Fiscal Year 2001

Annual Report

Maryland Office of People's Counsel

The voice of Maryland's residential utility customers

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Maryland Office of People’s Counsel

Our Services

Representation
We speak for Maryland's residential energy, telecommunications and certain water and transportation consumers before the Public Service Commission, federal agencies and the courts. The People’s Counsel may request that the Public Service Commission initiate proceedings necessary to protect consumers' interests.

Education
We keep residents informed of their rights as utility service customers. Through our consumer education programs and web site, we distribute information on current topics to consumers and community organizations throughout Maryland.

Assistance
We help limited-income consumers resolve problems with utility bills or services and obtain information about financial aid for utility bills.

Investigation
We respond to consumer complaints and monitor the business practices of utility and non-utility energy and telecommunications providers.

Training
We offer resources to service providers so they can better aid their clients in obtaining energy, telephone and related household assistance.

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A Message from the People's Counsel

The Office of People's Counsel covered many fronts during FY 2001 to ensure that Maryland's residential consumers have access to reliable utility services at reasonable prices. We worked with the Public Service Commission, the Office of Attorney General, suppliers and utility companies to develop new consumer protection rules for Maryland's deregulated energy markets. We opened our own investigative office to oversee the activities of gas and electricity suppliers. We helped social service agencies and consumers obtain energy assistance dollars to pay high natural gas bills. And we advocated a statewide moratorium on service terminations that helped low income energy consumers keep the heat and power on during the winter.

Telecommunications markets continued to be in flux in Maryland as the number of competitive local telephone companies decreased. OPC participated in state and federal telecommunications proceedings, arguing against increases in subscriber line charges and other federal fees that telephone companies impose on consumers. OPC also continued to represent customers of private water companies to ensure that these households have access to clean water at reasonable rates.

As we learned this year, there are no guarantees in deregulated markets. The Electric Choice program completed one year of operation. There is not much activity in the residential market and the benefits for consumers have come primarily through the rate reductions required by the Electic Choice Act that were negotiated by my office. Natural gas prices skyrocketed, to the dismay of many Maryland residents, especially low and limited-income gas consumers. These uncertain times highlight the need for active consumer representation in the regulatory processes for utility services.

We are committed to our role as advocates for the interests of residential utility customers. On behalf of the OPC staff, I welcome the opportunity to serve you.

Sincerely,

Michael J. Travieso
People's Counsel

About the Office of People's Counsel

The Office of People's Counsel (OPC) is an independent state agency that represents the interests of Maryland's residential consumers in energy, telecommunications, water and certain transportation matters before the Public Service Commission (PSC), federal regulatory agencies and in the courts. Created in 1924, OPC is the oldest consumer advocacy office of its kind in the United States. In all, 40 states and the District of Columbia have consumer advocacy offices to represent residential and other utility customers.

Section 2-205(b) of the Maryland Public Utility Companies Article of the Maryland Annotated Code empowers the Office of People's Counsel to evaluate all matters pending before the PSC to determine if they affect the interests of residential users of electricity, gas, telephone, water and sewer and transportation. The Office may also request that the PSC initiate proceedings necessary to protect consumers' interests. These investigations challenge the level of a utility's current rates or request that the PSC review current rules and practices.

OPC also represents consumers before various federal agencies when OPC determines the interests of residential consumers are involved, and in the courts in all matters and proceedings in which the PSC has original jurisdiction. OPC actively participates in numerous proceedings before the Federal Energy Regulatory Commission (FERC), which regulates wholesale electricity transactions and the interstate transportation of natural gas and electricity, and the Federal Communications Commission (FCC), which regulates interstate telecommunications services. OPC also recommends legislation to the General Assembly. OPC is an active member of the National Association of State Utility Consumer Advocates (NASUCA), with representatives on the NASUCA Telecommunications, Electric, Natural Gas and Consumer Protection Committees.

OPC functions as a small law office employing a staff of 19 (18 FTE), and retains consultants to provide technical assistance and expert testimony. Consultants are highly qualified accounting, engineering and economic experts who perform research, assist with the drafting of written comments and appear as expert witnesses in proceedings before the PSC and in the courts.

Operating Budget

The Office of People's Counsel operated with a budget of $2,401,533 in Fiscal Year (FY) 2001. OPC's largest expenditure, which represents about forty percent of the budget, is for technical consultants who provide expert testimony in cases before the Public Service Commission and in connection with OPC filings at FERC and the FCC.

OPC does not receive taxpayer dollars. Instead, the agency receives funding from the State General Fund Budget, which is replenished by an assessment on the gross operating revenues of Maryland's regulated utility companies and suppliers.

In FY 2001, OPC implemented an independent salary plan for certain employees designated under law as being part of the independent salary setting authority given to the Office of People's Counsel.

Consumer Outreach

Changes to utility services and rates can have a profound effect on residential customers. Utility restructuring therefore increases the need for regulatory oversight and stakeholder participation. OPC has the necessary knowledge, resources and access to the regulatory processes to be effective advocates for residential utility consumers.

Education and Training

Building on a program started in FY 2000, OPC expanded its outreach efforts to educate consumers about their rights and to provide resources to help them manage their utility bills. Staff attorneys and experts responded to numerous consumer calls for information and investigated complaints about gas, electric, telephone and water utility services in FY 2001.

Consumer Education Brochures. During the fall and winter of 2000, OPC developed a series of three brochures to help consumers locate energy assistance resources or obtain help in making payment arrangements. *Consumer Alert: Natural Gas Prices Skyrocket* has suggestions for reducing natural gas consumption and maintaining utility service in light of high natural gas bills. *Electric Universal Service Program* provides information on how limited income electric consumers can get financial assistance from a new state program. *Conservation Tips* lists ways to reduce household energy use and monthly bills. OPC also developed *Electric Choice*, a brochure that answers basic questions about the changes in Maryland's electric industry. In the spring of 2001, OPC published a brochure on how consumers can save money on long distance telephone charges. The office distributed almost 20,000 of its brochures to consumers, legislators, utilities and energy assistance providers during FY 2001.

Resource Guides. In an effort to assist limited-income consumers, OPC developed county-specific Resource Guides that identify available utility bill assistance resources from federal, state, and local programs as well as private charities. OPC mailed copies of the Resource Guides to more than 1,000 energy assistance providers who work with consumers. The guides were also helpful in coordinating utility education services with the Department of Human Resources and the State Department on Aging.

Postcard. At OPC's request, Baltimore Gas and Electric Company (BGE) provided a postcard with energy assistance information to customers who received termination notices, or who had their electric or natural gas service shut off. Through the postcards, OPC was able to reach customers who were unaware of their termination rights and responsibilities, and did not know how to apply for energy assistance programs. OPC refers BGE customers who contact OPC from the postcard to energy assistance agencies and sends each customer a packet of energy assistance information.

Public speaking. OPC continued to reach consumers and social service providers personally by participating in community meetings. Displaying a new color exhibit to enhance customer recognition, OPC staff participated in local and statewide conferences on health and community services. In particular, OPC worked this year to educate social service providers about the availability of the state's new energy assistance program, the Electric Universal Service Program (EUSP). OPC also attended PSC training sessions, when available, to offer assistance and comments on PSC educational efforts.

Recognizing the importance of web-based communications, OPC upgraded its web site during FY 2001, an effort that increased visitors to the site by 73 percent. Residents can now access OPC's web site to learn about consumer alerts, print copies of brochures, and obtain status reports on current cases (www.opc.state.md.us). OPC also expanded distribution of its popular newsletter, *On Your Side*. This quarterly consumer publication now delivers news and information to more than 1,300 legislators, consumers, advocates and service providers in Maryland and around the country.

Consumer Education Advisory Board

The Consumer Education Advisory Board (CEAB) is an outgrowth of the Commission's electric restructuring proceedings in Case No. 8738. The CEAB assists the PSC with the development of a statewide consumer education plan on electric restructuring. The Commission appointed OPC to the Board in April, 1999 and OPC has served as recording secretary since the Board's inception. As secretary, the OPC representative is responsible for drafting minutes, memos and reports for the CEAB.

OPC Speaking Out

- Maryland Public Television Newsnight
- WBAL Radio, Larry Young Show
- WJHO Baltimore Public Radio, Mark Steiner Show
- Montgomery Cable Television, Fast Forward
- Fox Channel 45 Newsmakers
- CBS Channel 13 News
- Montgomery/Prince George's Journal, *Editorial: Bush Energy Plan Helps Texas, not Maryland*
- Radio One People's Expo
- American Association of Retired Persons Annual Convention
- National Association of Regulatory Utility Commissioners Conference
- National Association of State Utility Consumer Advocates
- Maryland Association of Counties Annual Convention
- Senior Law Day sponsored by Baltimore City Bar Association
- Maryland Association of Community Action Agencies Conference
- North Carroll Senior Center
- National Association of Retired Federal Employees
- St. Vincent de Paul Society - parish chapter meetings
- Office of Home Energy Programs Energy Fair
- Robert Coleman Community Association
- Govans Ecumenical Development Corporation
- Maryland Aging Network Conference
- Shelter Plus Housing Workshop
- Cal Ripken Learning Center
- FORUM for Rural Maryland Annual Summit
- Prince George's County Retired Teachers Association
- NSW/Mt. Clare Community Association

OPC actively participated in the development of the PSC's consumer education efforts through its membership on the Board. OPC has headed up a sub-group that worked with interested parties to target messages and strategies of the statewide campaign to the "hard-to-reach" audience. "Hard-to-reach" is defined by the state plan as those customers who are low-income, elderly, rural, disabled, illiterate or functionally illiterate, as well as customers for whom English is a second language. OPC provided ongoing technical assistance to the Commission and its consultants during the development and implementation phases of this outreach.

