PUBLIC SERVICE COMMISSION of MARYLAND

2008 ANNUAL REPORT

For the Calendar Year Ending December 31, 2008

Pursuant to § 2-122 of the Public Utility Companies Article, *Annotated Code of Maryland*

William Donald Schaefer Tower
6 St. Paul Street
Baltimore, Maryland 21202-6806
www.psc.state.md.us

Table of Contents

A. Gas and Electric Utilities

B. Telecommunications

VIII. Receipts and Disbursements

I. MEMBERSHIP OF THE COMMISSION

	Term Expires
Douglas R. M. Nazarian, Chairman	June 30, 2013
Susanne Brogan, Commissioner	June 30, 2011
Allen M. Freifeld, Commissioner	June 30, 2009
Harold D. Williams, Commissioner	June 30, 2012
Lawrence Brenner, Commissioner	June 30, 2010

II. OVERVIEW OF THE COMMISSION

A. GENERAL WORK OF THE COMMISSION

In 1910, the Maryland General Assembly established the Public Service Commission ("PSC" or "Commission") to regulate public utilities and transportation companies doing business in Maryland. The jurisdiction and powers of the Commission are found in the Public Utility Companies Article, *Annotated Code of Maryland*.

The Commission regulates gas, electric, telephone, water, and sewage disposal companies. Also subject to the jurisdiction of the Commission are certain common carriers such as bus, railroad companies and passenger motor vehicle carriers engaged in the transportation for hire of persons within the State. The PSC's jurisdiction also extends to taxicabs operating in the City of Baltimore, Baltimore County, Cumberland, and Hagerstown.

The categories of regulated public service companies and other regulated or licensed entities are listed below:

- electric utilities;
- gas utilities;
- combination gas and electric utilities;

- electric suppliers;
- gas suppliers;
- telecommunications companies;
- water, and water and sewerage companies;
- bay pilots;
- docking masters;
- passenger motor vehicle carriers;
- railroad companies;
- taxicab companies;
- hazardous liquid pipelines; and
- other public service companies.

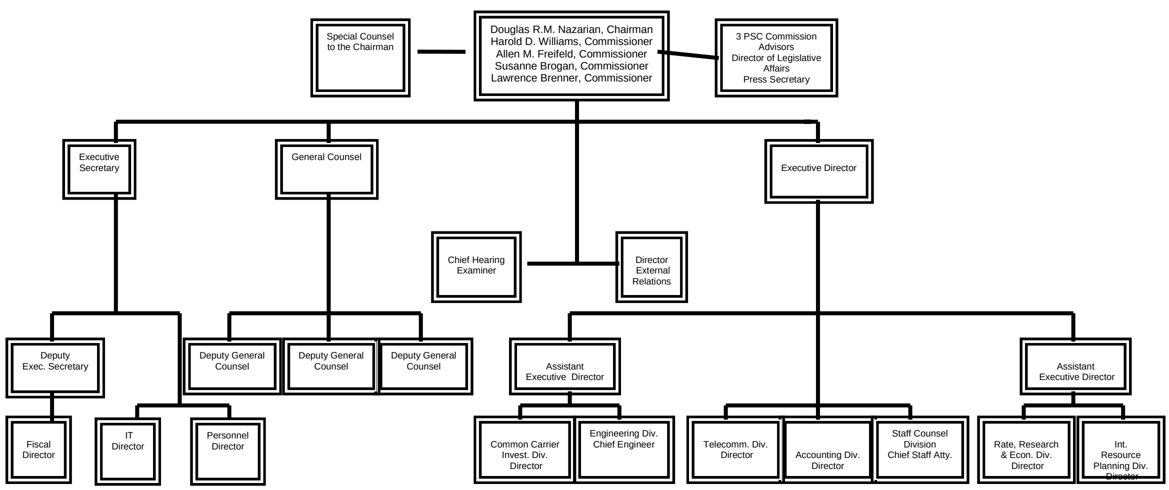
The Commission is empowered to hear and decide matters relating to: (1) rate adjustments; (2) applications to exercise or abandon franchises; (3) applications to modify the type or scope of service; (4) approval of issuance of securities; (5) promulgation of new rules and regulations; and (6) quality of utility and common carrier service. The Commission has the authority to issue a Certificate of Public Convenience and Necessity in connection with a person's application to construct or modify a new generating plant or an electric company's application to construct overhead high-voltage transmission lines designed to carry a voltage in excess of 69,000 volts.

The Commission has broad authority with regard to the supervision and regulation of activities of public service companies. In addition to setting rates, the Commission collects and maintains records and reports of public service companies, reviews plans for service, inspects equipment, audits financial records, handles consumer complaints, promulgates and enforces rules and regulations, defends its decisions on appeal to State courts, and intervenes in relevant cases before federal regulatory commissions and federal courts.

The Commission's jurisdiction is limited to intrastate service. Interstate transportation is regulated in part by the U.S. Department of Transportation; interstate and wholesale activities of gas and electric utilities are regulated by the Federal Energy Regulatory Commission; and interstate telephone service and cable services are regulated by the Federal Communications Commission.

B. ORGANIZATIONAL STRUCTURE

MARYLAND PUBLIC SERVICE COMMISSION
JANUARY 1, 2009



III. DIVISION REPORTS

A. OFFICE OF THE EXECUTIVE SECRETARY

The Executive Secretary is responsible for the daily operations of the Commission and for keeping the records of the Commission, including a record of all proceedings, filed documents, orders, regulation decisions, dockets, and files. The Executive Secretary is an author of, and the official signatory to, minutes, decisions and orders of the Commission that are not signed by the Commission directly. The Executive Secretary is also a member of a team of policy advisors to the Commission. The Office of Executive Secretary ("OES") is responsible for the Commission's case management, expert services procurement, order preparation, purchasing and procurement, regulation development and coordination, tariff maintenance, the Equal Employment Opportunity Program ("EEOP"), operations, fiscal and budget management, the Commission's computer system, including databases and the official website and the intranet site. The OES divisions are:

(1) Administrative Division, which includes the following sections:

a. *Case Management*. The Case Management Section creates and maintains formal dockets associated with proceedings before the Commission. In maintaining the Commission's formal docket, this Section must ensure the security and integrity of the materials on file, while permitting access by the general public. Included within this security function is the maintenance of confidential/proprietary information relating to the conduct of utility regulation and required compliance with detailed access procedures. During 2008, this Section established 343 new dockets and processed 2,369 case items. This Section is also responsible for archiving the formal dockets based on the record retention policies of the Commission.

b. *Document Management*. The Document Management Section is responsible for the development of the Commission's Administrative Meeting Agenda ("Agenda"), the official open meeting action agenda mandated by law. During 2008, this Section scheduled 47 Commission administrative meetings to consider the Agenda; and there were 1,060 items considered at these meetings. Additionally, this Section is responsible for docketing public conferences held by the Commission. There were six administrative docket public conferences initiated and held in 2008. This Section also processed 5,378 filings, including 1,842 memoranda.

c. *Regulation Management.* This Section is responsible for providing expert drafting consultation, establishing and managing the Commission's rule making docket, and coordinating the adoption process with the Secretary of State's Division of State Documents. During 2008, this Section managed six rulemaking dockets that resulted in final adoption of regulation changes to COMAR Title 20 – Public Service Commission, and 13 rulemaking dockets that remain active.

