A Letter from Patricia A. Smith, Maryland's People's Counsel

Significant changes in utility markets create the need for Maryland's residential utility consumers to be evermore informed and discerning. From the transitioning of fully regulated utility services resulting in competitive telecommunications and energy markets to the availability of advanced telephone options, much is changing for Maryland's utility consumers.

Even before the nation's hurricanes, which resulted in tremendous damage to the country's oil and natural gas infrastructure, energy experts were predicting sharply rising energy costs. Electricity price caps resulting from electric deregulation have ended in parts of the state and will be removed in Baltimore Gas & Electric service territory as of July 2006. For these reasons, the need for OPC is greater than ever as the office continues in its ninth decade of advocating for affordable, reliable utility services.

During FY 2005, OPC has continued to address the evolving and increased needs of Maryland's residential ratepayers by offering vigilant representation, outreach and education as to all issues involving regulated utility services. OPC maintains its representation of Maryland's residential utility ratepayers before the Maryland Public Service Commission in all base rate cases, purchased gas cost cases, telecommunications proceedings, utility line extension matters and transmission line upgrade proceedings as well as in many non-rate proceedings that have an impact on Maryland's residential utility consumers. In response to an array of emerging national issues affecting Maryland's residential ratepayers, OPC has expanded its activities before various federal regulatory agencies, as well as in significant regional organizations such as the PJM interconnection.

In 2005, OPC devoted substantial resources to educating consumers as to changes in the utility industry as well as to practices, such as conservation measures, which may assist utility consumers in effectively coping with significant rises in energy prices. The office is pleased to note that it provides consumer friendly multi-lingual information and education through its newly revised website.

OPC hopes to serve Maryland utility consumers and to be responsive to the evolving needs of its clients by addressing traditional regulatory responsibilities as well as expanding the OPC's role of assisting consumers in obtaining information and benefits to address their individual bill payment needs. OPC embraces the opportunity to meet the myriad of new challenges that are facing Maryland's residential utility consumers.

In short, we welcome the opportunity to continue our work to try to ensure that Maryland's residential utility consumers receive the safest and most reliable service at the most reasonably attainable rates and prices. The information contained in the following pages highlights the office's numerous efforts and frequent achievements in all of the areas which the OPC is designated by statute to pursue. I encourage you to contact us with questions, comments or suggestions about the numerous and complex issues related to regulated electricity, natural gas, telephone and private water service. It continues to be my great pleasure and privilege to serve as People's Counsel, the attorney representing Maryland's residential utility consumers.

Patricia A. Smith

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Overview of the Office of the People's Counsel

The Office of the People's Counsel ("OPC"), created in 1924, is the oldest consumer advocacy office of its kind in the United States. The People's Counsel is appointed by the Governor, with the advice and consent of the Senate, and acts independently of the Maryland Attorney General's Office and the Public Service Commission of Maryland ("PSC").

OPC represents Maryland's residential consumers of electric, natural gas, telephone, private water services, and taxicabs. This mission underlines the fact that OPC literally touches the lives of every resident of the State of Maryland. When you make a phone call, use heating or air conditioning, or turn on a light in your home, OPC has been involved in decisions that affected the cost, quality of service and adequate supply of these utility services.

OPC does not receive taxpayer monies. Instead, a utility surcharge funds our budget. This method of funding insures that we never overlook the fact that our clients are the ratepayers of Maryland.

In the Fiscal Year 2005, the Office of the People's Counsel operated with a budget of $2.3 Million. OPC's largest expenditure (other than salaries and benefits), which represents about 24% of its total budget, goes to retain consultants who provide technical assistance and expert testimony. Especially when working on complex national (and even international) energy and utility issues, these consultants are invaluable. OPC staff uses their advice on highly specialized accounting, engineering and economic issues to assist them in litigated cases through testimony. OPC presents these experts as witnesses in proceedings before the PSC, the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission ("FCC"), and the Federal Trade Commission ("FTC"). Given the breadth of issues to be addressed and the specific professional and technical knowledge required of an expert by these agencies and tribunals, it would be financially impractical to keep such a group of experts on the permanent staff. Decisions whether to retain experts are made carefully on a case-by-case basis.

During the 2005 legislative session, OPC staff testified before legislative committees, and also provided information to elected officials to explain the state of current utility issues and to alert them to issues likely to soon appear on the horizon.

OPC staff also sits on various PSC rule making committees, working in a collaborative manner to safeguard the interests of residential consumers.

By statutory directive, OPC also reviews all utility filings with the PSC because those filings often have an impact on residential consumers. In this regard, OPC not only presents comments to the PSC but also closely follows developing issues and new initiatives from the utility industry.

OPC responds daily to consumer inquiries and requests for outreach and education. Through community partnerships and outreach, OPC's goal is to understand the needs of Maryland's residential ratepayers.

Legislative Activities[1]

During the 2005 Legislative Session, OPC testified on the following bills:

House Bill 670 – Electric Industry – Local Aggregation – Cross-filed - Bill withdrawn
Senate Bill 39 – Electric Industry – Aggregation – Counties and Municipal Corporations

- ✓ OPC filed informational testimony on the impact of aggregation on electricity prices. Neither of these bills passed.

Senate Bill 72 – Regulated Gas Companies – Alternative Forms of Regulation

- ✓ OPC filed testimony recommending a favorable report with amendments. The bill would have authorized the PSC to use "comparable criteria" as an alternative to the "conventional rate-base/rate-of-return" which would permit utility companies to more quickly purchase gas on the open market and, thus, potentially result in lower rates for consumers. The bill did not pass.

Senate Bill 73 – Electric Generation – Certificate of Public Convenience and Necessity – Construction and Public Notice

- ✓ OPC filed testimony recommending a favorable report. The bill expands the definition of "construction" to include contracting for the proposed construction of a generating station. The testimony also supported increasing the public notice period from two to four weeks, which would increase the likelihood of greater input from interested persons and parties in proceedings prior to the station's construction to obtain the required Certificate of Public Convenience and Necessity ("CPCN"). The bill passed and was signed into law by the Governor.

Senate Bill 74 – Licensed Hearing Officer

- ✓ OPC recommended a favorable report. The bill increases the efficiency of the PSC in exercising its oversight responsibilities of the taxicab industry by allowing license hearing examiners to directly issue proposed orders rather than having to first make recommendations to the PSC to issue those orders. Drivers may still appeal adverse decisions to the PSC. The bill passed and was signed into law by the Governor.

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[1] The list highlights only some of the bills addressed by the OPC in FY05.

Senate Bill 173 – Public Service Commission – Public Utility Law Judges

- ✓ OPC recommended a favorable report. The bill would have changed the formal title of PSC "hearing examiners" to that of "administrative law judges" to better reflect these individuals' training as well as of the nature of the proceedings and the work performed. The bill did not pass.

Senate Bill 129 – Energy Assistance Program Act ("EAP")

- ✓ OPC recommended a favorable report. The bill will bring the EAP Act into compliance with the function and structure of existing Maryland energy assistance programs. The bill properly identifies the Office of Home Energy Programs as the state entity responsible for administering energy assistance in Maryland. This bill also repeals a $250.00 (per year) limit on emergency energy assistance and, as part of the EAP's mandate, requires coordination between it and federal and local agencies. The bill passed and was signed into law by the Governor.

Senate Bill 131 – Public Service Commission – Annual Reports

- ✓ OPC recommended a favorable report. The bill authorizes the PSC to waive, in its discretion, the statutory requirement for utilities to file an annual report. Since the information contained in an annual report also exists in tariff filings and Security and Exchange Commission filings, the PSC felt that annual reports frequently had become a redundant and needless expense. The bill passed and was signed into law by the Governor.

Senate Bill 160 – Public Service Commission – Civil Penalties – Common Carriers (Bus lines)

- ✓ OPC recommended a favorable report. The bill expedites procedures for enforcement by the PSC by allowing it to impose monetary penalties of up to $2,500.00 on small common carriers as well as preserving the former sole remedy of instituting forfeiture proceedings**.** The bill passed and was signed into law by the Governor.

Senate Bill 202 – Electric Universal Service Program – Weatherization Component – Transfer
House Bill 299 – Cross-filed

- ✓ OPC filed informational testimony. The bill transfers responsibility for weatherization component of the Electrical Universal Service Program ("EUSP") from the Office of Home Energy Programs in the Department of Social Services to the Department of Housing and Community ("DHC"). Since the weatherization component involves construction and repairs by building contractors, OPC agreed that the DHC was better suited to supervise the work required and the contractors bidding on the work. The bill passed and was signed into law by the Governor.

House Bill 116 – Public Service Companies – Rate Proceedings – Cross-filed
Senate Bill 60 - Public Service Companies – Rate Proceedings

- ✓ Under current law, "small" utility companies (i.e. those whose gross income is less that 3% of the aggregate Maryland utility gross income) may file for an expedited rate change review to avoid the cost and time associated with a formal rate case. These bills would have permitted all utility companies, regardless of size or revenue, to file for such expedited reviews. OPC believes that allowing the major utility companies to use these expedited rate change reviews would be against the interests of residential consumers. The bill did not pass.

Senate Bill 397 – Energy Savings Investment Program
House Bill 490 – Cross-filed

- ✓ OPC recommended a favorable report. The bill would have created an Energy-Saving Investment Fund of $35 Million, to be administered by the Maryland Energy Administration and funded by a surcharge upon the utility bills of residential electric and gas customers, to educate consumers about how to reduce energy consumption. OPC believes that reduction of energy usage benefits consumers by decreasing costs from lower demand and by delaying the costs of investment in new generation facilities. The bill did not pass.

Senate Bill 505 – Construction of Electric Generating Stations – Required Certificates – Exemption

- ✓ OPC recommended a favorable report with amendments. By modifying the approval process, the bill adds an exception to the need for a CPCN for applicants intending to construct an on-site electric generating station with limited wattage, and which would use at least 10% of the generated product on site. The bill passed and was signed into law by the Governor.