OPC is an active member of Energy Advocates, a statewide coalition of low-income energy customer advocates, and has served as a conduit for information about statewide consumer education activities targeted at low-income consumers.

OPC provided materials to the PSC and its consultants specific to consumer education, reviewed draft educational material and offered suggestions and revisions to the state consumer education campaign. OPC continues to monitor the development of the electric market and advise the PSC of residential utility consumer concerns through its membership on the Board.

Energy Advocates

OPC is an active member of Energy Advocates, a statewide coalition of low-income energy customer advocates, and has served as a conduit for information about statewide consumer education activities targeted at low-income consumers at monthly Energy Advocates meetings. OPC encourages members to attend CEAB meetings as interested parties and make recommendations on ways to integrate the Electric Universal Service Program (EUSP) into the PSC's statewide education campaign.

OPC worked with members of Energy Advocates to target mailings to the estimated 30,000 low-income households in federally subsidized, or Section 8, housing properties to alert management and consumers to the availability of funds from the state's new EUSP energy assistance program. Energy Advocates disseminated flyers and brochures about the EUSP program and offered on-site training to consumers.

DHR EUSP Advisory Board and MEAP Policy Planning Committee

OPC is an active member of Department of Human Resources EUSP Advisory Board, which addresses program design issues for the Electric Universal Service Program.

OPC has also been involved in making recommendations to improve the Maryland Energy Assistance Program, which is run by the Office of Home Energy Programs (OHEP) in the Department of Human Resources. OPC suggested guidelines for an income waiver mechanism for limited income MEAP applicants who were slightly over the income limit but still needed energy assistance. OPC also compiled utility complaint forms for OHEP so that customers having problems accessing EUSP arrearage benefits could get assistance without having their issues brought before the PSC.

Investigative Services

In response to the start of Electric Choice in Maryland, OPC began operating its own investigative office in November, 2001.

The OPC investigator works with staff attorneys to review licensing applications for companies seeking to solicit or sell retail natural gas and electric services in the state. The investigator monitors the advertising, marketing and solicitation activities of retail natural gas, electricity and telecommunications providers, and responds to complaints, to ensure that consumers are not being misled or confused about contract requirements or services. The investigator also checks the Internet and the media for unlicensed companies soliciting and selling retail natural gas and electric services. If a company is found to be soliciting or selling retail natural gas or electric services in Maryland without a license, OPC will take appropriate action to have the company apply for a license or cease operating in the state.

The office investigated 76 total cases through June 30, 2001. Fourteen cases were consumer protection issues, 13 cases involved direct misrepresentations by suppliers to consumers and 7 cases were companies operating in Maryland without a license. Five cases were miscellaneous investigations.

The companies operating without a license either applied for a license or stopped doing business in the state.

From OPC's case files

The Case of the Charitable Provider

A supplier marketed electricity to religious congregations in Maryland, offering a rebate to the church or charity of their choice. This practice encouraged group participation to benefit the congregation. The OPC investigator reviewed the supplier's web site and determined that the charges and terms for the company's products were vague and misleading. OPC was unable to determine where the money for rebates would come from and how the company would distribute funds to charities. Following OPC's inquiries, the supplier stopped marketing electricity to customers in Maryland.

The most serious of the cases included:

- An unlicensed firm using church congregations in a scheme to create "buying pools."
- Two licensed companies using marketing agents who directly misrepresented the true identity of the company to the consumers.
- An unlicensed company brokering customers to other unlicensed utility companies.

In total, the office was able to arrange for approximately $3,450 in refunds or account credits of customer payments from these investigations.

Legislation

The 90-day legislative session of the Maryland General Assembly adjourned April 9, 2001. OPC participated by supporting bills that had the potential to provide benefits to residential consumers.

Universal Service Program Fund Retention - Senate Bill 831 (Passed)

The *Electric Customer Choice and Competition Act of 1999* set up the Electric Universal Service Program to help limited-income consumers pay their electricity bills. Administrative problems at the Department of Human Services during the first year of the program delayed distribution of Universal Service Funds to eligible consumers. Senate Bill 831 permits the Public Service Commission to retain any unexpended Universal Service funds at the end of the year (June 30, 2001) and make those funds available for disbursement through the following year. The funds will go to electric customers who qualified for assistance from the fund during fiscal year 2001 and who apply for assistance from the fund before July 1, 2001. The governor signed this bill on May 15, 2001. SB 831 sensibly extended the Electric Universal Service Program to allow state assistance agencies to process all timely applications.

Aggregation - Senate Bill 77 and House Bill 198

Senate Bill 77 would have repealed the provision in the *Electric Customer Choice and Competition Act of 1999* that prohibits a county or municipal corporation from acting on behalf of a customer to purchase electricity. The bill would include counties and municipal corporations as entities that may act as aggregators for the purchase of electricity or gas under specified circumstances.

The *Act* states: "A county or municipal corporation may not act as an aggregator unless the Commission determines that there is not sufficient competition within the boundaries of the county or municipal corporation."

2001 General Assembly
Important Utility Legislation for Residential Consumers

Energy

Universal Service Program Fund Retention - Senate Bill 831 (passed)

Aggregation - Senate Bill 77 and House Bill 198

Clean Energy Portfolio Standard - Senate Bill 767

Clean Energy Investment Fund - Senate Bill 688 and House Bill 1322

Electric Industry Restructuring: Weatherization - House Bill 1354

Telecommunications

Caller Identification Blocking - Senate Bill 79 (passed)

Structural Separation of Telephone Companies - House Bill 957

Telephone Rates Competition - House Bill 482

OPC supported repeal of this provision to encourage electric choice options for residential consumers. There is not much activity in the residential market and the benefits for consumers have thus far come primarily through the rate reductions required by the Electic Choice Act. OPC believes that municipal or county aggregation would reduce the costs of serving small customers and help residential customers form efficient buying groups that can purchase electricity at competitive prices, just like large industrial customers.

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House Bill 198 would have changed the definition of "aggregator" to: include a county or municipal corporation that purchases electricity for customers under specified circumstances; authorize a county or municipal corporation to act as an aggregator unless specified circumstances exist; provide a time for the PSC to make a specified determination; and establish a process by which a specified customer could give the county or municipal corporation permission to act as its aggregator.

The Senate passed SB 77. The House decided to refer this legislation for more study. OPC expects the General Assembly to address municipal aggregation in the 2002 legislative session.

Clean Energy Portfolio Standard - Senate Bill 767

This bill would have allowed the Public Service Commission to establish a clean energy portfolio standard for electricity products and a Clean Energy Fund. Starting in 2005, all electricity products would have to meet a minimum standard for clean energy. The money in the fund would come from compliance payments from utilities that failed to meet the Clean Energy Portfolio Standard. Electricity suppliers would have been required to pay a compliance fee of 2 cents for each kilowatt hour of shortfall.

A renewable portfolio standard can benefit residential customers by promoting the development of diverse energy resources that do not rely on fossil fuels (coal, natural gas and oil) and have fewer negative environmental impacts. The bill received an unfavorable report from the Senate Finance Committee.

Clean Energy Investment Fund - Senate Bill 688 and House Bill 1322

These bills would have created an investment fund for energy efficiency programs to be administered by the Maryland Energy Administration. The program would be funded by means of a surcharge based upon the electricity usage levels of business and residential customers. OPC supported the inclusion of such a program in the electric restructuring legislation in 1999, and testified in support of these bills. This program could provide energy savings benefits to both individuals and residential customers acting as a group by helping to reduce peak energy demand, and therefore reducing costs of energy during those peak periods. The bills received unfavorable reports by the respective House and Senate Committees.

Electric Industry Restructuring: Weatherization - House Bill 1354

This bill would have amended the Universal Service component of the *Electric Customer Choice and Competition Act of 1999* by adding a definition for the term "weatherization." The bill was intended to provide guidance, as requested by the Public Service Commission, regarding the types of conservation or energy efficiency measures that may be included in an EUSP weatherization program for low-income electric customers. The proposed amendment made clear that only measures that reduced electricity use were permissible, and that certain types of measures, such as lighting and appliance replacement, could be provided to eligible customers. OPC worked with the Department of Human Resources and some utilities to craft acceptable amendment language, and testified in support of the bill. The House referred this bill for Interim Study.

Caller Identification Blocking - Senate Bill 79

This legislation prohibits a telephone solicitor from using any device or method to block the transmission of the solicitor's telephone number to a recipient. The bill provides for fine not exceeding $1,000 for a first offense and $5,000 for each subsequent offense. The Governor signed this bill on May 18, 2001.

OPC supported this legislation. Call blocking is a deceptive practice that allows a telephone solicitor to hide his employer and identity. Once consumers know the number of a telephone solicitor, they have information to identify the caller and, if necessary, refer the matter to the appropriate authorities if there is reason to believe the solicitor is violating a Maryland law.

Structural Separation of Telephone Companies - House Bill 957

This legislation would have separated local exchange carriers (Verizon) into a retail arm and a wholesale arm. Verizon controls over 99 percent of the residential and small business market in Maryland. Currently, Verizon provides local telecommunications services to its retail customers and to its competitors, who want to sell to retail customers, through the same corporate entity. HB 957 would encourage retail competition in the "local exchange" market by placing Verizon's retail business on an equal footing with all of its competitors with respect to leasing, purchasing and using Verizon's network facilities. OPC supported the bill because structural separation of unbundled monopoly companies is necessary to create a level playing field. The sponsor withdrew the legislation.