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

(2) Fiscal Division, which includes the following sections:

a. *Fiscal and Budget Management*. This Section manages the financial aspects of the daily operations of the Commission. The operating budget totaled $13,210,405 in Special Funds for fiscal year ending June 30, 2008. Included within the normal State functions are two unique governmental accounting responsibilities. The first function allocates the Commission's cost of operation to the various public service companies subject to the Commission’s jurisdiction. The second function allocates the budget associated with the Department of Natural Resources’ Power Plant Research Program to electric companies distributing electricity to retail customers within Maryland. This Section also administers the financial accountability of the Pipeline Safety Program and the Hazardous Liquid Pipeline Safety Program, which are partially reimbursed by the Federal Department of Transportation, by maintaining all associated financial records consistent with federal program rules, regulations, and guidelines requiring additional record keeping.

b. *Purchasing and Procurement Management*. This Section is responsible for expert services procurement and all other procurements required by the Commission as well as the overall control of supplies and equipment. This Section is also responsible for agency forms management and record retention management. This Section's staff maintained and distributed the fixed and disposable assets, maintained all related records, purchased all necessary supplies and equipment, and coordinated all equipment maintenance. As of June 30, 2008, this Section was maintaining approximately 183 items of disposable supplies and materials totaling $14,948 and fixed assets totaling $1,773,159.

(3) *Information Technology Division*. The Information Technology Division ("IT") functions as the technical staff for the Commission's network and computer systems. IT is responsible for computer hardware and software selection, installation, administration, training and maintenance. IT creates and maintains the Commission's Internet website. In 2008, IT: (a) migrated the Commission to Coldfusion 8 for online applications; (b) increased the ISP bandwidth to 14Mbps; (c)

implemented a new design for the Commission's website; and (d) installed a wireless DSL network for the Commission's office in Annapolis, Maryland.

(4) *Personnel Division.* The Personnel Section is responsible for day-to-day personnel transactions of the Commission, which include recruitment, testing, hiring, retirements and terminations along with associated records management. In addition, this Division is responsible for payroll, timekeeping, and state and federal employment reports. The Division serves as the liaison between the State's Department of Budget and Management's Office of Personnel Services and Benefits, the Commission and the Commission's employees. During 2008, this Section provided the Commission's managers and personnel with advice, direction, and guidance on personnel matters, performance evaluations, salary issues under the Agency's independent salary plan, and retirement and training.

B. OFFICE OF EXTERNAL RELATIONS

The Office of External Relations ("OER") investigates and responds to consumer complaints relating to gas, electric, water and telephone services. OER Investigators act as mediators in order to resolve disputes between consumers and utility companies based on applicable laws and tariffs. In 2008, the OER investigated 6,021 consumer complaints. Out of those complaints 3,424 involved gas and electric issues, while 2,358 were telecommunication complaints, 23 complaints related to water companies and 239 complaints involved issues outside of the PSC's jurisdiction. The majority of complaints against gas and electric local distributions companies and suppliers concerned billing issues, followed by service quality issues. Most telecommunication disputes involved billing disputes and installation or repair problems, followed by slamming concerns. In addition, OER Staff fulfilled 881 requests for information concerning the PSC, utilities and suppliers and 3,148 requests for payment plans or extensions. OER also advised the Commission of recurring issues raised by customers, which resulted in a formal investigation by the Commission of service quality issues, supplier enrollment and renewal practices, as well as the Allegheny Power Compact Florescent Light Bulb program, and the Hagerstown telephone directory issue whereby unlisted telephone numbers were published in the Hagerstown telephone directory. OER continues to meet proactively with utilities in order to develop process improvements and to ensure that all utility practices are consistent with the requirements of the applicable regulations.

OER is also responsible for providing consumer education information. OER continued to focus on consumer education, including efforts related to Electric Restructuring. As a result OER attended numerous community outreach efforts on electric choice and a variety of other issues. Representatives from OER also participated in several conferences on low-income utility assistance programs. OER Staff members work proactively to provide the public with timely and useful utility related information based on the feedback received from consumers.

C. HEARING EXAMINER DIVISION

Under the Public Utility Companies Article, the Hearing Examiner Division constitutes a separate organizational unit reporting directly to the Commission. The Commission's Hearing Examiner Division has four attorney hearing examiners, including the Chief Hearing Examiner. Typically, the Commission delegates to the Hearing Examiner Division proceedings pertaining to the following: applications for construction of power plants and high-voltage transmission lines; rates and other matters for gas, electric and telephone companies; purchased gas and electric fuel rate adjustments; bus, passenger common carrier, water, and sewage disposal company proceedings; plant and equipment depreciation; and consumer as well as other complaints which are not resolved at the administrative level. Also, the Commission has a part-time License Hearing Officer, who hears matters pertaining to certain taxicab permit holders and also matters regarding Baltimore City taxicab drivers, as well as Passenger-For-Hire drivers. While most Hearing Examiner activity concerns delegated cases from the Commission, the Commission may also conduct its proceedings in three-member panels, which panels may include one Hearing Examiner. As a panel member, a Hearing Examiner participates as a voting member in the hearings and in the panel's final decision. The decision of a three-member panel constitutes the final order of the Commission.

In delegated cases, the Hearing Examiners and Hearing Officer conduct formal proceedings in the matters referred to the Division and file Proposed Orders, which contain findings of fact and conclusions of law. During 2008, 325 cases were delegated by the Commission to the Hearing Examiner Division, 299 relating to transportation matters of which 54 were taxicab-related and referred to the License Hearing Officer for hearing. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of fines or civil penalties against carriers for violations of applicable statutes or regulations. Unless an appeal is noted with the Commission, or the Commission takes action on its own motion, a Proposed Order becomes the final order of the Commission after the specified time period for appeal noted in the Proposed Order, which is between seven and 30 days.