House Bill 1146 – Cross-filed. Bill signed into law
Senate Bill 754 – Vehicle Laws – Utility Emergency – Incidental Drivers

- ✓ OPC recommended a favorable report. The Annotated Code of Maryland, Transportation Article requires large vehicle operators to rest 24 hours after working 12 hours straight. Because this requirement might hamper responses to, and recovery from, a utility emergency, the bill provides an exemption from the MVC requirement for motor carriers. The bill passed and was signed into law by the Governor.

House Bill 215 – Electric Restructuring – Competitive Metering

- ✓ OPC recommended a favorable report. Currently a utility supplier may replace a utility meter with its own meter. The bill would have eliminated the requirement that metering become a competitive service but retained regulation for both meters and metering service. The bill did not pass.

House Bill 359 – Public Service Companies – Transfer of Franchise

- ✓ OPC recommended a favorable report. The bill would have limited a public service utility to assigning, leasing or transferring a franchise (or the right to franchise) to businesses incorporated in Maryland. Under this bill, the PSC would have gained clearer authority to regulate and hold accountable non-Maryland based companies which acquire public utility assets within Maryland. The bill did not pass.

House Bill 360 – Public Service Companies – Examination of Accounts

- ✓ OPC recommended a favorable report. The bill would have provided for grater transparency in a utility's operations by permitting the PSC to examine the books and records of a parent public utility or unregulated affiliate in cases of ratemaking, activities impacting franchises, financing and the issuance of stocks and bonds, investigations of anti-competitive conduct, natural gas supplier licensing and consumer protection matters. The bill did not pass.

House Bill 792 – Task Force to Study the Billing Practices of Public Service Companies

- ✓ OPC supported the creation of this task force. The bill did not pass.

House Bill 1331 – Net Energy Metering – Biomass Electric Generating Facilities

- ✓ OPC filed informational testimony to support this bill which adds biomass electric generating facilities to wind energy and solar energy to net energy metering. An example of a biomass is bovine methane. The bill passed and was signed into law by the Governor.

House Bill 1553 – Net Energy Metering – Accrual of Generated Electricity – Crediting to Customer's Account

- ✓ OPC filed informational testimony. The bill would have provided a credit to a customer generating electricity by solar or wind generation for the electricity produced to be applied as a negative balance on the customer's utility account. The bill did not pass.

Senate Bill 48 – Electric & Gas Companies – Use of Trade Names and Trademarks—Cross-filed
House Bill 1418 – Electric and Gas Companies – Use of Trade Names and Trademarks

- ✓ These bills addressed the support of service affiliates for certain products or services, such as financing and advertising created by a parent utility company. Without some restrictions imposed, OPC believes these affiliates will have an unfair advantage over nonaffiliated companies attempting to compete with these service affiliates.

OPC filed informational testimony suggesting that certain service affiliates of utilities could use images, trademarks or names of the utilities but that they should also be required to carry a disclaimer in any advertisement which clearly indicated that the affiliate was not the same company as the parent regulated utility. OPC also noted the existence of a rulemaking process in which the PSC was considering essentially the same issue, and was preparing to publish regulations regarding affiliate use of trademarks, images or names together with other affiliate conduct restrictions. The bill did not pass.

UTILITY CASES FOR FY2005*

TELECOMMUNICATIONS

Since the Telecommunications Act of 1996 was passed by Congress, many telecommunications cases on the state and federal levels have dealt with implementing provisions of the Act or associated regulations promulgated by the FCC. OPC participates in these cases if a significant issue affecting Maryland consumers is at stake.

OPC continues its efforts to ensure that Maryland consumers have affordable local phone rates. OPC reviews each annual Price Cap filing by Verizon to ensure that it complies with Maryland Law and the Commission's Price Cap Order. Unfortunately, unlike the previous three years, the Price Cap review in FY05 resulted in a rate increase for consumers. However, to date, the cumulative effect of the Price Cap adjustments over the life of the plan is a $20 million reduction in rates to Verizon customers.

OPC also participates in any case which may affect either the price of telephone service or its quality. For example, OPC participates in workgroups and rulemakings involving service quality issues, streamlining interactions among competitors, numbering issues and prices for service.

Telecommunications Cases

- **Case No. 8988 - Batch Hot Cut**

This case was instituted in response to the FCC Triennial Review Order which, in part, mandated that state public service commissions examine the efficiency of the processes used by the incumbent local exchange carrier (*i.e.,* Verizon) to migrate large numbers of switching customers to its competitors (which is called a "batch hot cut").

* The cases listed highlight the types of issues OPC engaged in during FY 2005; as such it not intended to be a comprehensive list of all the cases or workgroups in which OPC was involved.

OPC argued that the PSC has independent statutory authority to review the batch hot cut process. OPC asserted that the PSC could close the existing proceeding and initiate a new proceeding pursuant to that statutory authority if it so chose.

On May 16, 2005, the PSC decided to retain the existing rates of $35.00 for an initial loop basic hot cut and $17.32 for additional loops and to close the proceeding. The PSC stated that it could not accept the New York rates and processes, as suggested by Verizon. Additionally, rejecting Verizon's argument, the PSC concluded that it had the authority to adopt batch hot cut rates. If there is to be unbundled network element loop ("UNE-L") service, there must be a hot cut and the PSC claims the requisite authority to set a rate and a process for hot cuts.

- **Case No. 8983 -Triennial Review**

This case was instituted in response to the FCC's Triennial Review Order, adopting new network unbundling requirements for the local telecommunications market. OPC is a party to this matter, but the PSC has imposed a stay on all proceedings as a result of a Federal Appeals Court decision (See Case No. 8988). OPC will continue to litigate this case once the stay is lifted.

- **Case No. 8918 - Review of Verizon Maryland, Inc.'s Price Cap Regulatory Plan**

This case stems from the sixth annual review of the Price Cap Regulatory Plan that was adopted by the PSC in 1996. Subsequent to the close of the record in that proceeding, Verizon filed a motion to reopen the record for "new" information. OPC objected and showed that each alleged "new" piece of evidence that Verizon sought to introduce was merely cumulative. In response, the PSC ordered the parties to convene new settlement talks to see if some of the annual Price Cap filings made by Verizon during the pendency of the Price Cap Plan could be resolved. As a result of those talks, the parties reached an agreement on the 2001 and 2002 Annual Price Cap filings which resulted in an overall decrease in rates of $1,836,205.00. The parties agreed to continue to discuss how to resolve any remaining issues in the case. Please watch for an update on these discussions in OPC's FY 2006 Annual Report.

- **Case No. 8916 - Performance Assurance Plan: Verizon**

OPC continues to participate in reviews and negotiations of issues involving Verizon's Performance Assurance Plan ("PAP") which governs how Verizon and Competitive Local Exchange Carriers ("CLECs") interact with each other to provide local service. OPC also will continue to participate in the ongoing audit of the Verizon PAP standards.

- **Case No. 8862 - IntraLATA**

By letter order dated July 14, 2000, the PSC decided to investigate the amount of the charge assessed to telephone customers for changing their intrastate intraLATA Primary Interexchange Carrier ("LPIC"). The LPIC charge is a non-recurring charge that applies when telephone customers change their intraLATA primary interexchange carrier. The intraLATA primary interexchange carrier is the carrier that telephone customers select to carry their direct-dialed, non-dial-around intraLATA toll calls. IntraLATA toll calls are toll calls made within the boundaries of a local access and transport area, which toll calls are sometimes inaccurately referred to as "local long-distance." Verizon charges $5.00 for this service; however, OPC found that the true cost of this service was about $2.25. OPC argued for the reduction of this fee. The PSC Hearing Examiner adopted all of OPC's positions. The case was appealed at the end of FY 2004 and, as of the close of FY 2005, the PSC had not yet issued an order.

- **Case No. 8927 - CloseCall America**

CloseCall America, Inc., a competitive local telephone exchange provider, filed a complaint with the PSC concerning certain business practices of Verizon Maryland. CloseCall alleged that, when customers elected to switch from Verizon to CloseCall, Verizon abruptly cut off telephone service for those customers, in some cases before the customers are able to secure alternative service. In addition, CloseCall alleged that Verizon unlawfully bundles certain services, such as DSL and voicemail, with its local telephone service, so that consumers who choose CloseCall for local telephone service cannot obtain these ancillary services. The PSC Hearing Examiner adopted OPC's position on Verizon's harmful business practices. Both Verizon and CloseCall appealed the Hearing Examiner's recommended decision. The PSC ultimately concluded that it had no jurisdiction over the provisioning of DSL and voicemail but that it did have jurisdiction to assess the impact upon local telephone competition of Verizon's acting to deny access to these services to a competitive local exchange customer ("CLEC"). The PSC found that there was no impact on local competition from Verizon's failure to allow access to voicemail but there was an impact on competition from its failure to allow access to DSL.

NATURAL GAS

Significant recent changes to the natural gas industry have brought it to the forefront of OPC's efforts on behalf of consumers. Natural gas is the fastest growing utility market in the nation. Moreover, due to the completion of numerous gas-fired electric power generation plants, the natural gas and electric utility markets are becoming ever more intertwined. As an immediate consequence of this interrelationship, the increase in demand for such gas-fired electric power will put upward pressure on gas prices for both residential and commercial consumers. Coupled with this increased demand, lower supply and its attendant higher costs also have resulted from the impact of domestic natural catastrophes, such as the damage wrought by Hurricane Katrina to Gulf Coast drilling, storage, and pipelines, and also from the impact of international events which are magnified by increases in gas imports from foreign sources.

In response to these changes, during the past year, OPC challenged Maryland gas utilities to better and more effectively utilize planning and resources to maintain economic and efficient delivery and sales of gas to Maryland residential customers. For example, in Washington Gas Light ("WGL") Case No. 8951 which involved long term planning, OPC's efforts resulted in a settlement that will reduce annual costs and produce savings for WGL's sales and delivery customers amounting to $4.6 million dollars. The settlement resolved cost allocation issues related to WGL's responsibility for being the Provider of Last Resort ("POLR") by proposing an agreement under which supplier provided firm transportation (*i.e.* capacity) will be given credit in WGL's planning for Maryland system capacity needs to deliver gas to Maryland customers. Similarly, in Case No. 8950 Phase III involving Baltimore Gas & Electric ("BGE"), OPC sought an appropriate allocation of costs for administrative expenses that are billed to sales customers rather than to all BGE customers in distribution rates. This Gas Administrative Costs Charge ("GAC") settlement also requires that the level of administrative expenses continue to be determined in base rate case proceedings and avoids increases in expense recovery (other than as related to changes in the amount of customers) between base rate cases.