Telephone Rates Competition - House Bill 482

This legislation was an attempt to increase competition for local and intrastate interLATA telephone services by studying options for changes in local access and transport area (LATA) boundaries in the state.

LATAs are neighborhood calling areas. Callers incur toll charges when calling outside their LATA. The bill also would have required the Commission to file reports in 2003 and 2004 on its progress in enhancing competition for local exchange service. OPC did not support this legislation. The bill received an unfavorable report by the House Environmental Matters Committee.

Electricity

PSC Case No. 8892 - Washington Gas Energy Services, Inc.'s Petition for Declaratory Order Regarding Unfair Trade Practices of Pepco Energy Services, Inc.

Washington Gas Energy Services, Inc. (WGES) filed a petition against Pepco Energy Services, Inc. (PES) on June 1, 2001. The petition involved a disputed trade practice. WGES alleged that PES violated promotional practice rules and fair trade practices by offering payments to customers for signing supply contracts which permitted these customers (apartment owners) to remain on standard offer service with the regulated utility Washington Gas. As part of its complaint, WGES also claimed that the settlement in Case No. 8796, which gave Pepco an incentive through a generation procurement credit (GPC) mechanism to obtain a power supply contract with a price per kilowatt hour lower than Pepco's unbundled generation rate, should be altered.

On brief, OPC explained that as a result of the settlement in Case No. 8796, if Pepco successfully obtained such a power contract, customers who remained on standard offer service would share in the benefit of the lower-priced supply. OPC explained that the purpose of the GPC mechanism was unrelated to the WGES complaint and that customer choice of standard offer service (SOS) at the lower-priced supply exists independent of other market practices. WGES erred in seeking to establish a link between elimination of the GPC and resolution of its complaint. The Hearing Examiner dismissed the complaint. The Commission adopted the Proposed Order as a Final Order on November 2, 2001.

PSC Case No 8890 - Proposed Merger Involving the Potomac Electric Power Company and Delmarva Power and Light Company

On May 11, 2001 the Potomac Electric Power Company (Pepco) and Delmarva Power and Light Company (Delmarva or Conectiv) filed a Joint Application regarding a proposed merger involving Pepco and Delmarva. The applicants alleged in their Joint Application that the merger would provide "substantial benefits" for both the customers and stockholders of Pepco and Conectiv. During FY 2001, OPC developed testimony that raised questions about the effect the proposed merger would have on the Pepco and Conectiv franchises. OPC recommended that the merger should be approved only if it provided net benefits for Maryland ratepayers as well as for stockholders of the two utilities. Hearings on this case will commence in FY 2002.

PSC Case No. 8883 - Business Separation of Constellation Energy Group

OPC participated in the PSC proceeding investigating the proposed separation of Constellation Energy, the company that owns Baltimore Gas and Electric (BGE), into two holding companies. One holding company would own BGE and the other holding company would own the generating plants. OPC's position was that there needed to be conditions attached to the separation to protect ratepayers.

First, OPC was concerned that BGE would risk not being able to acquire power at a low enough price to supply residential customers at the frozen rates established in the restructuring settlement. OPC did not want BGE to be in a position, similar to the situation faced by California utilities recently, to have to buy very expensive power on the wholesale market. During this proceeding, BGE entered into a supply contract with the affiliated company that owns generation plants to buy all the power BGE needs to supply residential customers through the end of the rate freeze period in 2006. Second, OPC was concerned that the separation proposal would leave BGE with a high level of debt. OPC’s expert witnesses testified about the adverse effects a high level of fixed-rate debt can have on a utility company.

The Commission held a hearing on the matter in late July, 2001. OPC later filed a brief and reply brief. While the Commission was considering the case, Constellation announced that it had reconsidered the separation plan and had decided to remain as one company.

Competitive Bidding Process for BGE's Wholesale Electric Power Supply. The PSC investigated the issue of standard offer service risk during BGE's business separation proceeding. At the time, BGE only had a full requirements contract for standard offer service through June, 2003. OPC took the position that residential ratepayers must be protected during the entire price freeze period and that BGE must be required to show the Commission how the company planned to provide price freeze service until 2006 after the Constellation business separation was approved.

Ultimately BGE agreed to participate in a competitive bidding process. BGE issued a request for proposal (RFP) to bid out its wholesale electric power supply for the period July 1, 2003 through June 30, 2006. The bidding process began in May, 2001 with BGE contacting 74 potential bidders. The final RFP was issued on June 15, 2001 with Allegheny Energy Supply Company and Constellation Power Source, Inc. executing contracts with BGE.

PSC Case No. 8839 - Investigation into the Impact of Management Services on Reliability of Utility Distribution Systems

The PSC directed its staff to conduct an investigation to determine whether management incentives to reduce costs had eroded the ability of Maryland utilities to perform service restorations and distribution system maintenance when faced with major outages as a result of storms. After an investigation, staff concluded there was no evidence that management incentives were used to reduce either company field personnel or plant maintenance costs to the detriment of maintenance or service reliability.

Local Union No. 1900 of the Brotherhood of Electrical Workers advised it was meeting with Potomac Electric Power Company (Pepco) to discuss regular staffing levels and reliability issues and was apparently satisfied with Pepco's procedures. OPC recommended that utilities present specific details associated with their 10 longest outages over the past two years. The PSC staff and the utilities argued that the reporting requirements under Case No. 8826 (see following case) provided adequate information on this issue and the Commission agreed.

PSC Case No. 8826 - Investigation into the Preparedness of Maryland Utilities for Responding to Major Outages

Maryland consumers experienced reliability concerns in 1999 with the ice storm outages affecting central Maryland in January, the heat related outages affecting the Eastern Shore in July, and the severe impacts of Hurricanes Floyd and Dennis. The Commission instituted an investigation that required utilities to file information concerning all facets of outage preparedness, communication with customers and emergency management services. OPC actively participated in working groups concerning uniform reporting standards, customer communication and assistance, undergrounding, tree trimming, performance standards, and coordination with emergency management. Electric distribution reliability and storm preparedness are major concerns of OPC in this time of rate caps, rate freezes and cost cutting initiatives. OPC used the services of an engineering expert on electric distribution reliability to advocate new operations and performance standards that will enhance reliability and/or mitigate the effects of storm and disaster-related outages.

PSC Case No. 8820 - Phase 2 (CN 8866-8875) - Investigation into Affiliate Activities, Promotional Practices and Codes of Conduct of Regulated Gas and Electric Companies.

The PSC issued a number of regulations governing the activities of affiliates of investor-owned gas or electric utilities and electric cooperatives in competitive markets, including restricting the use of a utility's brand name and logo by its affiliate. The PSC did find that use of the utility's brand name and logo constitutes transfer of a valuable asset from the utility to the affiliate and ordered a Phase 2 proceeding to examine the appropriate value to be imputed to the utility for use of the utility's name and logo. Phase 2 was also necessary to determine the appropriate value for transfer of possible unquantified and other intangible benefits.

OPC argued that a generic Phase 2 case should be litigated and the principles from that case applied to the affected electric and gas utilities. Instead, the PSC ordered that each utility have a separate case to examine the facts specific to that utility. By letter, the PSC advised that parties must file any requests for waivers by January, 2001. The PSC exempted municipalities and Eastern Shore Natural Gas from the requirements of the order. They also found that cooperatives and small utilities were covered by the order but because of their unique characteristics, these companies could petition for a waiver from all or part of the order if they could show the PSC that the rules would be unduly burdensome.

Following the order to implement the PSC rulings, Potomac Edison (PE) filed a request for waiver, particularly in regard to royalty imputation and employee sharing arrangements (Case No. 8868). PE based its arguments on the unique business structure of the company in relation to its parent, Allegheny Power Company. After the close of the fiscal year, the Hearing Examiner denied the request for waiver. PE appealed and the order is pending before the Commission.

The PSC docketed ten cases and will hold hearings in the spring and summer of 2002. OPC is actively litigating all ten cases and plans to oppose any blanket waiver requests.

Supplier Fees Cases:

No. 8852 - Pepco
No. 8851 - Potomac Edison (PE)
No. 8850 - Delmarva Power and Light (DPL)
No. 8849 - Baltimore Gas & Electric Company (BGE)
No. 8817 - Southern Maryland Electric Cooperative (SMECO)

During the supplier fee cases, OPC recommended criteria that the PSC should use to determine whether a distribution utility could charge fees for specific unbundled services provided by suppliers. These criteria included whether the supplier fees were: for a new service; cost based; not currently recovered in current rates; and not recovered as a transition cost through the divestiture sharing mechanism.

OPC settled the supplier fees cases for DPL, BGE, PE, and SMECO. The stipulations all reflect OPC's position that residential customers should not pay the costs of services that should be allocated to suppliers or are reflected in current rates.

The Pepco Supplier Fees Case (No. 8852) was litigated before a Hearing Examiner and is currently on appeal to the Commission. OPC argued that Pepco's proposed supplier fees be denied and that the company be encouraged to refile its supplier fees case in 2002 after 18 months of actual supplier activity and after the Pepco/Conectiv merger is consummated. Finally, OPC argued that if any level of supplier costs must be recovered, it should be recovered through supplier fees not, as staff encouraged, through the regulatory asset mechanism. The Hearing Examiner found modified supplier fees appropriate. Pepco appealed the Hearing Examiner's Order.