D. OFFICE OF EXECUTIVE DIRECTOR

1. Accounting Investigation Division

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety of accounting, taxation and financial issues. The Division's primary function include developing utility revenue requirements, auditing fuel costs, auditing the application of rates and charges assessed by utilities, monitoring utility earnings, examining the effectiveness of cost allocations, analyzing financial integrity of alternative suppliers seeking licenses to provide service, and assisting other Divisions and state agencies. Historically, the Division has also been responsible for project management of Commission-ordered utility management audits. Division personnel provide expertise and guidance in the form of expert testimony, formal comments on utility filings, independent analyses on specific topics, advisory services and responses to surveys or other communication with the Commission. The Division keeps up to date with the most recent changes in accounting pronouncements and tax law, and must be able to apply its expertise to electric, gas, telecommunications, water, wastewater, taxicabs, maritime pilots and bridges.

During 2008, the Accounting Investigations Division's responsibilities work included assisting other divisions, conducting audits of utility fuel programs and other rate adjustments, ongoing evaluating utility base rates, and providing appropriate analysis of utility filings and rate initiatives. Division personnel provided expert testimony and recommendations relating to the performance of ongoing audits of 14 utility fuel programs, six other rate adjustments and provided appropriate analysis and comment with respect to 81 filings submitted by utilities.

2. Electricity

The Electricity Division conducts economic, financial and policy analyses relevant to the regulation of electric utilities, electricity retail markets, low income concerns, and other related issues. The Division prepares the results of these analyses in written testimony, recommendations to the Commission and various reports. This work includes: retail competition policy and implementation related to restructuring in the electric utility industry, rate of return on equity and capital structure, pricing structure and design, load forecasting, low income customer policy and statistical analysis, consumer protection regulations, consumer education, codes of conduct, mergers, and jurisdictional and customer class cost-of-service determinations. The Division's analyses and recommendations may appear as expert testimony in formal proceedings, special topical studies requested by the Commission, leadership of or participation in workgroup processes established by the Commission, or formal comments on other filings made with the Commission.

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

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

In addition to traditional Rate-of-Return expertise, the Division maintains technical and analytical professionals whose function is to identify and analyze emerging issues in Maryland's retail energy market. Division analysts research methods of electricity procurement, retail energy market models, energy and natural resource price trends, annual electricity cost data, renewable energy issues, economic modeling of electricity usage, and other areas that reflect characteristics of electricity costs. During 2008, the Division's work included expert testimony and/or policy recommendations in approximately 150 formal and administrative proceedings before the Commission.

3. Telecommunications, Gas, and Water Division

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

In telecommunications, the Division reviews applications for authority to provide telephone services from local and intrastate toll service providers, reviews tariff filings from such providers, facilitates the migration of customers between telecommunications carriers, assists in the resolution of customer and intercarrier disputes and develops policy recommendations on a wide range of telecommunications issues for the Commission's consideration. In addition, the Division monitors the quality of service provided by telecommunications service providers, the administration of telephone numbering resources for the State, administers the certification of all payphone providers in the state and monitors the provision of low income services, E911 and telecommunications relay services. During 2008, the Division reviewed 382 tariff filings, rate revisions, new service offerings and related matters. In 2008, the Commission authorized nine new local exchange and nine additional long distance carriers and certified 163 payphone service providers and 15,247 payphones in Maryland.

In 2008, Staff filed testimony in several cases involving significant consumer issues including the provision of voice services over next generation fiber optic facilities, the provision of directory assistance service, and the regulation of retail service offered by the largest incumbent carrier in the state. In addition, Staff prepared written comments to the Commission on various legislative proposals including broadband Internet reporting, redefining local calling area boundaries and deregulation.

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

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

4. Integrated Resources Planning Division

The Integrated Resource Planning Division ("IRP") provides economic analysis of the long-range plans for reliably meeting customers' demand of the electric companies subject to the Commission jurisdiction. IRP is responsible for monitoring developments in the energy markets as they affect Maryland and promoting Commission policies that accomplish more robust and competitive energy markets, including at PJM Interconnection, LLC (PJM).

Division members have analytical and/or oversight responsibilities on a wide range of subjects including: regional power supply and transmission planning through participation in PJM working groups and committees; oversight of the Standard Offer Service ("SOS") competitive solicitations; developments in the wholesale energy markets focusing on prices and availability; Maryland's Renewable Energy Portfolio Standard ("RPS"); wholesale market demand response programs; certification of retail natural gas and electricity suppliers; and, applications for small generator exemptions to the CPCN process.

During 2008 IRP was directly responsible or involved in several significant initiatives including:

- Preparing the "Ten-Year Plan (2008-2017) of Electric Companies in Maryland."
- Preparing the "Renewable Energy Portfolio Standard Report of 2009."
- Monitoring wholesale electricity prices in Maryland, including spot prices as measured by locational marginal prices.
- Participating in the PJM planning processes to put in place a new long-term transmission planning protocol addressing both reliability and market efficiency.
- Active participation in several PJM committees and working groups including the Transmission Expansion Advisory Committee ("TEAC"), the Markets and Reliability Committee ("MRC"), the Planning Committee, the Market Implementation Committee, the Members Committee, the Demand Side Response Working Group, and the Regional Planning Process Working Group.
- Implementing the RPS. Year 2007 was the second compliance year for the Maryland RPS, and the results are available for inclusion in the RPS Annual Report of 2009.

- Monitoring the SOS procurement processes to ensure they were conducted according to codified procedures consistent with the Maryland restructuring law. IRP continued to work with electricity and natural gas suppliers to bring retail choice to the residential and small commercial markets.
- Providing testimony in Commission regulatory proceedings, including the investigation of SOS service for residential and small commercial customers and the investigation into the Process and Criteria for Use in Development of Request for Proposal by the Maryland Investor-Owned Utilities for New Generation to Alleviate Potential Short-Term Reliability Problems in the State of Maryland.
- Participating in National Association of Regulatory Utilities Commissioners (NARUC) activities.
- Monitoring, and where appropriate, participating in initiatives of the PJM, the Federal Energy Regulatory Commission ("FERC"), and the Organization of PJM States ("OPSI").