In Case No. 8990, OPC helped broker a favorable resolution to a long standing question regarding use of cost of service rates for interruptible customers of WGL. ("Interruptible customers" are those who, in the event of a shortage, may be bumped from the system and generally have lower rates than those of "firm" customers who have first call on capacity contracted for). As part of the settlement in this case, consumers' natural gas bills will be moderated in the colder winter months and the interruptible customer rate structure (including allocation of certain system costs) will remain in effect through the next rate case. The settlement eliminates a significant degree of litigation risk for residential customers related to cost allocation among WGL customers for a number of years.

Two additional cases (WGL Case No. 9035 and the related FERC Docket CP05-130 *et al.*) also have significant economic impact. In each of these cases, OPC has developed and proposed effective strategies to counteract proposals for recovery of excessive expenses. In Case No. 9035, the Company identified more than $144 Million in planned expenditures related to WGL gas distribution system leaks. OPC believes that a proper resolution cannot be finalized until there is a full understanding of the cause (or causes) of system failures and after stakeholders develop and institute necessary safety and repair operations to remedy and to prevent further damage to WGL's system.[2] Accordingly, OPC opposed final approval pending a further review that addresses these issues.

Gas Cases

- **Case No. 8509(cc) - Washington Gas Light, Purchased Gas Adjustment Proceeding**

This 2004-05 Purchased Gas Adjustment ("PGA") case concerns the reasonableness and prudence of WGL's purchasing, gas acquisition and delivery practices. "Capacity costs" include transportation and storage costs required to deliver purchased gas supplies to the WGL service territory. At issue in this case is the level of capacity costs to be paid by WGL sales customers for the PGA charge pursuant to provisions of the Maryland Public Utility Companies Article.

OPC determined that WGL was purchasing capacity for sales customers in excess of the needs of these sales customers which resulted in unjustified charges in the PGA. Although suppliers were providing their own firm transportation to deliver their customers' gas supplies, WGL's gas plans and acquisition practices included duplicative capacity and did not account for the provision of firm transportation capacity by suppliers. Accordingly, OPC requested the PSC to order a $4.6 million disallowance for each year in which WGL retained duplicative capacity unnecessary for sales customers' needs. In response, WGL contended that, because the excess sales capacity is needed in the event of any competitive supplier default on its system, WGL may properly deny recognition of any value for firm transportation capacity by suppliers providing competitive gas supply service in WGL's service territory.

OPC completed its briefing in August 2005 and the matter remains pending before a PSC Hearing Examiner.

- **Case No. 8990 - Washington Gas Light Interruptible Customers**

A settlement in this case establishes cost-of-service rates for WGL's "interruptible" customers. In contrast to "firm" customers, "interruptible" customers receive service under flexible terms which permit WGL to interrupt supply and may select alternative fuels to meet their requirements. The settlement establishes cost-of-service rather than value-of-service rates and provides for interruptible customers to be billed on a cost-based average transportation rate that is within the range of cost-of service results identified by all parties.

[2] A "stakeholder" can be an individual, a business, a governmental entity, or a non-governmental organization ("NGO") with an interest in a situation and with the power to create, enhance, or frustrate potential outcomes.

OPC believes that residential consumers benefit from this settlement in a number of ways. The parties specifically accepted OPC's recommendation for the allocation of mains in the cost-of-service results that support the interruptible rate. The settlement also established a Revenue Normalization Account ("RNA") which includes stabilization of weather related changes in WGL's customer bills. In return for the RNA, WGL has agreed that any residential rate increase in its next rate case will be passed through on a volumetric basis only with no changes to the customer charge. Finally, the settlement maintains the new rate for the next rate case and thereby locks in the cost-based rate structure reducing litigation risks in the next base rate proceeding for cost-of-service issues related to the interruptible rate.

- **Case No. 8951 - Washington Gas Light, Long Term Planning**

In Case No. 8951, the parties resolved certain long term issues regarding WGL's gas plan, capacity resource acquisitions and the cost responsibility for obtaining the additional capacity required to maintain POLR capacity. POLR capacity protects the WGL system in the event of competitive supplier default, and is obtained by WGL to meet its obligation to provide capacity in the event of changes in supply or changes in market activity.

Pursuant to a settlement adopted by all parties in this case, WGL has agreed to recognize the value of supplier provided capacity in the calculation of resources available to meet WGL's "design day" system requirements. The agreement further resolves cost responsibility for any POLR capacity obligations not offset by supplier provided capacity with a 50/50 sharing of these costs between competitive suppliers and sales customers. All benefits of capacity provided by Maryland suppliers will be applied and limited to customers in WGL's Maryland jurisdiction rather than customers throughout the entire WGL service territory. The settlement also includes a target reserve margin set between 5% and 6.5% of WGL's system requirements.

The settlement resolves POLR related capacity cost issues for WGL Purchased Gas Adjustment proceedings beginning with Case No. 8509(dd). Once the settlement is fully phased in for the PGA period considered in Case No. 8509(ee), the savings to the Company's sales customers should be approximately $4.6 Million in capacity costs.

- **Case No. 8952 - Columbia Gas, Long Term Planning**

On June 3, 2005, the PSC adopted a settlement in this case which permits Columbia Gas to establish a Pilot Gas Hedging ("PGH") Program. While the Program's details are confidential, the Program's goal is to reduce volatility of gas prices and is similar to PGH programs implemented by Columbia Gas in its other service territories. If successful, the Program could be approved as a permanent program in the future and, thus, allow for continued fixed price gas contract purchases by Columbia. As a consequence, high gas prices for Columbia residential ratepayers may be reduced or otherwise mitigated.

- **Case No. 9035 - Washington Gas Light, Gas Distribution System Leaks**

The PSC opened a docket to investigate on-going concerns regarding an increase in gas distribution system leaks in the Prince George's County area of WGL's service territory. To curb this increase, WGL launched an aggressive repair and replacement program for pipeline in this area, an effort which OPC supported.

Total costs for this remediation program may be substantial as, to date, most of the repairs involve complete replacement of pipeline in affected areas of the utility service territory. The PSC has not yet made a final determination regarding either the cost responsibility or approval of any return to WGL investors for WGL's additional investment in this remediation program. In another action taken involving accounting treatment for "encapsulation" repairs, however, the PSC declared "encapsulation" to be outside of ordinary operating expenses and permitted capital or rate base treatment on WGL's books for these types of repairs.

- **Case No. 8950 Phase III - Baltimore Gas & Electric, Gas Administrative Costs Charge**

To settle this case, BGE agreed to implement a Gas Administrative Costs Charge. The GAC changes the allocation of certain administrative charges to be billed to gas customers receiving commodity service from BGE in its gas commodity price rather than to all BGE customers in gas base rates (delivery charges). The amounts to be included with gas commodity price recovery are related to a) credit and collections, b) commodity billing, c) uncollectibles and d) the PSC assessment. The change to the formula for BGE to recover these amounts seeks to fairly balance customer costs between competitive gas suppliers and customers who continue to receive gas supplies from BGE, the regulated utility.

OPC successfully opposed the reallocation of amounts related to other expenses, such as advertising costs, and also sought to retain the rate base evaluation and determination of amounts to be recovered under the GAC. Thus, in the settlement, changes in certain GAC expense amounts are related to changes in customer numbers and values rather than to increased costs for a particular expense. By an Order of the PSC, this settlement was adopted.

- **Case No. 8981 - PEPCO Energy Services v. Washington Gas Light**

In this case, PEPCO Energy Services ("PES") alleged that new operating procedures adopted by WGL improperly allowed it to deny confirmation of, or to cancel, deliveries of natural gas to competitive suppliers using secondary capacity on the Columbia Transmission Co. pipeline. PES claimed that this procedure impeded its ability to compete with WGL. The PSC ruled that tariff provisions adopted by the Hearing Examiner will assure suppliers of adequate notice of circumstances under which curtailment of demand of delivery of secondary gas may occur. In October 2004, the PSC further ruled that WGL must bring operational changes that have a meaningful impact on suppliers to PSC's Gas Roundtable, ninety days prior to implementation.

- **Case No. 8986 - Phase II WGL - Stipulation and Agreement**

OPC reviewed the stipulation and agreement by Washington Gas Light, PEPCO Energy Service, and Amerada Hess Corporation to modify tariffs to account for issues pertaining to its interruptible customers switching back to firm service. The issue involves customers who consume 500,000 therms or more per year, and enter into contacts with the gas supply company. While these are mainly industrial customers, the issue can affect large apartments or condominiums with master meters. To protect the residents of such structures, though not individual ratepayers, OPC monitored the final settlement. The final settlement addressed reliability of service, and determined fees paid by the commercial customer, thus costs to switch between interruptible and firm service could not be passed on to residential ratepayers.

- **Case No. 9036 - Baltimore Gas & Electric, Base Rate Increase for Gas Division**

BGE filed for an increase in base rates of $52.7 million. This case represents BGE's first request for rate relief in five years. Although BGE shareholders have nonetheless benefited during this period as a result of BGE's Market Based Rates for recovery of gas costs which provides incentives to BGE for purchases below gas market indices, BGE claims to be earning only a 5.5% overall return under current rates.

OPC opposed BGE's requested rate relief and also recommended adjustments to significantly reduce the increase proposed by BGE. The underlying issues involve the determination of, respectively, BGE's short term debt requirements and also a reasonable "return on equity" ("ROE"). The range of proposals for ROE was between 9.8% and 11.9%, with suggested overall returns amounting to between 7.5% and 8.9%. OPC and other parties also opposed BGE's request to include a "performance adder" in the calculations to determine the reasonable ROE.

