Energy Fund	$970,765	
Total Disbursements for Fiscal Year 2014	$	35,545,395
Public Utility Regulation Fund	$9,485,181	
Federal Fund	$81,786	
Customer Investment Fund	$25,006,663	
Offshore Wind Energy Fund	$971,765	
Reverted to State Treasury		1,599,274
Public Utility Regulation Fund	$494,680	
Federal Fund	$266,487	
Customer Investment Fund	$808,872	
Offshore Wind Energy Fund	$29,235	
Total Appropriation for Fiscal Year 2014	$	37,143,669
Public Utility Regulation Fund	$9,979,861	
Federal Fund	$348,273	
Customer Investment Fund	$25,815,535	
Offshore Wind Energy Fund	$1,000,000	

C90G002 – Telecommunications Division

Salaries and Wages	$	455,527
Operating Expenses		219
Total Disbursements for Fiscal Year 2012	$	455,746
Reverted to State Treasury		1,542
Total Appropriation for Fiscal Year 2012	$	457,288

C90G003 – Engineering Investigations Division

Salaries and Wages	$	1,473,063
Public Utility Regulation Fund	$1,099,074	
Federal Fund	$373,989	
Operating Expenses		102,859
Public Utility Regulation Fund	$21,766	
Federal Fund	$81,093	
Total Disbursements for Fiscal Year 2014	$	1,575,922
Public Utility Regulation Fund	$1,120,840	
Federal Fund	$455,082	
Reverted to State Treasury		29,088
Public Utility Regulation Fund	$5,618	
Federal Fund	$23,470	
Total Appropriation for Fiscal Year 2014	$	1,605,010
Public Utility Regulation Fund	$1,126,458	
Federal Fund	$478,552	

C90G004 – Accounting Investigations Division

Salaries and Wages	$	632,612
Operating Expenses		1,025
Total Disbursements for Fiscal Year 2014	$	633,637
Reverted to State Treasury		1,026
Total Appropriation for Fiscal Year 2014	$	634,663

C90G005 – Common Carrier Investigations Division

Salaries and Wages		$	1,296,761
Public Utility Regulation Fund	$1,296,761		
For-Hire Driving Services Enforcement Fund	$0		
Technical and Special Fees			99,237
Public Utility Regulation Fund	$6,150		
For-Hire Driving Services Enforcement Fund	$93,087		
Operating Expenses			86,994
Public Utility Regulation Fund	$34,984		
For-Hire Driving Services Enforcement Fund	$52,010		
Total Disbursements for Fiscal Year 2014		$	1,482,992
Public Utility Regulation Fund	$1,337,895		
For-Hire Driving Services Enforcement Fund	$145,097		
Reverted to State Treasury			2,229
Public Utility Regulation Fund	$2,229		
For-Hire Driving Services Enforcement Fund	$0		
Total Appropriation for Fiscal Year 2014		$	1,485,221
Public Utility Regulation Fund	$1,340,124		
For-Hire Driving Services Enforcement Fund	$145,097		

C90G006 – Washington Metropolitan Transit Commission

Operating Expenses	$	240,476
Total Disbursements for Fiscal Year 2014	$	240,476
Reverted to State Treasury		600
Total Appropriation for Fiscal Year 2014	$	241,076

C90G007 – Rate Research and Economics Division

Salaries and Wages	$	374,629
Operating Expenses		8,901
Total Disbursements for Fiscal Year 2014	$	383,530
Reverted to State Treasury		1,851
Total Appropriation for Fiscal Year 2014	$	385,381

C90G008 – Hearing Examiner Division

Salaries and Wages	$	650,688
Operating Expenses		979
Total Disbursements for Fiscal Year 2014	$	651,667
Reverted to State Treasury		2,275
Total Appropriation for Fiscal Year 2014	$	653,942

C90G009 – Office of Staff Counsel

Salaries and Wages	$	874,072
Operating Expenses		6,526
Total Disbursements for Fiscal Year 2014	$	880,598
Reverted to State Treasury		1,051
Total Appropriation for Fiscal Year 2014	$	881,649

C90G0010 – Integrated Resource Planning Division

Salaries and Wages	$	677,374
Operating Expenses		1,365
Total Disbursements for Fiscal Year 2014	$	678,739
Reverted to State Treasury		1,706

Total Appropriation for Fiscal Year 2014	$	680,445

Summary of Public Service Commission
Fiscal Year Ended June 30, 2014:

Salaries and Wages	$	13,248,704
Public Utility Regulation Fund	$12,874,715	
Federal Fund	$373,989	
For-Hire Driving Services Enforcement Fund	$0	
Technical and Special Fees		271,413
Public Utility Regulation Fund	$154,919	
Federal Fund	$23,407	
For-Hire Driving Services Enforcement Fund	$93,087	
Operating Expenses		29,007,585
Public Utility Regulation Fund	$2,838,675	
Federal Fund	$139,472	
For-Hire Driving Services Enforcement Fund	$52,010	
Customer Investment Fund	$25,006,663	
Offshore Wind Energy Fund	$970,765	
Total Disbursements for Fiscal Year 2014	$	42,527,702
Public Utility Regulation Fund	$15,868,309	
Federal Fund	$536,868	
For-Hire Driving Services Enforcement Fund	$145,097	
Customer Investment Fund	$25,006,663	
Offshore Wind Energy Fund	$970,765	
Reverted to State Treasury		1,640,642
Public Utility Regulation Fund	$512,578	
Federal Fund	$289,957	
For-Hire Driving Services Enforcement Fund	$0	
Customer Investment Fund	$808,872	
Offshore Wind Energy Fund	$29,235	
Total Appropriations	$	44,168,344
Public Utility Regulation Fund	$16,380,887	
Federal Fund	$826,825	
For-Hire Driving Services Enforcement Fund	$145,097	
Customer Investment Fund	$25,815,535	
Offshore Wind Energy Fund	$1,000,000	

Assessments collected during Fiscal Year 2014:	$	20,660,271

Other Fees and Revenues collected during Fiscal Year 2014:

1) Fines & Citations	$	424,056
2) For-Hire Driving Services Permit Fees	$	178,621
3) Meter Test	$	670
4) Filing Fees	$	291,682
5) Copies	$	3,002
6) Miscellaneous Fees	$	1,533
7) Interest Earned on Fund Balances	$	575,050
Total Other Fees and Revenues	$	1,474,614

Monies received from Exelon Corporation in Support of Customer Investment Fund Activities:	$	37,833,333
Monies received from Maryland Energy Administration In support of Offshore Wind Energy Fund and Public Utility Regulation Fund Activities:	$	1,240,000

Assessments collected that were remitted to other State Agencies during Fiscal Year 2014 From the Public Utility Regulation Fund:

1) Office of People(s) Counsel	$	4,469,157
2) Railroad Safety Program	$	432,127

Monies collected that were remitted to other State Agencies during Fiscal Year 2014 From the Customer Investment Fund:

1) MD Dept. of Housing and Development	$	2,650,000
2) Maryland Energy Administration	$	5,364,544