PSC Case No. 8823 - In The Matter Of Choptank Electric Cooperative, Inc.'s Proposed; (a) Stranded Cost Quantification Mechanism; (b) Price Protection Mechanism; and (c) Unbundled Rates

Choptank Electric Cooperative was required to begin electric industry restructuring initiatives pursuant to the *Electric Customer Choice and Competition Act of 1999*. After much negotiation, Choptank, OPC and PSC staff filed an Agreement of Stipulation and Settlement in July, 2000 that provided for recovery of transition charges for Choptank through a competitive transition charge.

OPC was pleased that the settlement proposal included a rate cap for residential customers for four years from July 1, 2001 through June 30, 2005. Additionally, the Settlement provides for minimal rate reductions during the first three years and a rate reduction of almost 7 percent for the fourth year. Choptank also agreed to be the standard offer service provider for its area for the next 10 years at a rate that will not exceed the cost paid by Choptank to its supplier, ODEC. The Settlement also provides that Choptank will offer customer choice to 100 percent of its customers beginning July 1, 2001. The Commission approved the Settlement on December 29, 2000. The parties are still negotiating other minor issues regarding supplier fees and line extension costs.

PSC Case No. 8796 - Potomac Electric Power Company's Proposed: (a) Stranded Cost Quantification Mechanism; (b) Price Protection Mechanism; and (c) Unbundled Rates

Pepco v. Panda Brandywine. Case No. 8796 involved the restructuring proceeding for Pepco. As part of the settlement, Pepco was required to divest its generation assets. Shortly before the divestiture was completed, Panda/Brandywine, an energy supplier, asked the Commission to postpone the generation auction process and order Pepco to negotiate for consent to assign the power purchase agreement Panda had with Pepco. Pepco had proposed a "back-to-back" transaction with the purchaser of its generation assets, Southern Energy, Inc., to convey the Panda contract. The Commission approved the back-to-back sale of the generation assets. Panda appealed the decision to the Circuit Court for Montgomery County. The Circuit Court reversed the Commission's decision. OPC, along with the Commission and Pepco, filed notices of appeal to the Court of Special Appeals. OPC argued that the Circuit Court erred in reversing the Commission's decision and argued the Commission correctly interpreted the previous contract between Pepco and Panda, which would have allowed for a back-to-back transaction to proceed. The parties filed briefs before the Court of Special Appeals. Oral argument is anticipated in early 2002.

Pepco Divestiture Sharing. This is a separate part of the Case No. 8796 proceeding. Case No. 8796, resolved in late 1999, determined that Pepco would not recover any stranded costs due to electric restructuring but would divest its generation assets and share the proceeds with consumers. After Pepco sold the generation assets, the company proposed that the total amount to be shared with Maryland customers was $188.6 million. A portion of this amount came under dispute. OPC, along with the Commission staff, noted that the Company had improperly disregarded excess accumulated deferred income taxes and unamortized deferred income taxes in calculating the gain on divestiture of its generation stations and the amount owed to customers. Additionally, in OPC's view, Pepco had overestimated the amount of its transaction costs that would be deducted from the sales proceedings and included other costs, such as customer education, which reduced the amount of the sale proceeds.

The Commission ordered Pepco to make an interim refund of at least $188.6 million to Maryland customers and set the disputed issues for hearing. OPC planned to file testimony in November, 2001. A hearing will likely be held in early January, 2002.

PSC Case No. 8794-8804 - Baltimore Gas and Electric Company's Proposed: (a) Stranded Cost Quantification Mechanism; (b) Price Protection Mechanism; and (c) Unbundled Rates

The Baltimore Gas and Electric Company (BGE) filed a Stipulation and Settlement Agreement with the PSC on June 29, l999 settling not only the stranded cost, price protections and unbundling aspects of the case, but also an OPC petition that requested a reduction in the rates and charges for BGE. The parties signing the settlement represent all customer classes, environmental interests and the public interest at large. Three end users, MAPSA, Trigen Energy and Bethlehem Steel, opposed the settlement.

After a hearing, the PSC accepted the Settlement.

Throughout FY 2000, OPC was active in supporting the settlement reached with BGE, the PSC staff and numerous other customer groups. MAPSA continued to oppose the settlement. MAPSA received a stay of the PSC order, which prevented the rate reduction from taking effect and denied BGE customers the ability to choose suppliers. After discussion with OPC, BGE agreed to refund to customers the amount that they should have saved during this temporary stay of the PSC's order. The Court of Appeals found that MAPSA had standing and remanded the case back to the Circuit Court.

On August 24, 2000 customers received the six percent rate reduction specified in the settlement agreement. In addition, BGE agreed to make customers whole for the savings that were lost during the period between July 1 and August 23, 2000 during which BGE charged higher, pre-settlement rates.

On September 29, 2000, the trial court issued an order upholding the settlement and denying the MAPSA appeal. On October 27, 2000, MAPSA appealed the trial court's ruling to the Court of Special Appeals. OPC submitted a brief to the Court of Special Appeals and participated in the oral argument of the case. OPC continues to support the settlement reached with BGE. The case is pending a decision by the Court of Special Appeals.

PSC Case No. 8738 - Inquiry into the Provision and Regulation of Electric Service

Since the PSC issued its is December 3, 1997 order on retail electric competition, OPC has participated in roundtable working groups that dealt with all aspects of Electric Choice: supplier authorization, consumer protection, universal service, competitive billing, competitive metering and emissions and fuel disclosure. OPC's goal is to ensure that the rules contain adequate protections for residential consumers as this unregulated marketplace develops.

Supplier Authorization (licensing). As part of the restructuring legislation, the Commission will oversee and license electricity suppliers. Any business intending to serve customers in Maryland must apply for a license, and receive Commission approval. While the PSC is the licensing agency, OPC reviews all licensing applications and files comments with the Commission regarding any application that raises issues of concern for residential consumers. OPC continued to review and submit comments through FY 2001. In addition, OPC's new consumer investigator has instituted numerous investigations of unlicensed businesses soliciting Maryland customers via the Internet and other means. (also see **Investigative Services,** page 6).

Consumer Protection. OPC filed a second request for rehearing of the Commission's Consumer Protection order in FY 2001. This order established the "rules of the road" for the marketing, soliciting and contracting of electricity supply services. OPC had requested rehearing of the Commission's decision to permit release of a customer's telephone number to suppliers. In a 3-2 split decision, the Commission issued an order in May, 2001 affirming its decision to permit release of the telephone number after giving a customer the opportunity to prevent the release.

Universal Service. The *Electric Customer Choice and Competition Act of 1999* mandated an Electric Universal Service Program for low-income electricity customers. The program provides funding for bill assistance, retirement of past bills (arrears) and weatherization services to be administered by the Department of Human Resources Office of Home Energy Programs (DHR/OHEP). OPC actively supported the establishment of the program, and has been active in all of the working groups and proceedings concerning implementation of the program, since residential customers both fund and receive services from the program.

OPC filed numerous sets of written comments, testified at Commission hearings and legislative hearings, participated as a member of the Commission's Universal Service Working Group, and the DHR EUSP Advisory Group, and worked extensively with local and non-profit agencies. OPC also was actively involved in statewide education and outreach regarding this program.

The Commission issued Order No. 76595 on November 30, 2000 addressing a variety of issues related to this program. In January 2001, OPC filed a Request for Rehearing and Clarification of the Commission's decision regarding eligibility for arrears retirement funds. OPC requested that the Commission eliminate certain EUSP criteria that could preclude an otherwise eligible customer from receiving any EUSP benefits, including bill assistance, weatherization and arrears benefits, as a result of a poorly defined "case-by-case-determination" by OHEP. OPC also argued that the Commission's determination that an applicant shall appeal a denial of benefits to the PSC is incorrect and in violation of that agency's own regulations. OPC's request is still pending.

Competitive Metering. Energy suppliers had pushed to have metering services (i.e., ownership of the meter, installation, servicing, maintenance, test and billing) be fully unbundled so that non-utility suppliers could provide these services. Other parties, including OPC, advocate a more limited approach where non-utility suppliers could have access to meter information and meters could be owned separately. OPC saw no consumer benefits, and considerable risks, in fully unbundling metering services at this time.

The Commission issued Order No. 74561 on September 15, 1998 and directed a Working Group to convene in September, 2000 to consider competitive metering issues. During the past year, OPC participated in meetings conducted by the Competitive Metering Working Group (CMWG) to discuss the development of a competitive metering proposal. In May, 2001 the CMWG submitted to the Commission a Final Report presenting two differing approaches to the implementation of competitive metering. OPC filed comments in June, 2001 supporting the phase-in of competitive metering only to the extent that it provides benefits to consumers.

Emissions and Fuel Mix Disclosure. As part of Electric Choice, all suppliers of electricity in Maryland are required to disclose the sources of the electricity they sell and the environmental impacts of the generation sources. The Commission issued Order No. 77412 on December 11, 2001 adopting rules for the disclosure of emissions and fuel mix data by electric companies and electricity suppliers to retail consumers. OPC had joined on brief with parties requesting that the Commission adopt the tracking system used by PJM, the region's power pool. The PJM system uses transactions data recorded by the PJM control area operator to verify emissions and fuel mix data.

The PSC accepted the recommendation for a PJM system. However, the order provides for further review to permit parties to comment on the PJM conceptual and operational design. OPC will be active in assuring that an effective system is established to account for the emissions disclosure and fuel mix information that is currently disclosed on residential customer bills.