5. Staff Counsel Division

The Staff Counsel Division directs and coordinates the preparation of Technical Staff's position in all matters pending before the Commission. In performing its duties, the Staff Counsel Division evaluates public service company applications for identification of issues, legal sufficiency, and compliance with the Public Utility Companies Article of the *Annotated Code of Maryland*, the Code of Maryland Regulations, and utility tariffs. The Staff Counsel Division serves as a final reviewer of Technical Staff's testimony, reports, proposed legislation analysis and comments before submission to the Executive Director. In addition, the attorneys: (1) draft and coordinate proposed regulations; (2) review and comment on items handled administratively; (3) provide legal services to each division within the Office of Executive Director; and (4) handle inquiries from utilities, legislators, regulators, and consumers.

During 2008, Staff attorneys were involved in a wide variety of matters involving all public service companies regulated by the Commission. The Staff Counsel Division's work included matters involving the rates charged by public service companies and the safety, reliability, and quality of utility services. Additional matters in which the Staff Counsel Division was involved included a variety of efforts intended to address the EmPower Maryland Energy Efficiency Act of 2008, investigation into methodologies used for gas procurement, consideration of means for acquisition of new or additional electric generation, and continued development of the Maryland Renewable Energy Portfolio Program.

6. Transportation Division

The Transportation Division enforces the laws and regulations of the Public Service Commission pertaining to the safety, rates, and service of transportation companies operating in intrastate commerce in Maryland. The Commission's jurisdiction extends to most intrastate for-hire passenger carriers by motor vehicle or waterborne vessel (total 1,089), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland, and Hagerstown (tota1 1,482). The Commission is also responsible for licensing drivers (total 7,777) of taxicabs in Baltimore City, Cumberland, and Hagerstown, and other passenger-for-hire vehicles that carry 15 or fewer passengers. The Transportation Division monitors the safety of vehicles operated (total 6,900), limits of liability insurance, schedules of operation, rates, and service provided for all regulated carriers except railroads (only entry, exit, service and rates are regulated for railroads that provide intrastate service). If problems arise in any of these areas which cannot be resolved at the staff level, the Division requests the institution of proceedings by the Commission which may result in the suspension or revocation of operating authority or permits, or the institution of fines.

During 2008, the Transportation Division continued to conduct vehicle inspections and report results via on-site recording of inspection data and electronic transmission of that information to the Commission's databases and to the Federal Motor Carrier Safety Administration's Safety and Fitness Electronic Records (SAFER) System. SAFER provides carrier safety data and related services to industry and the public via the Internet.

The Division maintained its regular enforcement in 2008 by utilizing field investigations and joint enforcement projects efforts with local law enforcement officials, Motor Vehicle Administration Investigators, and regulators in other jurisdictions.

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

In 2008, Division leaders also participated in state, regional, federal and international regulatory group meetings and conferences, serving on a panel discussion at the International Association of Transportation Regulators Conference and as guest speakers at local industry and community functions.

7. Engineering Division

The Commission’s Engineering Division monitors the operations of public service companies. Engineers perform plant inspections and check the operation of utilities for safety, efficiency, reliability, and quality of service. The Division’s primary areas of responsibility include: Electric Generation and Transmission; Metering; Electric, Private Water and Sewer Distribution; and Natural Gas and Hazardous Liquid Pipeline Safety. In 2008, the Engineering Division was deeply involved in facilitating Maryland’s move to safe and reliable energy sufficiency and alternative energy technology.

The Division was active throughout the State monitoring PSC-ordered replacement of bare steel propane piping on the Eastern Shore, evaluating the progress of mitigation of leaks caused by failed mechanical gas couplings in Southern Maryland, and assessing the plans for bare steel replacement in Western Maryland. All of the Commission’s Pipeline and Hazardous Liquid Safety Engineers became fully trained in 2008 for their roles in enforcement of Federal safety regulations within the State.

The Division worked with the Transmission owners and other involved State agencies to review the plans for several major transmission lines proposed for Maryland. It also reviewed transmission plans to provide adequate capacity for areas where growth will soon exceed electric supply. The Division coordinated the review of State agencies of the efforts of Maryland’s generating stations to comply with the Healthy Air Act through the addition of gas desulphurization and selective catalytic conversion equipment, the installation of barge facilities to enable alternate coal and additive supply sources, and the test burning of new coal mixtures.

The Division had a role in increasing the use of solar power in Maryland when it developed and administered a process that implements the provisions of 2008's Maryland Senate Bill 1016/House Bill 595 which enable owners of solar facilities to obtain Renewable Energy Credits. In 2008 108 applications from solar power installations were approved for the credits. The division also reviewed applications for Certificates of Public Convenience and Necessity (CPCNs) exemptions for two wind generators of approximately 70 megawatts each.

Commensurate with higher consumer energy bills, the division saw a 19% increase in meter referee test requests for a total of 106.

In 2008, in addition to its traditional regulatory inspections, investigations, and oversight, the Engineering Division had new opportunities to participate in the transition of Maryland's energy landscape through work related to demand growth, environmental compliance, and new alternative energy technologies.

8. Demand Side Management Division

The Demand Side Management Division, formerly part of the Energy Resources and Markets Division, reviews and monitors electric and gas utility energy efficiency, conservation, demand reduction and related programs. In particular, the Division tracks goals, reviews programs and monitors program results related to the recently enacted EmPower Maryland energy and demand reduction targets.

Division members also have analytical and/or oversight responsibilities on a wide range of subjects including: developments in the wholesale energy markets focusing on demand response and distributed generation through PJM working groups and committees; participation in multi-party program development for EmPower Maryland, national developments on smart grid and advanced metering infrastructure (AMI) as well as utility-sponsored AMI plans; and, preparation of highly technical studies and reports for the Commission, other State agencies, and the General Assembly.

During 2008, DSM was in several significant initiatives including:

- Reviewing and providing testimony in Commission regulatory proceedings for the development energy efficiency and conservation programs as directed by the EmPower Maryland Act of 2008;
- Participating in technical working groups on utility-sponsored energy efficiency and conservation programs, collectively known as demand-side management (DSM) programs. The Division has also participated in the Distributed Generation Work Group to review and determine specific tariff revisions and incentives and provide recommendations to the Commission;
- Monitoring, and where appropriate, participating in initiatives of the PJM, including the Energy Efficiency Task Force and Demand Response Working Group.

E. OFFICE OF GENERAL COUNSEL

1. SUMMARY OF SELECTED LITIGATION

The Commission prevailed before the Court of Special Appeals in Chevy Chase Cars v. PSC, Case No. 00011, September Term 2007. The court confirmed the Commission’s ability to allow Potomac Electric Power Company (Pepco) to bill Chevy Chase retroactively for up to three years of electricity undercharges.