OPC affirmatively has proposed that any rate increase be set at no more than $19.8 million in revenues which should allow BGE to provide excellent service to its customers while nonetheless permitting a reasonable return to BGE investors. OPC has worked to develop rates established properly under a standard of "just and reasonable rates. OPC's recommended ROE and accounting adjustments seek to ensure that the PSC makes a sound and considered analysis of BGE's actual required revenues to operate as a gas distribution utility in Maryland.

- **Case Nos. 8502(aa) Easton, 8512(aa) PFG Gas/PPL, 8513(aa) NUI Elkton, 8514(aa) Chesapeake Utilities**

These cases considered annual PGA charges. Gas companies must submit annual reports to the PSC to document their gas purchasing practices and to ensure that the companies are making prudent business decisions when purchasing gas. The PSC reviews issues of price, volume, and delivery methods to determine whether the companies are purchasing their gas at the lowest price possible, and also to determine whether the charges will secure the safe and reliable supply of natural gas to customers. The OPC is an active party in each of these cases.

- **Atlanta Gas Light ("AGL")/NUI Purchase, Refund to Elkton Gas Customers**

In PSC filings regarding the purchase by AGL of NUI Corporation, the parties discovered that NUI had overcharged customers of Elkton Gas. OPC monitored these filings as part of AGL's annual PGA charges filing, to ensure that AGL refunded to Elkton Gas customers (by credits on their current bills) the amount of the overcharge, which AGI calculated as amounting to $44,127.00.

- **FERC Docket No. - CP05-130**

This federal proceeding, in which the Maryland PSC, OPC, WGL and shippers (such as LTD-1) of "Liquefied Natural Gas" ("LNG") are all participating, was initiated to establish whether the Dominion Cove Point LNG Facility should expand to double its LNG capacity for supply outflow. The facility is located on the Chesapeake Bay in Cove Point, Maryland.

FERC will soon determine whether to authorize expedited approval of the expansion or to set the matter for hearing. In filing a Motion to Intervene, OPC raised concerns regarding public safety and cost responsibility for any deterioration of the WGL system which may be caused by the injection of LNG gas supplies into WGL's system. OPC will continue its involvement in this proceeding to try to insure that the interests of WGL customers in the safe and effective operation of WGL's franchise in Maryland remain protected.

- **FERC Docket No. - AO 03-7-002**

This docket was opened to address abuses in business practices that provide improper price information on natural gas sales and purchases. This information is important because it is used by the PSC, utilities and suppliers in contract negotiations, to calculate tariffs, and to address reasonableness of procurement practices of distribution utilities. As a part of this case, FERC held conferences, issued surveys to market participants and produced a lengthy report on natural gas price and electric price indices. OPC is monitoring this matter through NASUCA.

- **NASUCA Gas Committee**

OPC participates in the regular meetings of the NASUCA Gas Committee and provides input to the committee on matters of concern to Maryland ratepayers. The Committee coordinates the efforts of consumer advocates in matters which affect the interests of gas consumers at the national and state levels. On behalf of its members, NASUCA frequently makes filings in cases before FERC. NASUCA focuses on issues such as solutions to mitigate gas price volatility which affect all of its membership.

ELECTRICITY

Pursuant to Maryland's "Electric Customer Choice and Competition Act of 1999," the PSC regulates the price for the *delivery* (*i.e.* transmission and distribution) portion of the service. The price for the commodity portion of electric service (generation supply) is determined by the wholesale market and is thus, unregulated. The market's complexities result in bills to residential electric consumers which reflect composites of a number of rates that are established under the authority of different regulatory bodies and schemes. The rates are: (1) the *distribution rate*, which is set by Maryland's PSC to compensate the local utility for the poles and wires necessary to deliver electricity within its service territory to the customers' homes); (2) the *transmission rate*, which is a rate established by the Federal Energy Regulatory Commission to pay for Maryland customers' share of the regional transmission system; and (3) the *generation price*, which is the retail price for the electricity used by the customer and is supplied either by the local utility or an alternative retail supplier.

Due to the increasingly complex nature of the electricity generating and delivery markets, the OPC participated on behalf of Maryland's residential customers in a wide variety of forums on electric issues. For example, because the majority of Maryland residential customers still buy their electricity from their local utility under the Standard Offer Service ("SOS"), OPC litigated several cases before the PSC with the goal of achieving for those consumers the lowest rates possible for the electricity they buy from their utility.

One of the results of electricity restructuring is that the utilities no longer own generation plants and, as a consequence, they must buy the power from the regional wholesale market. The wholesale electricity markets are under the jurisdiction of the FERC, which has approved extensive rules on how those markets should be run.

As another example of OPC's efforts to protect Maryland's residential electric consumers, OPC participates in numerous regional stakeholder forums where discussions are held on varying proposals to change the rules which govern the wholesale electricity markets. OPC also provides recommendations on those proposals to FERC based on how the proposals would affect consumer interests. OPC makes these recommendations through filing protests, comments, hearing requests and appeals of FERC orders to the federal courts.

There were cases at both the PSC and FERC on rates for the delivery of electricity, at both the distribution and transmission levels, to Maryland consumers. OPC participated in all the cases, providing expert testimony where appropriate, to achieve reasonable rates for that service.

OPC continues to be focused on the reliability of the electric system. OPC has been seeking a better planning construct for our region that will have sufficient scope and data to assure that there is long-range and regional planning to maintain an adequate transmission system. OPC studies the amount of generation in the region and the amount that is being built in the region to determine if it will be sufficient to meet the growing demands of customers. Also, OPC reviews and comments upon the rules for the wholesale energy market restructured electric industry.

OPC also provided assistance to individual customers with complaints against their utility, such as safety issues and bill responsibility. OPC also provided recommendations to the PSC in support of programs to assist low income customers, particularly home weatherization assistance, restrictions on termination of service in cases of customers with serious illness or life support equipment, and consumer protections for contracting with alternate electricity suppliers.

Electric Cases

- **Case No. 8908 - (Phase II) Electric Standard Offer Service**

OPC continues to provide close monitoring of the Request for Proposal ("RFP") procedure used by utility companies to buy electricity at wholesale for their SOS customers. The goal of the RFP Procedure is to support competition among wholesale suppliers which would result in bids that most closely represent current conditions in the wholesale energy markets. The interests of residential customers are best served when the bidding under the RFP procedure is carried out fairly and pursuant to the PSC-approved procedures. OPC has access to confidential information regarding both the process and bids to serve residential customers. With this information, and with the assistance of expert consultants, OPC monitors the process for compliance with the PSC-approved procedures and watches for anti-competitive conduct.

Every year, the PSC staff conducts a series of meetings, called the Procurement Improvement Process ("PIP"), to review the SOS bidding process and review potential changes to the process. OPC participates in these PIP meetings. In 2005, a proposal to the PSC requested that the PIP procedures be changed to allow the names of winning bidders to be released publicly. OPC supported this proposal and it was approved by the PSC. In another proposal, the PSC was requested to adopt certain rules related to aggregation by municipalities. OPC submitted comments opposing this proposal as premature because the Legislature had not enacted laws to fully enable municipal aggregation. The PSC rejected this proposal.

Renewable energy is created from unlimited natural energy sources such as sun, wind, and water. As part of the settlement, the PSC has taken steps to incorporate renewable, "green", resource portfolios ("RR Portfolios") in their goals for the RFP procedure and wholesale purchase of electricity. These RR Portfolios add renewable resources to a utility's basket of energy supplies and services. To encourage larger RR Portfolios, OPC supports the creation of Renewable Energy Credits, which can be traded between a utility that had generated improvements above legislatively set percentages of renewable resources to their overall electric supply portfolio, and a utility that had not met that target. An example of such credits has already been established for pollution abatement, where utilities already trade with each other to comply with federal requirements in pollution reduction.

- **Case No. 8987 - Choptank Standard Offer Service**

The PSC initiated this inquiry into Choptank's plans for provision of SOS to its customers. Choptank's obligation is to provide SOS until 2010. Unlike other large utilities which purchase through a bid process the power used to serve SOS customers, Choptank has a long-term contract with a supplier, Old Dominion Electric Cooperative. In April 2005, the PSC approved a settlement between itself, Choptank and the OPC which reduced the SOS rate for Choptank's ratepayers and saved them $450,000.00.

- **Case No. 9019 - Implementation of Maryland Renewable Portfolio Standard**

By legislation effective July 1, 2004, Maryland created a "Renewable Energy Portfolio Standard" ("REP Standard"), which required the PSC to adopt regulations by July 1, 2005 to enforce the REP Standard. In contrast to the RFP bid procedures (discussed above) which focus on utilities which *purchase* electricity, the REP Standard focuses on utilities which *supply* electricity. The standard is defined as the percentage of electricity sales at retail in Maryland that is to be derived from statutory-defined renewable sources. Beginning in 2006, and pursuant to the PSC's regulations, each Maryland electricity supplier is required to demonstrate that the percentage of renewable energy (*e.g.* solar, wind, biomass, *et al.*) in the electric power supplier's energy portfolio for the preceding calendar year was at least as great as the required minimum percentages set forth in the legislation.

The legislation provides for the establishment of an extensive structure to support the REP Standard and includes a registry of generators who are eligible to provide qualifying electricity. Steps are being taken to encourage an REP Standard market (including a voluntary electronic bulletin board), although most of the renewable energy will initially be obtained under bilateral contracts. In PSC Rulemaking No. 12 (COMAR 20.61), the PSC promulgated in FY 2005 the regulations necessary to implement the REP Standard. The PSC determined that the PJM Generation Attributes Tracking System ("GATS") will form the basis for sales and trading of Renewable Energy Credits ("RECs") in Maryland.

Comments were filed by OPC in support of the RPS and to clarify consumer protections required to safeguard consumers who bear the costs of purchases made by suppliers to meet RPS Standard obligations under the law. Issues addressed by OPC in comments on the new regulations included systems to avoid double counting of RECs for compliance with the REP Standard and restrictions on reuse of retired REC's as well as other market monitoring concerns.