PSC Case No. No. 8856 - Application of Trigen Inner Harbor East, L.L.C. for a Certificate of Public Convenience and Necessity for the Proposed Central Energy Plant at the Inner Harbor East Development in Baltimore City

Trigen Energy Baltimore filed to obtain a Certificate of Public Convenience and Necessity (CPCN) to construct a power generating operation within two buildings included as a part of the Inner Harbor East Complex under construction in Baltimore. The proposed unit consisted of one 2.1 megawatt (MW) natural gas fired unit, one 1.0 MW diesel generator and one 2.0 MW diesel generator. This case helped established thresholds for CPCN review under the Public Utility Companies Article of the Annotated Code of Maryland since the changes were due to electric restructuring. The case specifically addressed how to distinguish between those generating units that affect the public interest in the safe and reliable provision of electric power and those units that do not. OPC did not oppose the grant of a CPCN for construction of generation limited to emergency use circumstances. The Commission granted the CPCN but limited the use of electricity from the facility and required, in the event that the 2.1 MW unit is to become capable of exporting electricity into the electric grid, that Trigen comply with the interconnection requirements of Baltimore Gas and Electric Company and the PJM Interconnection. The Commission also said that Trigen and BGE must notify the PSC if Trigen intends or requests to export power and interconnect with the BGE system.

PSC Case No. 8858 - Application of Sweetheart Holdings, Inc. for a Certificate of Public Convenience and Necessity for the Proposed Boiler Operations Upgrade at the Sweetheart Cup Facility in Baltimore County

OPC participated in this case where Sweetheart Holdings applied for a CPCN to conduct a boiler operations upgrade at the Sweetheart Cup facility in Owings Mills, Maryland. The planned total electric output for the facility is 11.5 megawatts. The Hearing Examiner found that the CPCN is in the public interest and will not have a negative impact on the environment or on historic sites. The approved generator will not be connected to the electric system and will not be capable of exporting power to the distribution or transmission systems. The order stipulated that Sweetheart must make a separate application to obtain all necessary regulatory approvals and address all safety and reliability issues prior to any exporting of power by Sweetheart.

PSC Case No. 8854 - Application of CHX Engineering for a Certificate of Public Convenience and Necessity to Construct a 4 MW Cogeneration Facility in Dorchester County

Allen Family Foods applied for a CPCN to build a four MW cogeneration facility in Dorchester County, Maryland. The primary fuel for generation of electricity will be approximately 40,000 tons per year of chicken litter. The proceeding addressed special safety and health concerns related to the use and transport of the chicken litter. OPC participated to monitor the issues raised in this case involving use of a unique fuel in Maryland. The parties are awaiting the Commission's ruling to address the resolution of the conditions that were required by the first proposed order in this case.

PSC Case No. 8843 - Application of Free State Electric, L.L.C. for a Certificate of Public Convenience and Necessity to Construct a Phased 1,650-MW Generating Facility in Charles County

Free State Electric Company filed an application for a CPCN for a 1,650 MW gas-fired electric generation station in Charles County, Maryland. Charles County supported the facility, which is to be located in the Piney Reach Business Park. OPC did not oppose the Free State application and participated in the proceeding in order to review the interconnection of the facility to the electric grid. The PSC determined that interconnection from the generation plant to the Pepco transmission system should be considered part of the generating station for purposes of review under the Commission's CPCN provisions. A network upgrade to the Pepco system was not under consideration. OPC was a signatory to the stipulation and agreement adopted by the Hearing Examiner in this case.

PSC Case No. 8888 - Application of Duke Energy Frederick, L.L.C. for a Certificate of Public Convenience and Necessity to Construct a 640-MW Generating Facility in Frederick County

Duke Energy filed an application for a CPCN for a 640 MW gas-fired electric generation station in Frederick County, Maryland. Frederick County opposed the facility. Duke refiled its direct testimony in the case to accommodate an expansion of the facility site that will require additional review of the application. OPC is concerned that the transmission issues related to the application be completely reviewed in this proceeding. OPC will take an active role to assure that any necessary transmission facilities related to the construction of the generating station receive a complete consideration as required under the Commission's CPCN provisions.

PSC Case No. 8891 - Application of Mirant Dickerson Development, L.L.C. for a Certificate of Public Convenience and Necessity to Modify Its Existing Generating Station H in Dickerson, Montgomery County

Mirant Power Company filed an application to modify its existing generating station H in Dickerson, Montgomery County. This case involves the expansion of the Dickerson combustion turbine facility to combined cycle operation by Mirant Power Company. Mirant recently acquired the Dickerson facility as well as the other generating facilities of Pepco. OPC is monitoring the proceeding to review any issues of concern to residential ratepayers.

PEPCO Temporary Tax Compliance Surcharge

On January 27, 2000 the Potomac Electric Power Company (Pepco) filed an application to request a new tariff to implement a surcharge required by changes in the tax law contained in the *Electric and Gas Utility Tax Reform Act of 1999*. The Tax Reform Act is a companion bill to the *Electric Customer Choice and Competition Act of 1999*. In approving the tariff, the PSC rejected Pepco's calculation of a surcharge based upon kilowatt-hours for billing months that lapsed before approval of the tariff. Consistent with OPC and PSC staff recommendations, the PSC excluded two months of the surcharge for January and February.

Pepco made its filing pursuant to a provision of the new tax law that allowed each utility to recover the net effect (savings or increase in tax), resulting from the revisions contained in the provisions of the Act. However, Pepco failed to make a timely filing to permit recovery of the full surcharge. Pepco improperly sought to bill customers this additional amount for tax expense in January and February before the effective date of the surcharge. The Commission rejected $985,000 of Pepco's late tax filing.

OPC joined with the PSC staff in arguing that Pepco's loss was the result of unexcused company error. The Court of Special Appeals remanded the case to the PSC for further proceedings as necessary. The Court held that there was no indication that Pepco had missed a deadline for requesting the full amount of the surcharge. OPC has taken no further action on this matter.

Federal Electricity Proceedings

FERC Docket No. 99-2, Order No. 2000

On December 20, 1999 the Federal Energy Regulatory Commission (FERC) issued Order No. 2000, Regional Transmission Organizations (RTOs). The landmark order strongly encourages all utilities to join a Regional Transmission Organization (RTO). FERC believes that this will facilitate the development of the wholesale power industry. OPC supports the formation of such organizations and worked with other consumer advocate offices around the country to file extensive comments with FERC before issuing the final Order No. 2000. Order No. 2000 required utilities to file their plans to participate in RTOs by either October 15, 2000 or January 15, 2001.

Most Maryland utilities are members of PJM, an independent system operator that coordinates power supply and transmission in a seven-state area. All of Maryland's utilities filed proposals to be a part of the PJM RTO. OPC believes that it is in the best interests of Maryland's residential ratepayers that all of the utilities belong to the PJM RTO. In July, 2001 FERC issued orders that approved PJM as an RTO for a region that covers all of Maryland. OPC continues to monitor the development of RTOs and participate in any proceedings that could affect Maryland consumers.

PJM Committees

PJM is responsible for the safe and reliable operation of the transmission system and ensures the reliable supply of energy from generating resources to wholesale customers.

During FY 2001, OPC continued to expand its efforts to monitor and participate in the decision-making process at PJM. OPC participated in PJM committees concerned with issues affecting Maryland residential consumers. These committees are comprised of interested parties in the region including utilities, competitive suppliers, generation owners and industrial customers. OPC also works closely with other consumer advocates in the region to provide representation for small consumers on these committees. OPC participated in the following committees and groups:

Energy Market Committee. This committee works on the rules for the region's wholesale power market. Now that customers can choose their electricity supplier, it is critical that the market rules are fair to new suppliers as well as incumbent utilities. It is also critical that the rules allow the market to flourish while maintaining the reliability of the system.

Reliability Committee. This committee focuses solely on reliability issues in the region, particularly assuring that there is enough generation to meet the load requirements of the region. OPC believes that maintaining reliable electric systems in a competitive market environment is an important consideration for residential customers.

Transmission Expansion Planning Advisory Committee. This committee reviews the plans for expanding and enhancing the transmission system to ensure that the transmission meets reliability criteria. This committee also reviews the applications for interconnections for new generation facilities. Transmission systems must remain reliable in the new competitive market. New generation projects may require transmission upgrades in order to interconnect to the system. The need for such upgrades must be determined equitably to ensure that sufficient generation is built in the region to meet critical load requirements.

Installed Capacity and Energy Price Cap Working Group and the Future Adequacy Working Group. These two groups have been examining how to maintain a reliable electric system in a competitive environment. During the first quarter of 2001, there were extremely high prices for capacity in PJM. Capacity is the right to buy power from a generating plant to supply the system. Thus, capacity is a necessary product for a reliable electric system. OPC participated in an intensive series of meetings to address the pricing issues and supported a proposal to change the market rules regarding capacity to reduce the ability of sellers to exert market power in the capacity markets. The Federal Energy Regulatory Commission (FERC) approved this proposal over the objections of suppliers.

The group also proposed that companies serving load must acquire capacity for an entire season before the season begins. The effect of this change would be that PJM would be assured that sufficient generating resources were committed to PJM to supply the load for an entire season, particularly the summer. OPC supported this proposal, which FERC adopted.

Distribution Generation User Group. This group is examining the issues involving incorporating new technologies, particularly smaller generation units, into the power grid. OPC believes that these technological advances will be critical to allowing both small customers and large customers to enjoy the full benefits of retail choice in electricity supply.

Interconnection Study Requirements User Group. This group focuses on the process of determining what transmission upgrades are required for each new project and who should be responsible for those upgrades. This group is examining how to integrate new generation into the grid to promote competition fully while maintaining reliability.