2. PROCEEDINGS BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

During 2008, the Commission won several victories for ratepayers before the Federal Energy Regulatory Commission (FERC). In the first, it filed a complaint against PJM, the operator of the electricity grid covering Maryland and 13 other states. The Commission's complaint alleged that PJM rules that allowed certain power generators to charge excessive prices due to a lack of competition were unfair. PJM's rules exempted these power plants from price caps that would have mitigated the higher, noncompetitive prices. According to PJM's Market Monitor, these rules inflated the wholesale electricity prices paid by Maryland consumers in 2006 by $87.5 million, and the Commission's complaint demonstrated that PJM's refusal to apply the price mitigation rules to those units were "preferential and discriminatory and produce[d] unjust and unreasonable energy prices." The lifting of the exemption means that the prices for previously exempt generators will be examined and capped if the Market Monitor finds that the price is too high.

In the second, FERC ruled, in response to arguments made by the Commission and others that PJM had not followed the necessary procedures to seek an increase in power system reliability payments to be determined in an upcoming auction, which applies to the 2011 – 2012 timeframe. These RPM (Reliability Pricing Model) auctions set one-year prices for "capacity" three years in advance. Capacity is the electricity supply available to meet demand at a point in time. The Commission estimates that ratepayers will save an estimated $225 million in payments for electricity from June 2011 – May 2012.

Most recently, the Commission and others successfully convinced FERC, over strong and well-funded objections, to retain and strengthen a crucial test, the "three pivotal supplier test," to detect and mitigate against the exercise of market power in wholesale electricity markets.

3. PC-16/SUPPLIER DIVERSITY MEMORANDUM OF UNDERSTANDING

In 1993, six utilities entered into Memoranda of Understanding ("MOU") with the Commission, in which each agreed to utilize diverse suppliers and to report to the Commission on their efforts. On July 15, 2008, the Commission conducted the first of what may be expected to be annual hearings regarding those companies' compliance with the Memoranda. The Commission was concerned with what it perceived to be the utilities' lackluster performance and spotty reporting. On August 29, 2008, the Commission issued an Order addressed to all Maryland jurisdictional utility companies and interested parties, in which it challenged the utilities to commit to purchasing 25% of their goods and services from minority, women and service-disabled veteran business enterprises by 2012. A Workgroup comprised of utility representatives, Commission Staff, diverse suppliers, and advocacy groups met numerous times during the fall of 2008. After a hearing on December 2, 2008, as well as additional work sessions in early 2009, the Workgroup was able to present a Model MOU that represented a consensus document. The Model MOU contained the utilities' commitment to use their best efforts to achieve the 25% goal, standardized the reporting methodology, and instituted uniform annual plans and annual reports, in order to track the utilities' compliance with the MOU. On February 6, 2009, at a public ceremony attended by numerous legislators, administration officials, advocacy groups, and the public, ten (10) utilities executed the new MOU along with the Commission. Those utilities were: Association of Maryland Pilots; Baltimore Gas & Electric Company; Delmarva Power & Light Company; First Transit's Baltimore Washington International Thurgood Marshall Airport Shuttle Bus Contract; The Potomac Edison Company d/b/a/ Allegheny Power; Potomac Electric Power Company; Qwest Communications Corporation; Verizon Maryland Inc.; Washington Gas Light Company; and XO Communications Services, Inc.

4. SETTLEMENT WITH CONSTELLATION

In March 2008, the Governor, General Assembly, and the Commission reached a settlement with Constellation Energy Group that resolved all claims arising out of the 1999 deregulation. The settlement's total benefit to ratepayers is estimated to be $2.033 billion. As part of the settlement, BGE's residential customers received a one-time refund of $170 per household as a credit on their bill in September of 2008, equaling $187 million in rate relief. The settlement also eliminated a $5.2 billion BGE ratepayer liability for decommissioning Calvert Cliffs Nuclear Power Plants, saving ratepayers $1.5 billion in future contributions. All responsibility for proper funding and oversight of the funding for the nuclear decommissioning of the Calvert Cliffs facility going forward is to be borne by Constellation. Constellation also agreed, all else being equal, to make Calvert Cliffs 3 its number one site priority if it moved forward with plans for a new nuclear plant. And the settlement resolved all pending claims or lawsuits arising out of the 1999 Settlement Agreement, including the restoration of $346 million out of $386 million in credits enacted in Senate Bill 1 in 2006. BGE agreed to delay any increase in distribution rates until October 2009, to be limited to a 5 % increase unless the PSC determined that a higher rate would be in the public interest, and not to file any follow-up rate case until

August 2010. The legislation entitled BGE to utilize a certain depreciation method until its next rate case. BGE also agreed to add at least two independent directors to its Board, which sits separately from Constellation's, and ultimately added three in mid-2008.

IV. MAJOR ACTIVITIES AND SPECIAL PROJECTS

A. ELECTRIC COMPETITION ACTIVITY – CASE NO. 8738

By letter dated September 13, 2000, the Commission ordered the four major investor-owned utilities in the state, Allegheny Power Company ("APS"), Baltimore Gas & Electric Company ("BGE"), Delmarva Power & Light ("Delmarva"), and Potomac Electric Power Company ("PEPCO"), to file Monthly Electric Customer Choice Reports. The reports were to show the number of customers served by suppliers, the total number of utility distribution customers, the total megawatts of peak demand served by suppliers, the peak load obligation for all distribution accounts, and the number of electric suppliers serving customers. These data were to be collected for both residential and non-residential customers.

At the end of December 2005, electric suppliers in the state served 39,527 commercial, industrial, and residential customers. Through December 2008, this number had increased to 111,858. Of these, 55,024 were residential and 56,834 were non-residential accounts. PEPCO had the highest number of residential (27,001) accounts served by suppliers. BGE had the highest number (29,006) of commercial accounts served by suppliers. The total statewide number of distribution service accounts eligible for electric choice was 2,206,177 of which 1,974,311 were residential and 231,866 were non-residential. Overall, as of December 2008, 2.8% of residential accounts and 24.5% of non-residential accounts were enrolled with an electric supplier.