- **Case No. 8941 - Hatfield v. Potomac Edison**

This investigation arose after an Allegheny Power (t/a Potomac Edison) customer was electrocuted when the mast of a sailboat he was helping to dock struck a high tension line which extended over a portion of Deep Creek Lake. PSC's Engineering Staff concluded that Allegheny's negligent failure to timely inspect the line had led to the customer's death. Potomac Edison disagreed based on its contention that it was not required by any PSC or national electric code regulation to have performed such an inspection. The PSC's Hearing Examiner found in favor of Potomac Edison. OPC's appeal of this decision was heard but denied by the PSC which, in March 2005, concluded that Potomac Edison could only be held to a standard of line height that was in place at the time of the accident.

- **Case No. 9015 - Washington Gas Energy Services ("WGES")**

WGES filed for a Declaratory Order asking the PSC to order PEPCO to provide it with more than three supplier ID designations. These designations are used to pass important information about the WGES electric load to the Pennsylvania, New Jersey, and Maryland Interconnection ("PJM"). WGES alleged that PEPCO's refusal limits their ability to offer Maryland customers competitive electric prices. On September 20, 2004, the PSC settled this case by increasing the number of supplier ID designations to six.

- **Case No. 8985 - Southern Maryland Electric Company ("SMECO") Standard Offer Service**

In this case, the PSC reviewed plans for acquiring power for SMECO's SOS customers. All SMECO residential customers are SOS customers. The costs incurred by SMECO in acquiring this power will be passed directly to its customers. SMECO proposed to use a self-managed portfolio approach to acquiring power. OPC recommended to the PSC that SMECO use an RFP process similar to that approved for the other utilities in Maryland in Case No. 8908 (see above, "Phase II - Electric Standard Offer Service"). After litigation on the issue, the PSC decided to allow SMECO to use the self-managed portfolio approach beginning January 1, 2005. On June 1, 2005, SMECO adjusted its SOS rates and has subsequently submitted regular reports in this regard. OPC, which has the right to request information from SMECO to explore any issues that may arise, will review the aftermath of this case on an annual basis.

- **Case No. 8903 - Electric Universal Service Program**

EUSP is an energy assistance program for low-income ratepayers funded through a charge collected from ratepayers. In a February 5, 2004 letter, the PSC requested the EUSP Working Group to explore several topic areas pertaining to the program's operation. As a member of the EUSP Working Group, the OPC advocated for improvements to the weatherization segment of the EUSP, as well as for increases in the allotment of funds for arrearage retirements. OPC continues to be an active party.

- **Case No. 8997 - Catoctin Power, LLC-CPCN**

Catoctin Power, LLC filed an application for a CPCN, seeking to install a 600 Megawatt generator in Frederick County. After a hearing in January 2005 in which the PSC considered testimony from many experts, on April 25, 2005, the PSC approved Catoctin's request for a CPCN.

- **Case No. 9009 - BGE Request for CPCN For Brandon Shores Transmission Line**

OPC intervened in the case docketed to review BGE's request for a CPCN for a transmission line in the southern Baltimore County and Northern Anne Arundel County area. The proposed line was a relatively short line that was identified as necessary for BGE to meet reliability planning standards because of the growth in electricity usage in the area. The line was sited along an existing transmission path that traveled mostly through industrial areas. After review of BGE's proposal and investigation of the grounds stated for the need for the line, OPC did not identify any objections to the line. The PSC ultimately issued an order granting BGE the CPCN it sought.

- **Case No. 9016 - Public Service Commission v. PEPCO**

This case involves a complaint against PEPCO for failing to timely respond to a downed electric distribution line resulting in property damage and a burden upon local emergency resources. The parties entered into an agreement of stipulation and settlement wherein PEPCO contributed $5,000.00 to two programs: a tree program and "Tremendous Maryland Program" (environmental tree planting). PEPCO also instituted internal reforms to improve its performance in the future.

- **Case No. 8919 - Consideration of Appropriate Regulatory Protections for Children**

On March 17, 2005, the PSC issued a letter directing the Utility Service Termination Working Group to report its recommendations on suggested changes to the Code of Maryland Regulations ("COMAR") proposed by the Johns Hopkins Energy Safety Task Force. Hopkins was concerned about cases of children who suffered burn injury or death following power termination in their homes. Hopkins believed young children under the age of 11 to be especially vulnerable to such preventable tragedies and it asked the PSC to amend certain provisions of COMAR to define young children as a protected class under existing utility termination regulations. OPC was an active member of the Working Group which met on several occasions to discuss the suggested COMAR revisions, and produced an initial report as well as a final settlement document.

The Commission accepted the settlement. The settlement does not require any changes to existing Maryland regulations, but certain protections for young children and cooperation among the agencies that administer financial aid to needy families will be implemented beginning with the upcoming heating season. OPC believes this was the best outcome given its role to protect all Maryland residential ratepayers.

- **Case 8938 - In the Matter of the Application of Clipper Windpower, Inc. for a CPCN to Construct a 101 MW Generating Facility in Garrett County**, **Maryland**

On March 26, 2003, the PSC entered a Final Order granting Clipper Windpower Inc. ("Clipper") a CPCN to construct a 101 megawatt wind-powered electric generating station in Garrett County, Maryland. The PSC accepted a unanimous Settlement and

Stipulation Agreement among the parties, with certain conditions. One of the conditions called for Clipper to file with the PSC any request for changes in the specifications of the facility prior to commencing construction. In May of 2005, Clipper indeed filed a request for a reduction in the number of turbines for this project. Subsequently, the PSC approved the requested changes. A citizen intervener, D. Daniel Boone, filed a Petition for Judicial Review in the Circuit Court for Baltimore City. The matter is pending.

- **Case 9018 - Urbana Loop 230 kV Transmission Project**

On August 23, 2004, Allegheny Power ("AP") filed an Application for a CPCN with the PSC to build an overhead 230 kV transmission line in the Urbana region of Frederick County, Maryland. AP claims this line is needed to provide additional transformer capacity to supply the growing system load and to reduce stress on the existing sub transmission and distribution facilities.

The PSC is required to consider environmental impacts of any proposed overhead electric transmission line in excess of 69,000 volts as part of the application review and approval process. The Department of Natural Resource's ("DNR") Power Plant Research Project ("PPRP") is responsible for coordinating the review of projects requiring a certificate from the PSC, with other State agencies which have regulatory responsibility for protecting Maryland's natural, socioeconomic, and cultural resources. DNR has recommended to the PSC that it deny AP's application.

OPC is monitoring this case to identify any issues that may be of consequence to all Maryland ratepayers, not just those in AP's service territory. OPC has attended all of the evidentiary hearings as well as public hearings, and stakeholder engagement meetings in Frederick in this case. The Hearing Examiner will issue a proposed order after the briefing period ends in mid-March 2006.

- **Case No. 8889 - ZAPCO Eastern Landfill (Baltimore County)—CPCN**

The PSC concluded the case with an order granting the CPCN, but attorneys for the local neighbors appealed the case to the Circuit Court. OPC had monitored the CPCN proceeding to ensure protections were in place for the local water supplies. The petitioners have now dismissed their appeal.

- **PEPCO's Proposed Tariff Riders - Administrative Agenda June 22, 2005**

One June 2, 2005, PEPCO filed three proposed Riders- Delivery Tax, Montgomery County Surcharge, and the Maryland Environmental Surcharge, to become effective on July 1, 2005. PEPCO requested that the PSC permit the company to post these rate changes periodically on its Internet site, in lieu of submitting tariff filings each year. OPC expressed concerns about the exclusive use of the Internet for such rate or tax change notifications, because not all Maryland ratepayers have access to the Internet, and therefore, would be excluded from this type of rate notification. Believing that this type of disparate treatment would unfairly disadvantage those without access to advanced technology, OPC submitted comments to the PSC at its weekly meeting. OPC recommended to the Commission that it approve the proposed riders only if PEPCO would make the requisite number of hard copy tariff filings each year pursuant to the Public Utility Companies Article, section 4-202 and 4-203 regarding publication of rate changes, in addition to making the information available on its web site. The Commission so ordered.

- **Case No. 9008 - Synergics Wind, CPCN**

Synergics Wind filed an application for a CPCN, seeking to install between ten to a maximum of twenty four windmill towers to generate electricity. Synergics plans to produce 40MW of electricity by erecting these towers on 20 acres located on Backbone Mountain (height elevation 3,252 feet) in Garrett County. Each tower would be 262 feet in height with sails of 135 feet from the central hub. The electric generated would be sold to Allegheny Power. OPC is monitoring the plans, filings from various interest groups, reports of governmental agencies, and testimony at public hearings.

- **Case No. 9033 - Mid-Atlantic Power Supply ("MAPSA") v. PEPCO**

MAPSA is an independent electric supplier. MAPSA complained that PEPCO was not supplying PEPCO customer information in a timely manner. MAPSA needed this customer information to market its services to current PEPCO customers. OPC was concerned about the amount of personal information PEPCO was providing. MAPSA and PEPCO came to an agreement in October 2005, thus the PSC did not rule in this matter.

- **Liberty Mobile v. BGE**

This case is a dispute between a private trailer park and BGE. The dispute began when one of the residents could not upgrade appliances in her trailer due to outdated electrical systems within the trailer park. BGE was willing to upgrade the electric systems, provided the trailer park paid the cost of the upgrade. The trailer park owner was unwilling to pay BGE to upgrade the electric systems within the trailer park. OPC is monitoring the case to protect all BGE ratepayers. Hearings in the case have been delayed because of a change in counsel for the trailer park.