Members Committee. The Members Committee reviews for final approval or final consideration all proposals developed by other PJM committees. The Members Committee also provides advice to the independent board of managers on certain issues. OPC currently has an ex offico, non-voting status on the Members Committee. OPC has been working to make sure that small consumers will have a voice equal to other segments of the industry in consideration of items before the Members Committee.

Public Interest and Environmental Organizations User Group. This group brings together the consumer advocate offices in the PJM region along with numerous public interest and environmental organizations that represent small consumers on electricity issues. The OPC representative is currently chair of this committee. This group closely monitors all developments at PJM and in all the PJM committees and user groups and takes positions as necessary to support small consumers.

Independent System Operators Memorandum of Understanding. OPC participated in a series of stakeholder meetings known as the Independent System Operators Memorandum of Understanding process (ISO/MOU). ISO/MOU is a statement of principles signed by PJM and other regional ISOs in the Northeast. The goal is to allow wholesale energy trading to occur over the largest possible geographical region with the lowest possible transaction cost. OPC believes that such advances in the wholesale market have the potential to benefit small consumers in the era of customer choice. However, OPC is participating to ensure that the process proceeds in a way that maintains the integrity and reliability of the grid.

NERC Planning Committee

OPC has a representative with full voting rights on the Planning Committee of the North American Electric Reliability Council (NERC). The NERC Planning Committee works to develop appropriate standards for utilities to ensure that the grid will be properly maintained and upgraded and there will be sufficient resources available to supply the load. OPC will continue to participate in this group to advocate for reliability for residential customers.

Natural Gas

PSC Case No. 8880 - Commission Inquiry into Policies of Utilities on Service Termination

Residential consumers dealt with some difficult issues last winter due to the colder than normal weather in the early winter, and the precipitous rise in natural gas prices. The Commission convened a conference on retail gas market issues in October, 2000. The People's Counsel presented his concerns about the impact of rising prices on residential consumers. In January, 2001 the Commission convened an emergency proceeding regarding the impact of the weather, gas prices and energy assistance delivery problems on the ability of residential customers to maintain service. At that time, the People's Counsel asked the Commission to order an emergency moratorium on service terminations. OPC subsequently filed a Petition for an Emergency Moratorium on Service Terminations. The Commission responded favorably and issued an order on February 6, 2001 establishing a moratorium on service terminations for low-income customers until March 31, 2001.

As the moratorium period was ending, OPC remained concerned that many residential customers were at risk of losing their service after March 31 because of unusually high natural gas bills. Low-income customers were in particular danger because of the substantial delays in the processing and payment of both MEAP and EUSP energy assistance grants. People's Counsel submitted a proposal for an "Alternate Default Payment Plan" for approval by the Commission. OPC believed that residential customers needed additional protection from service termination, in the form of extended payment arrangements, as they tried to recover from the high bills of last winter. Unfortunately, the Commission did not agree with OPC that the circumstances warranted this type of emergency action, and declined to order the utilities to provide specific payment plans to customers.

The Commission did order the utilities to provide information on service terminations of residential customers through June 30, 2001. This information showed that after the moratorium ended, utilities in Maryland shut off service to nearly 49,000 customers between April and June, 2001. OPC remains concerned about the impact of last winter's high bills on residential customers, and continues to provide advice, assistance and referral to individual customers with past-due bills.

PSC Case No. 8860 - Investigation into the Operation of Baltimore Gas and Electric Company's Market-Based Rates Mechanism, Capacity Release and Off-System Sales Programs and Margin Sharing Arrangements

On September 1, 2000 OPC petitioned the Commission to establish an investigation into the operation of Baltimore Gas and Electric's (BGE) Market-Based Rates mechanism used to determine the commodity cost of natural gas that is passed to customers of BGE. OPC requested that the PSC review BGE's capacity release and off-system sales programs, including current margin sharing arrangements. The Commission docketed the matter as Case No. 8860 and delegated its resolution to the Hearing Examiner Division.

After testimony, discovery and negotiations, the parties entered into a Settlement Agreement which OPC believes beneficial to residential consumers of natural gas. Under the terms of the Settlement approved by the Commission, BGE agreed to purchase between 10 percent and 20 percent of its winter flowing gas requirements under fixed price contracts. The settlement will bring some diversity to BGE's gas supply portfolio and should help mitigate the effects of spot market purchases to residential consumers. The settlement also reduces what consumer must pay BGE to reserve future gas supplies from $1.625 million per year to $300,000.

PSC Case No. 8897 - Application of Washington Gas Light Company Maryland Division for Authority to Revise Its Purchase Gas Charge Tariff to Include Costs Associated with Gas Price Hedging Transactions

In June, 2001 Washington Gas proposed to revise its Purchased Gas Charge (PGC) to include costs associated with gas price hedging transactions. OPC recommended that the Commission reject the revised PGC as filed with the Commission, and asked the Commission to require Washington Gas to develop a hedging plan to submit to parties for review. The Commission referred the matter to the Hearing Examiner Division and established Case No. 8897.

OPC actively negotiated with Washington Gas and the PSC staff to devise an acceptable Hedging Pilot Program that allows the company to engage in hedging transactions, with adequate oversight by the PSC. The objectives of the Hedging Plan include: (1) increased stability in the cost of gas to the company's firm sales service customers; and (2) reduced exposure to prices spikes, such as those experienced by customers during the winter of 2000-2001.

OPC supports a plan that requires Washington Gas to purchase a portion of its gas supply at a fixed price, through a variety of instruments. This would ensure Washington Gas's purchased gas portfolio does not solely rely on the "spot price" for gas on the market at any given time. OPC believes that this portfolio approach will work to the benefit of residential consumers. OPC will continue to monitor the operation of the Hedging Pilot Program and apprise the Commission of any concerns going forward.

PSC Case No. 8846 - Generic Gas Roundtable

In response to the *Natural Gas Supplier Licensing and Consumer Protection Act of 2000*, the PSC established a Generic Gas Roundtable to make recommendations for licensing and consumer protection rules and standards for natural gas suppliers. The Roundtable participants included OPC, PSC staff, the Consumer Protection Division of the Office of the Attorney General and representatives of gas utilities and gas suppliers. The Roundtable met numerous times to discuss recommendations for gas supplier licensing and consumer protection "rules of the road" in accordance with the statute. OPC actively participated in the Roundtable and proposed rules that would provide equivalent consumer protections for customers of gas and electricity suppliers.

Licensing. In October, 2001 the Roundtable submitted a report and recommendations for licensing and consumer protections. The Commission solicited comments and held a hearing on the licensing issues in November,

2000. On December 15, 2000 the Commission issued a licensing order, which requires gas suppliers to meet requirements substantially equivalent to those of electricity suppliers.

The Commission began taking license applications in early 2001 in order to comply with the Act's requirement that all gas suppliers be licensed as of July 1, 2001. As with the electricity suppliers, OPC reviews all gas supplier applications and submits comments to the Commission on issues of concern to residential customers.

Consumer Protection. The Commission held a hearing in December, 2000 regarding the consumer protection recommendations of the report. Except for one issue (third party verification of telephone solicitations and contracts), the report reflected the agreement of the participants, including OPC. On May 10, 2001 the Commission issued an order accepting the recommendations set forth in the report with a few exceptions. These consumer protection rules are substantially equivalent to the rules that apply to electricity suppliers.

Competitive Billing. The Generic Gas Roundtable also met to consider competitive billing issues relating to gas suppliers. "Competitive billing" refers to the availability of different billing options for natural gas service. The Roundtable submitted a report to the Commission in April, 2001. At the request of the Commission, OPC submitted comments on competitive billing issues in May, 2001. At that time, OPC urged the Commission to adopt bill content and disclosure requirements for gas suppliers that are equivalent to those for electricity suppliers. The Commission's order is pending.

PSC Case No. 8683 - Commission Inquiry Concerning Staff's Proposed Framework for Future Regulation of Gas Services in Maryland.

The PSC initiated this inquiry in 1994 to consider the unbundling of gas services for residential customers and smaller commercial and industrial customers of gas utilities. Unbundling is a term used to describe the separation of the natural gas supply service from transportation and delivery services, so that a customer may choose to buy gas supply from competitive gas suppliers. The PSC established Gas Roundtable proceedings for the three largest gas utilities to develop gas supply pilot programs.

In July, 1996 Washington Gas and Columbia Gas of Maryland received approval from the PSC to begin pilot programs for their residential customers. The PSC approved Baltimore Gas and Electric Company's pilot program in January, 1997. These programs have expanded since that time. The three gas roundtables have been less active during FY 2001, although they continued to address operational revisions and issues regarding the operations of the individual programs.

Federal Natural Gas Proceedings

OPC actively participates in proceedings before the Federal Energy Regulatory Commission (FERC) either as a separate party or as a member of the National Association of State Utility Consumer Advocates (NASUCA). OPC works to ensure that federal policies do not harm residential gas consumers or impact their access to safe, reliable and reasonably-priced natural gas.

FERC Docket Nos. CP01- 76-001, CP01-77-001, RP01-217-001, and CP01-156-001 - Cove Point Proceeding

The Cove Point import terminal and pipeline were built nearly 30 years ago to receive tanker shipments of liquefied natural gas (LNG) originating in Algeria. LNG shipments to Cove Point began in early 1978 and ended in late 1980. From 1980 to 1994, the Cove Point facilities were used to provide Washington Gas with interruptible transportation service. In 1994, the Commission authorized Cove Point to reactivate the onshore LNG facilities and to construct a liquefaction unit to provide a peaking service whereby shippers could liquefy and store domestic gas during the summer for withdrawal during winter peak times. Cove Point currently offers firm peaking services under three FPS Rate Schedules, as well as firm and interruptible transportation services under Rate Schedules FTS and ITS.