The overall demand in megawatts (MWs) of peak load obligation served by all electric suppliers was 4,998 MWs at the end of December 2008. Of this amount, 202 MWs were residential and 4,796 MWs were non-residential. BGE had the highest peak-load served by suppliers (2,686 MWs). The total statewide peak load obligation eligible for choice was 13,171 MWs of which 6,398 MWs were residential and 6,773 MWs were non-residential. Statewide at the end of December 2008, electric suppliers served 3.2% of eligible residential peak load and 70.8% of eligible non-residential peak load.

As of December 2008, AP had five suppliers serving residential customers, 14 suppliers serving Small C&I, 17 suppliers serving Mid-Sized C&I, and 13 suppliers serving Large C&I. BGE had 15 suppliers serving residential customers, 22 suppliers serving Small C&I, 23 suppliers serving Mid-Sized C&I, and 19 suppliers serving Large C&I. Delmarva had 10 suppliers serving residential customers, 18 suppliers serving Small C&I, 20 suppliers serving Mid-Sized C&I, and 13 suppliers serving Large C&I. PEPCO had nine suppliers serving residential customers, 18 suppliers serving Small C&I, 21 suppliers serving Mid-Sized C&I, and 18 suppliers serving Large C&I.

In June of 2008, the definition of small commercial customer that had been ordered in Case No. 9064 became effective. As of June 1, 2008, customers at or below 25 kilowatts ("kW") of demand were considered small commercial customers and served under Type I Standard Offer Service ("SOS"). This new definition had been delayed one year, since June of 2007, in order to allow the existing SOS small commercial contracts to be completed at the expected level of load. Under the new definition, a portion of customers in BGE, DPL, and AP, that had been served on under the Type I SOS service, became eligible for Type II SOS service.

B. RENEWABLE ENERGY PORTFOLIO STANDARD PROGRAM

The objective of the Renewable Energy Portfolio Standard ("RPS") Program is to recognize and develop the benefits associated with a diverse collection of renewable energy supplies to serve Maryland. The Commission's RPS Program does this by recognizing the environmental and consumer benefits associated with renewable energy and requiring that a set proportion be included in all retail electricity sales. This recognition is demonstrated through the creation, sale and transfer of Renewable Energy Credits ("RECs"). The RPS Program is a policy that requires retail suppliers of electricity to meet a portion of their energy supply needs with various renewable energy sources, which have been classified within the RPS legislation as Tier 1 and Tier 2 renewable sources. The development of renewable energy sources is further promoted by requiring electricity suppliers to pay a financial penalty for failing to acquire sufficient RECs to satisfy the RPS program. The penalty is used to support the creation of Tier 1 sources in the State of Maryland. Additional information regarding Maryland's RPS can be found within the Maryland Renewable Energy Portfolio Standard Report of 2009, which is available electronically on the Commission's website, www.psc.state.md.us, under "Commission Reports."

C. MID-ATLANTIC DISTRIBUTED RESOURCES INITIATIVE

The public utility commissions of Delaware, District of Columbia, Maryland, New Jersey, and Pennsylvania, along with the U.S. Department of Energy, PJM Interconnection, and the U.S. Environmental Protection Agency established the Mid-

Atlantic Distributed Resources Initiative ("MADRI") to develop regional policies and market-enabling activities to support distributed generation and demand response in the Mid-Atlantic region. MADRI does not intend to dictate specific policy results among the Mid-Atlantic commissions.

During 2008, MADRI's efforts focused on the following issues:

- Energy efficiency as a capacity resource. The process for making energy efficiency an eligible resource in PJM's capacity markets was a prime focus of MADRI's 2008 meetings. MADRI also helped to coordinate information and input to PJM on this issue for the Mid-Atlantic Commissions.
- Smart metering and innovative pricing programs. The implementation of new smart metering and innovative pricing programs on a full scale or pilot basis in the region continued to be discussed and examined by MADRI participants.

MADRI continued to play a valuable role in facilitating the coordinated responses of the member Commissions to peak load reduction and distributed generation related issues and proposals at PJM and the FERC.

D. MARYLAND'S HEALTHY AIR ACT AND GENEARATION UPGRADES

Pursuant to the Healthy Air Act of 2006[1], Constellation and Mirant investigated methods for emissions control at their Maryland coal-fired plants. Maryland's total

[1] Maryland's Healthy Air Act, Chapter 23, 2006 Maryland Laws, Senate Bill 154, House Bill 189; COMAR regulations 26.11.27 (Emissions Limitations for Power Plant)

generating capacity within the State is nearly 12,500 MW, and coal fired generation currently provides almost 60% of the power. Maryland's larger coal-fired generating units are being retrofitted with wet scrubbers for the control of sulfur dioxide and selective catalytic reduction systems for the control of nitrogen oxides. However, Constellation has determined that this was not cost- effective for the Crane and Wagner plants, so only the Brandon Shores units will have both of these controls. Constellation plans to use low-sulfur coal with reagents and sorbents for the reduction of emissions of mercury and SO_2 at both the Crane and Wagner plants. Constellation subsequently obtained permission from the Commission to conduct test burns to evaluate emissions and performance of the plants with the use of various combinations of coals, sorbents and reagents. Some plants have sought CPCNs for modifications such as barge unloading facilities to accommodate the delivery and processing of limestone and different types of coal (Morgantown, Crane, and Wagner). Results of the test burns assist power plant operators and the State agencies in their determination of the efficacy of the process and whether or not more testing needs to be done. A summary of plant modifications for compliance with the HAA follows.

Based on the permitted testing, Constellation has chosen Selective Non-Catalytic Reduction (SNCR)[2] as the NOx control technology at the Crane 1 and 2 and Wagner 2

[2] SCR systems remove NOx from flue gases with ammonia and a catalyst at 300-400°C. An SNCR removes NOx with ammonia or urea and no catalyst at 1000°C. SCRs are more efficient but require more space and capital equipment.

and 3 units. For mercury controls, both plants have elected to use halogenated activated carbon injection systems. Constellation continues testing SO2 control options at Crane and Wagner. A combination of using blends of low sulfur sub-bituminous ("sub-bit") coals[3] with the currently used bituminous coal and chemical sorbent systems such as Trona or Chem-Mod™. Use of different coal types, sorbents, and reagents has led to the need for new equipment for handling these materials. Permanently switching to new fuel blends will likely require CPCN reviews and further proceedings are expected.