- **Case No. PC3 - Summer Reliability Conference**

Every year, the PSC holds a conference to investigate the readiness of the electric system for the upcoming summer load. Because the transmission system in Maryland is integrated into a regional grid, both local issues and regional issues are examined. Also, the PSC inquires into the sufficiency of the generating capacity in the region and the adequacy of the transmission system to deliver power from those plants to Maryland consumers. PJM provides a comprehensive report that details the analysis that it regularly performs on the adequacy of the system. PJM reported that the system meets all the relevant criteria for maintaining reliability for the upcoming summer. The utilities also provided reports on issues particular to their service territories. These reports also did not reveal any deficiencies for the upcoming summer. OPC closely reviews these reports and participates in the conference with the assistance of expert consultants as necessary.

PSC Rulemakings

- **Public Service Commission, Rulemaking No. 2 - Electric and Gas Consumer Protection Regulations**

OPC participated in the drafting of new regulations to govern consumer protections for contracting with gas and electric suppliers. Previously the rules governing these interactions were found in a number of PSC orders. Now, consumers have the benefit of knowing exactly what their rights are in these contracts. The regulations cover, among other things, minimum contract terms, slamming and cramming, economic redlining, advertising, required consumer disclosures and priority of payment posting mechanisms. The regulations will take effect on July 1, 2005.

- **Public Service Commission, Rulemaking No. 3 - Restriction- Serious Illness/Life Support Equipment**

OPC participated in the drafting of revised regulations governing the delay of terminations of service because of a serious illness or the need for life support equipment. The regulations have now been revised to make clear that physicians no longer have to state the nature of an illness on the form requesting a delay of termination. This change was made to comply with the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). The revised regulations also limit a utility's ability to question the adequacy or integrity of the certification provided.

- **Public Service Commission, Rulemaking No. 4 - Affiliate Code of Conduct**

OPC participated in the drafting of new regulations to establish procedures governing certain gas and electric utilities' interactions with their affiliates. The regulations were drafted to ensure that the utilities do not subsidize their affiliated companies. Among other things, the regulations provide for the filing of cost allocation manuals, restrictions on the sharing of certain personnel with affiliates, training of personnel to be compliant with the regulations, disclaimers in advertising when certain affiliated companies of utilities use trade names or logos and restrictions on certain loans or debt guarantees by a utility to an affiliate. These regulations have not yet been finalized.

- **Public Service Commission, Rulemaking No. 5 - Financial Fitness of Applicants for an Electric Supplier License**

Rulemaking No. 5 represents a codification of appropriate requirements for electric suppliers seeking to obtain a license to participate in Maryland markets. OPC advocated that important measurements of supplier financial integrity be retained as established in the Maryland statute. Under the proposed regulations, the PSC has permitted a supplier to rely on an analysis of financial integrity as presented by financial fitness to participate in PJM markets, including consideration of PJM collateral requirements.[3] A supplier who does not rely on participation in PJM must still demonstrate standards of financial integrity including the submission of a $250,000 bond or guaranty to support the application to supply electricity.

- **Public Service Commission, Rulemaking No. 7 - Public Information Act Requests to the Public Service Commission**

OPC reviewed the proposed protocol the PSC wished to put in place to codify how Public Information Act ("PIA") requests would be processed. OPC made several recommendations in this regard, mainly to ensure that requests are properly documented and requests receive a timely response. Additionally, OPC recommended the provisions under which a PIA request can be refused.

- **Public Service Commission, Rulemaking No. 17 - Changes to COMAR Regulations Recommended for COMAR 20.53 (electric) and COMAR 20.59 (gas)**

OPC has participated in the review of changes proposed by the PSC to these regulations. These changes relate to the use of ratepayer's account information, and the dissemination of this information to independent gas and electric suppliers. The issues include: privacy of the information held by the utility company, ratepayer's rights to determine if they want the information provided to independent gas and electric suppliers, and who (utility company, supplier, or ratepayer) should bear the cost of gathering and sending this information to the independent gas and electric suppliers. OPC continues to participate in this review of the regulations.

Federal Energy Regulatory Commission Docket

- **FERC Docket No. ER04-375 - Joint Operating Agreement Between PJM and Midwest Independent Transmission Operator**

PJM filed a Joint Operating Agreement between PJM and the Midwest Independent Transmission System Operator ("MISO"), which is an organization similar to PJM for a region that borders PJM to the west. OPC intervened and has monitored this case because this Agreement can improve the reliability of the regional grid and the efficiency of the regional markets.

- **FERC Docket No. ER04-608 - Behind the Meter Generation**

This case involves rule changes for commercial and industrial customers who have on-site generating units. Because the rules for these generators affect the allocation

[3] PJM Interconnection is a regional transmission organization that plays a vital role in the U.S. electric system. PJM ensures the reliability of the largest centrally dispatched control area in North America by coordinating the movement of electricity in all or parts of 14 states, including Maryland, Pennsylvania, Delaware, Virginia and the District of Columbia.

of costs for transmission and ancillary service for all customers, OPC intervened and has monitored the case to assure that the interests of Maryland residential customers were not adversely affected.

- **FERC Docket Nos. PL04-2 & EL03-236 - PJM Market Mitigation Proposal**

This case involves PJM's rules for wholesale electric pricing in "load pockets," which exist in areas of the system where there is a limited amount of transmission available to deliver power from outside of the area. Reliance on higher priced power from inside the load pocket results in higher prices for the local area. Load pockets often present opportunities for the abuse of market power because the load in the load pocket must buy a certain amount of power from generators inside the pocket.

PJM filed a proposal to amend its rules for this type of situation. OPC supported the rules filed by PJM, and litigated the case to oppose other proposals that would likely result in unreasonably high prices. The FERC issued an order in the case that resolved certain issues. OPC formally request FERC to rehear certain issues. In particular, OPC objects to FERC's creation of a presumption that certain units are entitled to higher rate caps based on operating history. OPC argued that there is no factual basis for the presumption FERC created. Also, OPC objected to FERC's finding that units built after 1996 should be exempted from market power mitigation rules. Other issues are currently being discussed through PJM stakeholder committees.

On January 25, 2005, FERC issued an order on rehearing requests in this case including the one made by OPC. FERC removed the exemption from market power mitigation rules for units built after 1996 but maintained the presumption that certain units are entitled to higher rate caps based on operating history. FERC later issued an order that set the matter for an evidentiary hearing before an administrative law judge and also assigned a settlement judge for the case. OPC has already filed testimony from an expert consultant and has participated in settlement discussions which remain ongoing.

- **FERC Docket Nos. EL02-111/EL03-212/EL04-135/ER05-6 - Regional Transmission Rate Design**

Prior to this group of cases, customers paid transmission rates based on the transmission assets owned by their local utility. FERC, however, instituted a number of policies which could result in transmission rates being calculated on a regional basis. OPC has opposed proposals to implement these policies because there has not been a showing that there are comparable benefits for Maryland consumers that come from paying a portion of the costs of transmission assets located in other states. FERC has issued interim orders that institute a new transmission rate design but has not adopted some of the proposals that would have had a significant rate impact on Maryland consumers. Along with other parties, OPC has intervened in this case to argue against unfairly shifting costs to customers in our region and, as a result of a number of protests and requests for rehearing, the matter has been set for evidentiary hearings.

- **FERC Docket No. RT01-2 - PJM RTO Filing**

During 2004, OPC's litigation in this matter focused on the details of PJM's economic planning protocol. The goal of this protocol is to determine if any transmission upgrades would produce more in savings for customers than the costs of the upgrade. OPC advocated that PJM should carry out this role because it has the requisite data and expertise to carry out this function. OPC also actively litigated issues involving the details of the planning protocol to improve the system. On November 18, 2004, OPC filed a Request for Rehearing which was denied by FERC on June 6, 2005. In the meantime, PJM acknowledged that the economic planning process is deficient, as OPC has been arguing for some time, and instituted a stakeholder process to expeditiously develop a better planning protocol.

- **FERC Docket Nos. ER02-1205, ER02-1326, ER03-807—PJM Load Response Programs**

OPC has joined other consumer advocate offices in supporting PJM's Load Response programs. These programs provide large customers with the ability to reduce demand during higher cost times and usually results in a lower wholesale price, which benefits all customers. FERC approved these programs and they have been instituted. In 2004, OPC supported PJM's filing to request that the programs be extended for another three years, but the request remains pending before FERC.

- **FERC Docket Nos. ER05-1410/EC05-148 – PJM Reliability Pricing Model Proposal**

PJM filed with FERC a proposal, called the Reliability Pricing Model ("RPM"), to drastically change the regional wholesale electric capacity markets. The capacity markets are an important feature of the wholesale market structure that are intended to provide incentives to generation owners to build and maintain enough generation in the region to meet load demands. OPC has worked in a coalition of regional load interests to oppose the proposal and has filed a lengthy protest, accompanied by an affidavit by OPC's expert, which requests that FERC reject the proposal or set the matter for a full evidentiary hearing before allowing the proposal to take effect. Based on the testimony of its expert consultants, OPC believes that the proposal would result in significant price increases for Maryland consumers, but it has not been shown that there would be concomitant benefits to justify the increased costs.

This filing occurred after an extensive series of stakeholder meetings that began in June 2004. OPC, with the technical assistance of an expert consultant, participated extensively in these meetings. This process included a two-day technical conference held in Wilmington, Delaware as a well as a FERC technical conference in Washington, D.C. The matter was also debated at the PJM Annual Meeting in Chicago. OPC representatives spoke on panels at both of those conferences and at the Annual Meeting. After reviewing the proposal and consulting with its own experts and other stakeholders, and their experts, in the region, OPC was not able to support the proposal. OPC was in the majority in voting against the proposal when it was brought to the PJM Members Committee in March 2005.

- **FERC Docket No. ER05-644 – PSEG ER&T Cost of Service Filing**

This case involves a filing by the owner of generating plants in New Jersey for special compensation based on the fact that the owner has stated its intention to retire the units but PJM has determined that reliability standards would not be met if the plants were not available. OPC intervened in the case because PJM determined that the reliability issues prevented by the proposed closing of these plants would extend into the Delmarva Peninsula and, therefore, Maryland customers would be responsible for a portion of the special compensation sought.