On January 31, 2001, Cove Point filed an application for a certificate to construct new facilities and reactivate its existing LNG import terminal. Cove Point, previously owned by Columbia Gas and recently acquired by Williams Company, submitted its certificate application after holding an open season in February and March, 2000 in which they offered 750,000 Dth/d of available sendout capacity. They received a three-way tie of maximum bids from BP, Shell and El Paso. The three winning shippers agreed to a pro rata allocation of the available capacity and executed binding precedent agreements with Cove Point reflecting this allocation of capacity at the maximum rate for twenty-year primary terms. OPC and PSC staff joined Washington Gas in raising safety issues related to the reactivation of the LNG facilities at the Cove Point. FERC issued an order approving its certificate application on October 12, 2001 but was continuing to examine the national security implications of reactivating Cove Point.

FERC Docket No. RP01-223 - National Association of Gas Consumers (NAGC) versus All Sellers of Natural Gas in the U.S.A.

The National Association of Gas Consumers (NAGC) filed a complaint in February, 2001 alleging that markets for natural gas in the United States are not workably competitive and that the prices in those markets are unjust and unreasonable. This complaint followed a winter during which natural gas prices increased suddenly and precipitously, resulting in gas commodity prices that were two to three times higher than the previous year. OPC intervened in this case. FERC has not taken any action yet regarding the petitioner's request for an investigation.

FERC Docket No. PL00-1-000 - Dialog Concerning Natural Gas Transportation Policies Needed to Facilitate Development of Natural Gas Markets

On November 22, 2000 FERC issued a Notice of Staff Conference to discuss the Commission's regulation of transactions between pipelines and their affiliates. OPC, as a member of NASUCA's Gas Committee, participated in the development of NASUCA's comments. NASUCA filed extensive comments in January, 2001 reflecting the concern of residential consumer advocates that interstate pipelines likely will engage in transactions to benefit their affiliates unless they are required to adhere to appropriate standards of conduct. NASUCA recommended that at a minimum, FERC should promulgate new rules to expand the scope of its standards to include transactions between the interstate pipeline and all affiliates within its corporate family. NASUCA also recommended that the Commission strictly apply its 1999 Certificate Policy Statement to pipeline expansion projects involving affiliated transactions. FERC has not taken further action in this docket.

Telecommunications

PSC Case No. 8879 - Investigation into Recurring Rates for Unbundled Network Elements Pursuant to the Telecommunications Act 1996

Verizon is required to sell its competitors access to Unbundled Network Elements (UNE) so they can provide local telephone service. The *Telecommunications Act of 1996* allows state commissions to determine the prices Verizon and other local exchange companies can charge their competitors for use of their network. The PSC instituted Case No. 8879 at the suggestion of OPC. OPC believed that a reexamination of unbundled network element rates was necessary because changes in telecommunications technology should significantly reduce the price of these elements. The Commission ordered parties to the proceeding to refresh existing cost studies, models and rates. Parties have filed well over 2,000 pages of testimony so far in this proceeding. OPC has also filed extensive testimony on the various proposed prices for unbundled network elements. The Commission scheduled the case for hearing in late 2001.

PSC Case No. 8745 - Provision of Universal Service to Telecommunications Consumers

This case started out as an investigation into what steps were necessary to ensure universal service for Maryland telecommunications consumers. After the start of the case, AT&T and other competitive local exchange carriers (CLECs) petitioned the Commission for a reduction in access charges, which is the money paid by long-distance carriers to access Verizon's network. The CLECs petitioned for a reduction in access charges of about $75 million per year. OPC's testimony showed that such a dramatic change in access charges would jeopardize universal service by potentially increasing the rates residential customers pay to Verizon. Verizon argued that under its Price Cap Plan, any such access charges would be an exogenous change that Verizon could recover from residential customers to make up for the reduction in access charges from the CLECs. OPC also argued that long-distance companies should be paying their fair share to Verizon for use of Verizon's network. The Commission heard the case in early July, 2001. The parties are awaiting the Commission's decision.

Maryland Carrier Collaborative/ Operation Support Systems Testing

OPC attends all meetings of the Maryland Carrier Collaborative, a working group to review mechanisms for ensuring the smooth transition to local competition. The collaborative group includes PSC Staff, Verizon, other competitive local exchange carriers, long-distance companies and Internet service providers. The collaborative has agreed upon a number of carrier-to-carrier metrics, which it has submitted to the Commission. The group is also reviewing and commenting upon the need for testing of Verizon-Maryland, Inc. operations and support systems which are the critical billing and ordering systems necessary to smoothly switch customers from one carrier to the other.

Federal Telecommunications Proccedings

OPC actively participates in proceedings before the Federal Communications Commission (FCC) as a member of the National Association of State Utility Consumer Advocates (NASUCA), or as part of a coalition of consumer advocates from other states. OPC works to ensure that Maryland residents have access to affordable local and long distance telephone services.

During FY 2001, People's Counsel Michael J. Travieso was the Chair of the NASUCA Telecommunications Committee. In this capacity he helped develop NASUCA's telecommunications policies and met with FCC Chairman Michael K. Powell and senior FCC staff. He was also responsible for filing all of the FCC comments discussed below on behalf of NASUCA.

Travieso also wrote and visited congressional representatives on behalf of NASUCA to voice opposition to the Internet Freedom and Broadband Deployment Act of 2001 (HR 1542, also called the Tauzin-Dingle bill). This legislation would deregulate broadband services offered by the Verizon and the other three large incumbent telephone companies (known as ILECs) and prevent competitive local exchange carriers from using the facilities of ILECS to provide any broadband services.

FCC Docket No. 96-262 - Access Charge Reform/CALLS Proposal

The Federal Communications Commission (FCC) issued a Notice of Proposed Rulemaking in September, 1999 that addressed the fees that local exchange telephone network carriers charge to long distance companies for access to their local networks. This proposed rulemaking included recommendations from a group of large local and long distance providers known as the Coalition for Affordable Local and Long Distance Service (CALLS).

OPC participated in the FCC proceeding and in negotiations with CALLS representatives as a member of NASUCA. NASUCA opposed the FCC rulemaking, arguing that the reforms in the CALLS proposal would increase the rates that basic local exchange customers pay for subscriber line and universal service charges.

The FCC issued a final CALLS Order in May, 2000, making significant changes to its access charge and universal service policies. Much to dismay of OPC and other consumer advocates, the order adopted nearly every recommendation from the CALLS Coalition. The most significant change was that the order ended the FCC policy of requiring contributions from long distance telephone service providers for costs imposed on the local network. OPC, acting as attorney for NASUCA, filed a petition for review of the FCC order in the U.S. Court of Appeals for the Fifth Circuit. The case was argued in May, 2001. After the close of the fiscal year, the Fifth Circuit issued an opinion reversing the FCC on two issues, but affirming the FCC on increasing the subscriber line charge.

FCC Common Carrier Docket Nos. 00-256, 96-45, 98-77, and 98-166 - The MAG Plan.

NASUCA participated in a case involving access charge reductions and subscriber line charge (SLC) increases. This docket involved all of the non-price-cap LECs, i.e., local exchange telephone companies regulated by the FCC on a cost-of-service basis. The FCC established a case to determine if it should reduce access charges paid by long distance companies to these local carriers and increase the subscriber line charge paid by consumers to replace the lost revenues. NASUCA filed comments opposing this plan. After the close of the fiscal year, the FCC adopted an Order in the MAG case, similar to the order in the CALLS case (see previous case) that reduced access charges and raised the subscriber line charge.

FCC Common Carrier Docket Nos. 96-45, 98-171, 92-237, 99-200, and 95-166 - Collection of USF Contributions

This case involved a Notice of Proposed Rulemaking seeking comments on how long distance telephone companies should recover from consumers the amounts they have contributed to the federal universal service funds. These funds subsidize rates in high cost and low-income areas. Currently, managers of the universal service funds bill the long distance companies in advance and the companies collect what they contribute from their consumers by charging a percentage of the interstate telephone charges on each customer's bill. NASUCA argued that whatever method is used should not include a surcharge and that that companies should not be permitted to surcharge any of their expenses, including payments to the universal service fund.

FCC Common Carrier Docket No. 00-199 - Broadband Data Collection and Reporting

This case involved a FCC inquiry about what data should be collected from companies providing broadband access. NASUCA filed comments in March, 2001 encouraging the FCC to collect data and require carriers to segregate broadband revenues and costs from voice revenues and costs.

FCC Common Carrier Docket No. 00-199 - Phase II and Phase III Accounting and Reporting Requirements

NASUCA filed comments on December 21, 2000 in response to an FCC notice seeking comments on whether to eliminate most of the accounting and reporting requirements for the price cap ILECs (Verizon, et al.). NASUCA's comments encouraged the FCC to retain these accounting and reporting requirements, and adopt more requirements that would help separate the costs of broadband and digital services from costs associated with voice grade services. After the close of the fiscal year, the FCC scaled back the number of accounting and reporting requirements it was eliminating, partly in response to the comments by OPC, NASUCA, other consumer advocates and the National Association of Regulatory Utility Commissioners.