Table III.D.1: Emission Related Upgrades for Coal-fired Plants

Power Plant/ Owner	Relevant Case Numbers	Generating Capacity	Existing Emissions Controls	Retrofits for Healthy Air Act Compliance
Dickerson/ Mirant	CN9087 CN9140	853 MW total, 3 coal units total 546 MW	Low NOx burners with OFA, ESP, fabric filters	FGD SNCR
Chalk Point/ Mirant	CN9079 CN9086	2,400 MW total, 2 coal units total 700 MW	Low NOx burners with OFA, ESP, SACR (unit 2)	FGD, SCR ($78M), sorbent (unit 1) ($1.8M)

[3] The Powder River Basin (PRB) is an important source of sub-bituminous coal. It is a region in southeast Montana and northeast Wyoming about 120 miles by 200 miles. PRB coal is desirable for use at power plants because it has a low ash and sulfur content. Sub-bit coals require different processing equipment to limit the production of fugitive particulates or dust.

E. Transmission Planning in PJM

The Commission is an active participant in the PJM Regional Transmission Planning Process (“RTEPP”) and regularly attends the Transmission Expansion Advisory Committee meetings.

Queue Reform

In Docket No. AD08-2-000, FERC issued an order on March 20, 2008, which directed the Regional Transmission Organizations (“RTOs”) and Independent System Operators (“ISOs”) to file reports on the status of their efforts to improve the processing of their interconnection queues. PJM re-chartered the Regional Planning Process Working Group (“RPPWG”) to undertake a meaningful stakeholder process to evaluate and make recommendations to the PJM Members Committee to reform the interconnection queue and study process.

Beginning February 1, 2008, PJM instituted a three month queue and a 90-day study period, which provides for a total of six months to produce feasibility results. PJM is working to reduce the workload associated with the study process, while maintaining a sustainable queue process that ensures the timely completion of most interconnection studies. Modifications to the interconnection process will expedite the interconnection queues, eliminate speculative projects, reduce overdue studies and support the interconnection of new generation and merchant transmission projects. Work in 2009 will continue to investigate changes to deposit levels, project milestones, additional site control requirements and possible changes to some study processes.

Transmission Expansion Highlights for 2008

RTEPP results are presented to the Transmission Advisory Committee. The Planning Committee then seeks approval from the Members Committee and PJM's Board of Directors. The Commission is reviewing several large projects this year for generation and transmission expansion. The UniStar Companies (affiliated with Constellation, Areva, and Electricité de France) has proposed a new unit 3 nuclear reactor at Calvert Cliffs. Unit 3 would produce 1600 MWs of electricity as early as 2017. The major transmission providers (AEP, PHI, and Allegheny) are continuing with their plans for three major new transmission lines: Mid-Atlantic Power Pathway (MAPP), Trans Allegheny Interstate Line ("TrAIL"), and Potomac Appalachian Transmission Highline ("PATH"). These projects have all been approved by the PJM board. SMECO is continuing with plans for its high voltage loop in Southern Maryland (Aquasco to Holland Cliffs), much of it on existing right of way.

Proposals for New High Voltage Transmission Lines in PJM

Demand for power on the East Coast has pushed the current grid configuration to its limits. This is evidenced by persistent congestion in central Maryland and northern Virginia. CETO/CETL analysis for 23 load deliverability areas has passed the deliverability test for 2011. However, PJM is predicting delivery problems in 2012. Consequently, several large interstate transmission projects have been proposed. They are in various stages of the permitting and development process. Some projects are not physically located in Maryland; however, Maryland can be affected by these projects due to inter-regional dependence on the grid.

The ‘backbone’ of the grid in PJM consists of the 500 kV and 230 kV transmission lines. There have not been many changes to the 500 kV systems in the past 20-30 years. The high voltage circuits were originally designed for spare capacity, anticipated load growth, and inter-regional power transfers. The economic and territorial landscape of the grid has since changed. Power is now traded through RTO markets such as PJM’s Reliability Pricing Model (“RPM”). Spare capacity for the lines is reduced and many are frequently overloaded. Transmission owners have responded with proposals for several new high voltage interstate transmission lines, a portion of which are proposed to be constructed in Maryland:

1. MAPP: Mid-Atlantic Power Pathway by PHI (500 kV)
2. PATH: Potomac Appalachian Trail Highline by Allegheny (765/500 kV)

<u>The MAPP Project</u>

PJM Interconnection L.L.C. ("PJM”) identified a new 500 kV circuit emanating from the Possum Point Generating Station in Virginia to the Salem Nuclear Station in New Jersey as an integral component of PJM's plans to ensure a reliable electric system in the Mid-Atlantic region, including the Baltimore-Washington metropolitan area and the Delmarva Peninsula. In Maryland, the MAPP project traverses parts of Prince George's, Charles and Calvert Counties, including the Possum Point to Chalk Point corridor, crosses under the Chesapeake Bay and proceeds in an eastward direction through parts of Dorchester and Wicomico Counties before crossing into Delaware.[4] In Delaware, MAPP will continue in an easterly direction to the Indian River Generating

[4] Information about the MAPP project can be found at a website www.powerpathway.com.

Station before heading north to a substation in the vicinity of the Salem Nuclear Plant in New Jersey.

Pepco and the Delmarva Power & Light Company are obligated to build the majority of the 230 mile MAPP project since the line is located primarily in the Companies' service territories. For the Chesapeake Bay crossing, Pepco has stated that it is considering installing a 640kV high voltage direct current ("HVDC") line. Many state and federal agencies (such as the Army Corps of Engineers, U.S. Fish and Wildlife) are involved with the waterway crossings (Potomac River, Chesapeake Bay, and Delaware River).

Pepco plans to install the MAPP project in phases, some requiring separate CPCNs. The next phases of the project will involve the filing of Maryland CPCN applications for portions of the proposed 500 kV transmission line. Pepco is currently seeking Commission approval for a second conductor along the Moss Point to Burches Hill to Chalk Point route. The original double circuit 500 kV line from Possum Point to Chalk Point was permitted by the Commission during the 1970s. The estimated cost of this phase of the project is $62 million. The length of the line is about 50 miles.

Also in Maryland, PHI will construct an additional 230 kV line from Vienna to Steele. The Vienna to Loretto and Loretto to Piney Grove 138 kV lines will be upgraded to 230 kV. This will form a 230 kV loop on the lower Delmarva Peninsula.

Commission staff and DNR/PPRP have participated in community meetings sponsored by the Pepco/Delmarva, most notably in Dorchester County.