OPC protested the owner's filing and the matter was set for an evidentiary hearing and assigned to settlement judge. OPC participated in the negotiations before the settlement judge. The owner reached a settlement with the other parties in the case that reduced that amount of special compensation the owner will receive and does not set an adverse precedent if other generation owners make similar requests. Therefore, OPC did not object to the settlement. The settlement was submitted to FERC and accepted.

- **FERC Docket No. ER05-515 – BGE, PEPCO and Delmarva Transmission Rate Filing**

BGE, PEPCO, and Delmarva Power and Light made a joint filing seeking to revise their transmission rates and establish a procedure whereby their transmission rates change every year using a formula and input data based on their actual costs. OPC joined with consumer advocates from surrounding states and filed a protest that raised several issues with the formula proposal with the most critical one being the level of return requested by the companies. FERC allowed the proposed rates to go into effect subject to refund, set the matter for an evidentiary hearing and assigned the matter to a settlement judge.

OPC has joined with consumer advocate offices in the District of Columbia, New Jersey, and Pennsylvania to hire a group of consultants to fully evaluate the proposal and provide testimony in the case. These consultants have also provided advice in the settlement negotiation process, which is still in progress.

- **FERC Docket No. EL05-121 – Regional Transmission Rate Design**

FERC docketed this case for an evidentiary hearing to examine whether there should be a change to the rate structure for transmission rates. Currently, the rates customers pay for transmission are based on the assets owned by their local utility. The issue in this case is whether the rates should be averaged in some manner across some or all of the utilities in the region. OPC has joined with other consumer advocates in the region to hire a group of expert consultants to provide testimony in the case. Certain utilities located in the Mid-west have filed testimony proposing an averaging methodology that would shift significant from their system onto customers in the east. OPC has sponsored testimony that opposes those proposals. OPC's testimony also opposed a proposal to average the transmission rates of PEPCO, Delmarva Power and Light and Atlantic City Electric, which are all owned by a single holding company. This proposal, which would have harmed Maryland consumers, has since been withdrawn. The matter is set to go to hearing in April 2006.

WORKGROUPS AND COMMITTEES

- **NASUCA Electricity Committee**

OPC is a member of a committee that develops and articulates multi-jurisdictional positions on electricity issues. These positions are submitted as comments to FERC or testimony before Congress. Committee discussion also identifies information, such as trends among states, which are useful for OPC in developing its positions on issues in Maryland.

- **Warrior Run - Bids for Electricity Capacity**

OPC is participating in a process where the bidding for the electric energy from the Warrior Run generating plant is monitored by OPC. This is important because the revenues from the plant are credited to offset the cost of supplying consumers with electricity.

- **Pennsylvania-New Jersey-Maryland Stakeholder Committees**

PJM Interconnection L.L.C. is an independent entity designated by the FERC to oversee the regional transmission grid and wholesale electricity markets. In order to solicit input on performing these tasks, PJM has an extensive array of stakeholder committees. The stakeholders include customer representatives such as; OPC, generating companies, transmission owners, municipal and cooperative utilities, and competitive suppliers. OPC representatives participate in PJM stakeholder committees and working groups that provide recommendations to PJM on its rules and procedures that affect the reliability of the transmission grid, the amount of generation maintained on the system, and the prices for various wholesale electricity products for the region.

These committees include: the Members Committee, Electricity Markets Committee, Reliability Committee, Planning Committee, Market Implementation Committee, Market Monitoring Advisory Committee, Economic Planning Stakeholders Working Group, and the Reliability Adequacy Model Working Group. Most of the significant rule and procedure changes recommended by these committees are filed with FERC for approval.

Members Committee. The Members Committee ("MC") is at the top of the organizational chart of PJM committees. The MC's role is to provide advice to PJM on issues involving transmission rate design and transmission operation and scheduling matters. The MC has authority over whether filings are made with FERC to change market rules. PJM (or any other party) can file a complaint with FERC to change PJM rules or procedures. After lobbying by OPC and other consumer advocate offices, FERC approved changes to the PJM Operating Agreement that allowed the consumer advocate offices in the region to vote in the End Use sector.

An OPC representative also participates on the following committees:

Electricity Market Committee ("EMC"). The EMC is the subcommittee of the MC that deals with all issues related to the PJM energy, capacity and financial transmission rights markets. The committee votes on proposed changes to market rules.

Reliability Committee ("RC"). The RC provides stakeholder input into the process by which PJM calculates the necessary reserve margin to maintain sufficient resource adequacy to meet the applicable reliability standards. This includes the structure of the capacity obligation and associated markets. The RC has two standing committees, the Operating Committee and the Planning Committee. The Operating Committee issues are only occasionally important to OPC's interests.

Planning Committee. PJM has traditionally engaged in planning to assure that there is sufficient transmission to meet the applicable reliability requirements regarding the ability of the system to deliver power to all loads. These standards do not involve the cost of the electricity that is delivered. In other words, if sufficient electricity can be delivered to a certain area but it is only from expensive generation, there is no reliability issue, and PJM planning would take no action. PJM planning studies the adequacy of generation in the region, but has no authority to bring about more generation, if necessary, other than to alert others to a problem.

OPC, among others, has argued that PJM planning should examine the ability of the transmission system to support the competitive market and have the ability to direct upgrades to the system to improve economic efficiency. Such upgrades would only be pursued if the savings that would result from the upgrade (the benefit) would outweigh the cost of the upgrade. FERC has supported this position in a number of orders and PJM is in the process of implementing a new planning protocol. OPC participated in this process to ensure that PJM planning will analyze whether there are transmission projects that would cost less than the energy price savings that would result, and PJM should have the authority to direct that such upgrades be built without unnecessary delay.

WATER

As a general matter, the OPC represents the interests of residential consumers in cases involving rates and service of privately owned water companies in Maryland. OPC does not have statutory jurisdiction to represent the interests of customers of municipally owned water companies or customers of the Washington Suburban Sanitary Commission ("WSSC").

Water Cases

- **Case No. 8934—Washington County v. Hagerstown**

Washington County sought PSC examination of increases in sewer and water charges imposed by the City of Hagerstown upon county customers. Hagerstown contends the county is bound by terms of contracts between the parties and cannot seek PSC review. On January 5, 2005 the entire PSC Commission heard Washington County's appeal of the PSC Hearing Officer's decision. The Commission decided that the rates were fair and reasonable. A cost study was subsequently performed by Hagerstown and the parties agreed upon a rate satisfactory to both sides. OPC monitored the case to ensure fair rates were imposed on Washington County ratepayers.

- **CECO/Crystal Water Asset Transfer**

Crystal Water filed with the PSC permission to purchase CECO. In an administrative hearing the PSC approved the transfer of the ownership to Crystal Water. OPC monitored the filing to ensure the protection of CECO customers.

- **Case No. 9038 - Glen Davis v. Carpenter's Point Water Company ("CPWC")**

Mr. Davis disputed charges imposed by CPWC, during a time when his Cecil County house was uninhabitable due to storm damage. The PSC Hearing Examiner ruled in favor of Mr. Davis and ordered a modest refund. CPWC has appealed the Hearing Officer's proposed order.

Taxicabs

- **Taxicab Rate Increase - Baltimore City and Baltimore County**

Taxicabs in Baltimore City and Baltimore County applied to the PSC for a rate increase and adjustment for increases in gasoline charges. The PSC approved a rate increase of 20% in the "per mile" rate, and an adjustment mechanism to factor future increases in gasoline prices.

CONSUMER ASSISTANCE UNIT
Addressing Consumer Problems Through Investigation, Education, Advocacy and Outreach

Utility service has a profound effect on many aspects of life. Utility problems which are not resolved quickly and appropriately may lead to utility bill delinquency, service terminations, impaired health conditions, family distress, unsafe living conditions as well as poor credit. These difficult scenarios may lead to further crises, ending in severe social and economic consequences for the individual at issue and the community at large. Interventions aimed at resolving a utility crisis may involve numerous agencies and organizations.

In anticipation of increased costs and changes in formerly regulated markets, OPC established a Consumer Assistance Unit ("CAU") in 2003. Since 2003, OPC has increased its consumer outreach by over 150%. The number of consumer inquiries handled by the CAU has similarly increased as well. 2005 was particularly eventful and saw increases in the need for training and the number of consumer inquiries handled by the unit. The CAU addresses the ever-increasing needs of utility consumers for information, advice and intervention. In FY 2005, OPC handled 1,737 telephone inquiries compared to FY 2004 when 1,057 were handled. The CAU is staffed primarily by non-lawyers who have made a special effort to reach out to Maryland's diverse communities.

The CAU provides information and assistance to individuals and groups with a variety of utility issues such as: large outstanding utility bills, coordination of medical certification to prevent loss of utility service, quality-of-service matters, outages, billing liability concerns, problems with accessing utility company customer service contacts, access to various grants and loans available for billing assistance, waivers of deposits especially in the cases of customers enrolled in the Utility Service Protection Program ("USPP"), gas and electric supplier questions.

The following are typical circumstances associated with utility service terminations and billing problems which impact many of OPC's clients:

- A landlord may pursue eviction because of the violation of a lease provision requiring that the tenant maintain utility services;

- A local housing authority may revoke the client's Section 8 certificate because of the violation of the lease agreement requiring the tenant to have utility service;

- The Local Department of Housing may threaten termination from the Rental Allowance Program ("RAP"), because RAP guidelines require maintenance of utility services;

- A disabled and homebound client entirely dependent on the use of telephone landline service has his/her local telephone service terminated for a prior telephone bill which includes charges for unregulated services of which the client was unaware;

- An elderly client on a fixed income is faced with his/her budget billing almost doubling to an amount over 60% of the senior's income. The amount of the utility's calculation must be reviewed according to COMAR which ensures that the budget billing amount for this client is correct.

The consumer inquiries OPC receives provide great insight into the nature of problems associated with the delivery of utility service throughout Maryland. OPC's dedicated members of the CAU are committed to identifying and addressing individual consumer concerns that ultimately impact all utility ratepayers as a class.