FCC Common Carrier Docket No. 99-200 and 96-98 - Number Resource Optimization

NASUCA filed comments in this case describing the best way for the FCC to promulgate rules and requirements to conserve the use of existing telephone numbers. The purpose of these comments was to prevent the unnecessary exhaustion of telephone numbers and the need for new area codes. NASUCA advocated giving out numbers in smaller batches (1,000 versus 10,000), reusing numbers that weren't assigned to customers, and assigning new area codes to specific kinds of services, like faxes, cell phones and pagers.

Water and Sewer

PSC Mail Log Nos. 72004 and 72626 - Utilities, Inc. of Maryland Authority to Charge an Asset Protection Surcharge

Utilities, Inc. of Maryland (UIM) received a jury award of $9.7 million in a condemnation suit instituted by WSSC in Prince George's County (Marlboro Meadows). Attorney's fees are not compensable costs against the condemning party in cases of this nature. UIM paid $200,000 for the water and sewer system in 1985 and over the course of the next 15 years invested an additional $2 million. Because of the jury decision, UIM earned $7.2 million on their original investment. In one of the most unusual pursuits ever brought before the PSC, UIM sought to recover through a surcharge imposed upon 1,100 ratepayers (non-parties to the legal proceedings), $2.6 million allegedly spent for attorneys fees, expert testimony, etc. They also sought to increase their charges by 129 percent for water and 116 percent for sewer services. The PSC denied the request and UIM's Motion for Rehearing.

PSC Case No. 8813 - Application of CECO Utilities, Inc. for an Increase in Rates and Changes for Water and Sewer Services

CECO Utilities of Elkton, Maryland sought a rate increase having last received an increase in 1993. During the past seven years, the company corrected past problems which had caused the company to be in violation of Maryland’s water quality standards for wastewater treatment. After thorough investigation of the company's books and records it was determined that the company was short $12,042 with respect to meeting its overall revenue requirements. The unique feature of this case was the redesign of the company's declining blockrate structure, which encouraged the wasting of water since rates decreased as consumption increased. The parties (OPC, PSC staff and the company) agreed upon a two-part rate design consisting of a customer/fixed cost charge and a usage charge. The fixed charge recovered from all customers was based upon metering costs and expenses and some capital costs associated with the water system. The usage charge was determined by an analysis of customer bills over the test year. The new rate design will promote conservation since large users will now pay their fair share associated with their actual usage (savings can be made by adjusting water usage) and small users will be treated more equitably. The new rate structure should also result in a more economically efficient water and sewer system.

Transportation

PSC Case No. 8876 - Investigation of the Association of Maryland Docking Pilots to Establish Initial Rates for Docking Services

Senate Bill 237, enacted in the 2000 session of the General Assembly, created the Association of Maryland Docking Pilots and provided the Public Service Commission with jurisdiction over the establishment of rates and charges for docking services effective October 1, 2000. Docking services involve maneuvering a vessel with tug boat assistance during berthing, unbearthing and shifting.

OPC participated in a review of the initial rates developed by the Docking Pilots in September, 2000. While the rates were found fair and reasonable, the pilots argued that they needed additional funds. Consequently, the pilots filed accounting documents to support their appropriate needs and the PSC, with the concurrence of OPC, agreed to an increase in docking service rates that would be introduced incrementally on August 1, 2001, April 1, 2002 and December 1, 2002. The pilots further agreed not to pursue any additional increase in rates that would go into effect before July 31, 2004.

Application of L. Ray Miller (Oldtown Toll Bridge) for an Increase in Rates

L. Ray Miller and Jane Miller are the part owners and operators of the toll bridge crossing the Potomac River at Oldtown, Maryland. The Oldtown Toll Bridge is the only privately owned and operated toll bridge in Maryland, and crosses from Maryland to West Virginia. The Bridge is important in the Oldtown area because it is the only river crossing for approximately fifteen miles in either direction. Closure of the bridge is subject to PSC regulation because a privately owned toll bridge company is a common carrier under Section 1-101 of the PSC Article of the Maryland Code.

In 1995, the Maryland Department of Transportation (MTA) closed the bridge until repairs could be completed. This halted a PSC rate investigation. MTA kept the bridge closed for four years, from August, 1995 through August, 1999. During this period, the operators received no revenues from tolls. The bridge reopened in August, 1999 and the operators filed for a rate increase to recover their out-of-pocket repair expenses. The rates per crossing are: passenger vehicles, $0.50; all other vehicles, $1.00 (except tractor trailers); tractor trailors, $2.00; motorcycles, $0.25; monthly pass, $14.00.

The operators contemplate additional repair work on the bridge, to include encasement of the remaining piers and replacement of the bridge decking. The repairs should be completed in the next 12 to 18 months. Provided that the operators provide adequate proof of the necessity and cost of the work, they will receive a second rate increase without an additional public hearing.

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Glossary of Consumer Terms

Here are definitions for many of the terms used in the work of the Office of People's Counsel. Some definitions have been adapted from the AARP.

Access Charges - Fees charged to telephone customers designed to recover the costs borne by the local network in the provision of local and long distance services to end users.

Affiliate - A company or person directly or indirectly controlled by, or sharing the same owner, as another company.

Aggregator - A buying group/organization that negotiates prices for a group of customers or a company that purchases energy in bulk for resale to retail customers.

Base Rate - The rate public gas and electric utilities charge customers for the cost of providing service, plus a profit. State regulators set base rates.

Collocation - The ability of a competitive local exchange carrier (CLEC) to connect its facilities to facilities owned by an incumbent local exchange carrier (ILEC).

Competitive Transition Charge (CTC) - A charge, approved by the Public Service Commission, that allows utilities to recover investments in certain assets, such as power plants, that were built to ensure customers would have a reliable and adequate supply of electricity. The charge covers the remaining investment costs that were previously included in electric rates. A CTC allows utilities to recover these costs over a set period of time (the transition period), after which the CTC is phased out (Also see "Stranded Costs").

Competition - When two or more entities sell similar products/services in the same consumer market. For example, more than one company will be selling energy production and supply to Maryland consumers.

Competitive Billing - The right of Electric Choice customers to select the billing company for electricity service.

Cramming - a fraud in which telephone companies charge customers for products or services such as voice mail that the customer never ordered and may not have received.

Customer Choice - The ability of electricity and natural gas customers to shop, compare prices, and choose the company that generates or supplies their electricity and natural gas. Their utility continues to provide delivery service under regulated rates and conditions.

Deregulation - The removal of government regulations. In the case of the utility industry in Maryland, the PSC has ordered the introduction of supply competition into gas and electric utility services. This means that consumers will be able to choose their energy supplier. Only the supply of electricity and natural gas is being deregulated; transmission and distribution services will remain regulated. This type of limited deregulation is also referred to as restructuring.

Divestiture - The separation of an electric utility company's generating assets from its transmission and distribution assets.

Electric Universal Service Program (EUSP) - A fund established by the Electric Consumer Choice and Competition Act of 1999 to help limited-income consumers meet their electricity needs. The money for the fund is collected through electricity rates.

Electricity (or Power) Marketer - An company that acts as a coordinator or broker, and obtains energy from any source or combination of sources, including independent generators, utility system power or spot purchases, for delivery to a utility or end user.

Electricity Supplier - A company that sells electricity or electricity supply services, such as billing or metering services. Suppliers/ marketers of electricity must be certified or licensed by the Public Service Commission to sell electricity to customers within the state of Maryland.

Federal Communications Commission (FCC) - The independent federal agency responsible for regulating interstate telecommunication services.

Federal Energy Regulatory Commission (FERC) - The independent federal agency responsible for regulating wholesale electric transactions and interstate natural gas pipelines.

Federal Universal Service Fund Surcharge - A surcharge on telephone bills that is used to help pay for telephone service to: people living in rural or other high-cost areas; low income customers; schools and libraries; and rural health providers

Market Power - The ability of a seller/ buyer, either individually or in collaboration with other sellers/buyers, to affect the price of electricity in the relevant market.

National Association of State Utility Consumer Advocates (NASUCA) - An association of 42 consumer advocate offices in 39 states and the District of Columbia whose members are designated by laws of their respective states to represent the interests of utility consumers before state and federal regulators and in the courts.

PJM - Pennsylvania-New Jersey-Maryland LLC Interconnection responsible for maintaining the Mid-Atlantic power grid.

Public Service Commission (PSC) - Maryland's state authority (agency) responsible for the regulation of public utilities and transportation companies doing business in Maryland.

Regional Toll Call - A call made outside the caller's local calling area and within a specified region or geographic area. Also referred to an InterLATA call. Maryland residents can choose their regional toll call provider just as they can select their long-distance telephone company.

Shopping Credit - The price that an electric utility will charge its customers for the production of electricity, less any competitive transition charge (CTC). The credit is the amount consumers will use to compare offers when shopping for electricity. It is also known as the "price to compare."

Slamming - The unauthorized switching of a customer's telephone or energy supply service without the customer's authorization.

Stranded Costs - Payments to utilities for investments (e.g. power plants, purchase power contracts) that were required under a regulated system and approved by the Public Service Commission but are not part of the utility’s regulated service under restructuring. Legislation provides that they will be recovered via the Competitive Transition Charge (CTC).

Universal Service Fee - A fee paid by all users of electricity in Maryland to provide public interest programs for low-income users. The fees help eligible customers pay their electricity bills and also provides for energy conservation measures and weatherization.

Universal Service - A provision guaranteeing that service is available and affordable to all residential customers. Universal telephone service is a federal program. Universal electric service is a Maryland state program. The costs for these programs are recovered in fees collected from users of the service.

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