Patterns of issues to be addressed with a particular utility are often informally addressed between the People's Counsel and utility upper level management to change certain utility practices. In other instances there may be basic principles that require formal filing of a complaint before the Public Service Commission to establish precedent within utility legal practice. In challenging particular utility practices, OPC may initiate an entirely new rulemaking process or propose amendments to existing COMAR provisions governing utilities to further consumer interests.

Examples of issues raised by OPC's consumer investigations which impact all ratepayers and may indicate the need for revision of COMAR regulations are:

- Consumer complaints have arisen raising questions regarding the COMAR seven-year statute of limitations provision which allows utilities to withhold service if customers have prior bills less than seven years of age. The seven-year statute of limitations poses a real hardship for customers, as clients with billing problems often cannot produce information associated with a seven-year time frame to counter claims by utilities as to billing liability. OPC is concerned about the viability of this regulation as civil law prevents court action to collect contract debt after three years;

- Various other consumer inquiries raise issues regarding misapplication of COMAR's co-occupancy regulations. Utilities have attributed prior bills to persons residing with one another when one co-occupant leaves for another address. The remaining party is often presented with a utility bill for the prior account holder when they have shared the same residence under the theory of "benefit of use." In one particular example, an elderly, blind, disabled client was being required to pay for his deceased mother's prior bill and, unfortunately, was forced to utilize his Maryland Energy Assistance Program ("MEAP") and arrearage assistance to retire the balance of his mother's bill before an account could be established in his name;

- OPC has been presented with numerous instances where physicians have documented that utility customers were seriously ill, yet utilities were attempting to terminate the customers' services because the companies refused to acknowledge the doctors' certifications of a serious illness. Fortunately, due to OPC's advocacy in a PSC rulemaking addressing COMAR's medical certification provisions, the certification regulations were revised to prevent utilities from questioning a physician's designations of a customer's serious illness status in the physician's attempts to prevent service terminations for their patients.

The following three examples from OPC consumer files illustrate the diverse assistance and intervention necessary to meaningfully address utility consumer inquiries:

(1) A severely disabled consumer contacted OPC attempting to have his gas and electric service initiated at a new address. This client was living without utility service during this period at his new address. The utility involved in this matter demanded that this consumer pay his medically impaired mother's prior bill relating to another address for service that was not in this client's name. At the time of the utility's demand, the client's mother was residing in a nursing home. OPC was able to resolve this inappropriate billing practice for the consumer and have utility service initiated.

(2) A working mother with three dependants contacted OPC because her gas and electric had been terminated and she had no working furnace in the home she was purchasing. This client had fallen through the cracks of local agencies she had contacted for assistance. Not only was OPC able to refer this consumer for all resources necessary to address her almost $4,000 arrearage, but the office also guided her through the process in obtaining a new furnace.

(3) A telephone landline subscriber complained to OPC about her difficulty in obtaining service repairs as her service provider was not the historic owner of the lines, poles and switching equipment. OPC intervened on her behalf with the provider to obtain adequate repair services. This consumer later complained about the difficulty she was experiencing with this same provider in having her telephone line released in order to switch her local telephone service to another local exchange carrier. OPC again intervened to obtain a timely release of this client's telephone line.

OPC has significantly increased education as well as consumer assistance outreach efforts pertaining to all issues involving regulated utility services in Maryland by providing the following:

- Education about the rights and responsibilities of utility consumers in the State of Maryland;

- General information about utility law and regulations;

- Outlining of specific strategies for resolving residential utility problems;

- Practical information about how to make a complaint to a utility company with ease and understanding; and

- Alerts that raise the public awareness level of the serious issues facing residential utility consumers, including OPC's 2005 alerts addressing rising energy costs, as well as those referencing the elimination of electric price caps throughout Maryland.

OPC's outreach efforts have attempted to target individuals or agency representatives who impact residential ratepayers. Training or information has been provided to the following individual/agencies:

- Legal and lay advocates;

- Members of the criminal justice system including police departments and prosecutorial offices;

- District Court of Maryland;

- Case managers and social services personnel;

- Health care workers;

- Housing representatives;

- Community action/outreach organizers; and

- Church based organizations

During the past year, OPC has continued its community partnerships to ensure that its assistance and information is provided where it is most needed. The pilot program that OPC initiated in 2004 in the Baltimore City Housing Court has continued to provide assistance and support for consumers in need. In 2005, this effort was further pursued with the other jurisdictions in Maryland, and the People's Counsel addressed a meeting of Maryland's District Court Judges. Montgomery, Harford and Carroll Counties have requested OPC consumer assistance information for their housing courts.

In 2005, OPC distributed 27,918 copies of its consumer information publications and alerts to individual consumers, legislators, social service providers, faith-based groups and county library systems. These publications are also available on our website in a variety of foreign languages. OPC is pleased to report that its website has been increasingly utilized after its renovation.

OPC participated in various energy assistance expos throughout the State. When participating at utility expos, OPC staff members have had the opportunity to speak to countless numbers of consumers and distribute educational materials.

OPC also receives consumer complaints referred by federal, state and local officials. OPC staff not only works to resolve the consumer's problems, but uses these inquiries to ensure that the officials have a thorough understanding of utility consumer concerns.

Some consumer inquiries resulted in OPC effectively utilizing public media such as a newspaper notice soliciting calls from utility consumers experiencing similar difficulties in the same geographic area. For example, an advertisement published in Anne Arundel County ultimately revealed over 50 utility customers who were experiencing unusually high billing due to metering irregularities. As a result, each of those customers had a comprehensive review of their accounts, and most of the incorrect bills were resolved.

OPC has continued to serve on the Consumer Education Advisory Board pursuant to PSC Case No. 8738 to assist with the further development of the state-wide consumer education plan on electric restructuring. Also, OPC has continued its role as an active member of Department of Human Resources Office of Home Energy Programs Advisory Board which addresses program design issues related to the Maryland Energy Assistance Program.

Finally, OPC again lobbied for increased Low Income Home Energy Assistance Program ("LIHEAP") benefits in partnership with the National Fuel Fund Network. This effort, in conjunction with LIHEAP Action Day in Washington, D.C., heightened the awareness of the need for increased benefits for our most vulnerable consumers.

OPC proudly dedicates the Consumer Assistance section of our 2005 Annual Report to the memory of Victorine Q. Adams (1912- 2006), founder of the first Fuel Fund in the United States.

GLOSSARY

As with any special area of law, there are many unique words that have been developed to describe complicated processes or agencies. These definitions should help explain the terms used in this report.

Access Charges - Fees charged to telephone customers designed to recover the costs borne by the local network to provide 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 a product, such as energy, in bulk for resale to retail customers.

Certificate of Public Convenience and Necessity (CPCN) - A certificate issued by the Public Service Commission of Maryland, to any company that wants to build an electricity generation facility.

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

Competition - When two or more entities sell similar products/services in the same consumer market.

Competitive Local Exchange Carrier (CLEC) – A telephone company, that competes with the established (incumbent) local telephone company, such as Verizon.

Competitive Transition Charge (CTC) - A charge, approved by the Public Service Commission that allows unbundled utilities to recover investments in certain assets, such as power plants. 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. See Stranded Costs

Competitive Billing - A provision of an electric or gas choice program that would permit customers to select the billing company for their electricity or gas service.

Cramming - A fraud in which companies charge customers for products or services 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 electric service, and permits utilities to allow competition for gas supply services. Under these programs, consumers can choose their energy supplier. Only the supply of electricity and natural gas is deregulated; transmission and distribution services remain regulated. This type of limited deregulation is also referred to as unbundling or restructuring.

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 - A 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 natural gas supply, and services, such as billing or metering services. Suppliers/marketers of electricity and natural gas 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 telecommunications 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.

IntraLATA - A telephone call made within a specific region but outside the caller's local calling area. See Regional Toll Call.

Loop Line/Subscriber Line - For local telephone service, a communications channel from a switching center or message distribution point to the user terminal.

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

Maryland Energy Assistance Program (MEAP) – A state program that distributes federal funds for gas, oil, electricity and other home heating and cooling bills to limited-income individuals and families.

National Association of State Utility Consumer Advocates (NASUCA) - Association of consumer advocate offices in 40 states and the District of Columbia whose members represent the interests of utility consumers before state and federal regulators and in the courts.

Natural Gas Supplier- See Electricity Supplier.

New York Mercantile Exchange (NYMEX) - The financial commodities board that investors and companies use to trade options on energy, fuels, and metals

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

Price to Compare - The electricity utility's price for electricity supply. For utilities that have unbundled delivery and supply services, this price appears separately on their customer's electricity bill. See Shopping Credit

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

Redlining- the practice of economic discrimination wherein the company attempts to select customers based race, on geography, economic class, etc. The goal of redlining is to capture a group of customers who are good credit risks, and are able and willing, to pay higher costs for a product and exclude less profitable groups from a company's service.

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

Regional Transmission Organization: A voluntary organization of electric transmission owners, users, and other entities interested in coordinating transmission planning, expansion, operation, and use on a regional and inter-regional basis. Such groups are subject to FERC approval.

Ring Fencing- Involves an effort to wall off certain assets or liabilities within a corporation by creating a new subsidiary. It seeks to protect the larger corporation from lawsuits aimed at the activities of the small unit.

Subscriber Line- See Loop Line

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 utility supply service without the customer's authorization.

Standard Offer Service (SOS) - Electricity supply purchased from a customer's electric utility company.

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).

UNE or Unbundled Network Elements - Parts of a telephone network that incumbent local exchange carriers such as Verizon are required to offer to their customers on an unbundled basis.

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.

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.

Consumer Rights and Education
Office of the People's Counsel
410-767-8150
1-800-207-4055
www.opc.state.md.us

Electricity Rates Hotline:
Office of the People's Counsel
1-866-601-2233

Financial Assistance - MEAP and EUSP
Office of Home Energy Programs
1-800-352-1446
www.dhr.state.md.us/meap

Complaints
Public Service Commission, Office of External Relations
1-800-492-0474
www.psc.state.md.us/psc

Information on Electric Choice
Public Service Commission, Answer Center
1-800-800-4491
www.md-electric-info.com

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