The PATH Project

The proposed Potomac-Appalachian Transmission Highline (PATH) project is a joint venture between AEP and Allegheny. It is 250 miles of 765 kV between Amos (Charleston, WV) and Bedington (West Virginia near Washington Co., MD). It continues for another 40 miles from Bedington as a 765 kV line through Maryland to Kemptown (Frederick Co., Md.). PATH was authorized by the PJM Board on June 22, 2007. The estimated cost of the project is approximately $1.8 billion with a June 2013 in-service date. PJM is planning for a substation at the intersection of the TrAIL and PATH lines, somewhere in Virginia, with a 1,000 MVAR reactive compensator. AEP and Allegheny will be required to file an application for a CPCN with the Commission prior to any construction of PATH within Maryland.

Summer Loads for 2008

Congestion during the summer of 2008 was not as pronounced as it has been in previous years. This has been primarily due to reduced demand with no significant generation or transmission outages. The PJM metered peaks for 2008 were lower than the peaks in 2007 and 2006. This was due to the relatively mild weather, the slowing economy and more diversity (non-coincident peaks). The unrestricted peak of 130,792 MWs occurred on June 9, 2008 at 5:00 PM. No emergency measures were required by PJM. The peak was 7.5% lower than the peak for 2007 and it was 5.2% below the forecast. The lower peak load for this year with reduced demand has taken some pressure away from the urgency for new transmission lines and congestion control.

F. PJM ENERGY EFFICIENCY CAPACITY MARKET

The Commission is currently monitoring PJM's plans to allow energy efficiency projects to bid into its capacity market. PJM intends to allow energy efficiency projects to bid demand reduction for the first time into its capacity auction to be held May 2009 for the delivery period June 2012 through May 2013. The Demand Side Management (DSM) Division has closely monitored activities through the PJM Energy Efficiency Task Force, which was created in late December 2008. The revenue streams from PJM's capacity market will help offset future EmPower Maryland energy efficiency and conservation (EE&C) program costs.

As part of the Task Force, the Commission has also been closely involved in the review of the Energy, Measurement & Verification (EM&V) Manual in which all responders in this capacity market will need to adhere. The Manual will set protocols, such as accuracy and precision, in data collection, measurement and verification for programs that are bid into the Energy Efficiency Capacity Market. The DSM Division has worked closely with Northeast Energy Efficiency Partnership and other stakeholders in analyzing this Manual. Additionally, the Commission has provided feedback to PJM, through the Task Force, on its reporting requirements, penalties and revenues. The Manual and details of how the new Energy Efficiency Market will function will be filed with FERC, with stakeholder consensus in first quarter of 2009.

G. THE REGIONAL GREENHOUSE GAS INITIATIVE

The Regional Greenhouse Gas Initiative ("RGGI") accomplished a major milestone this year with the successful auction of the CO_2 allowances (an allowance is a limited permission to emit one ton of CO_2) on September 25, 2008. Six of the ten RGGI states offered 12.5 million allowances at auction which sold for a clearing price of $3.07. Maryland raised $16.3 million for the state's Strategic Energy Investment Fund to support conservation and energy efficiency programs and provide rate relief through the auction.

The second auction of CO_2 allowances was held on December 17, 2008. All ten RGGI states offered a total of 31,505,848 allowances of auction of which 5,331,704 was from Maryland. The final clearing price was $3.38. This auction raised 18,021,424 for the state's Strategic Energy Investment Fund. Auctions of CO_2 allowances will now be held quarterly with the next auction scheduled for March 18, 2009.

RGGI is the first mandatory cap-and-trade program in the United States for carbon dioxide. Under RGGI, ten northeastern and Mid-Atlantic states have jointly designed a cap-and-trade program that caps power plants' CO_2 emissions and then lowers that cap by ten % by 2018. RGGI, Inc., is a nonprofit corporation formed to provide technical and scientific advisory services to participating states in the development and implementation of the CO_2 budget trading programs.

Under RGGI, the participating states have agreed to use an auction of allowances as the means to distribute allowances to electric power plants regulated under coordinated state CO_2 cap-and-trade programs. All fossil fuel electric power plants 25 megawatts or greater must obtain allowances.

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

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

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

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

This phased approach with initially modest emissions reductions is intended to provide market signals and regulatory certainty so that electricity generators begin planning for, and investing in, lower-carbon alternatives throughout the region, but without creating dramatic wholesale electricity price impacts and attendant retail electricity rate impacts. The RGGI MOU apportions CO_2 allowances among signatory states through a process that was based on historical emissions and negation among the signatory states. Together, the emissions budgets of each signatory state comprise the regional emissions budget or RGGI "cap."

RGGI, Inc. is a non-profit Delaware corporation with offices to be located in New York City in space collocated with the New York Public Service Commission at 90 Church Street. The RGGI Board of Directors is composed of two representatives from each member state (20 total), with equal representation from the states environmental and energy regulatory agencies. Agency Heads (two from each state), also serving as board members, constitute a steering committee that provides direction to the Staff Working Group and allows in-process projects to be conditioned for Board Review. Commission Brogan serves as a RGGI board member on behalf of the State.

H. REGIONAL RELIABILITY SUMMIT

At the Commission's request, PJM convened a Regional Reliability Summit on November 7, 2008, and representatives from the District of Columbia, Delaware, Indiana, Maryland, New Jersey, Pennsylvania, and Virginia participated. The Commission determined that the Mid-Atlantic Region faces a gap of approximately 2,600-3,000 MW,[5] assuming TrAIL not in service and of which approximately 600-690 MWs are attributable to Maryland. The interconnected nature of the electricity system means that any capacity shortfall affects connected regions, not just individual states.

The Summit featured a presentation by PJM describing the potential extent of a regional capacity shortfall if the TrAIL line is not in service by June 1, 2011. PJM reiterated that its wholesale tariff, as currently approved by FERC, does not permit it to hold incremental auctions for the purpose of obtaining additional capacity in the event a transmission project is delayed beyond its original in-service date. As a result, PJM concluded that any regional solution will need to be implemented by or through the affected states. Each of the states present at the Summit agreed to continue the dialogue

[5] The Mid-Atlantic portion of the PJM region includes the states of New Jersey, Delaware, most of Maryland, and parts of Pennsylvania. The region includes the service territories of Atlantic City Electric, Baltimore Gas and Electric, Delmarva Power, Jersey Central Power & Light, Metropolitan Edison, PECO, Pennsylvania Electric Company, Pepco, PPL Electric Utilities, Public Service Electric and Gas Company, Rockland Electric Company and UGI Electric Service. The service territory of Allegheny Power is not included within PJM's Mid-Atlantic region.

with respect to possible long and short-term solutions, possibly undertaken through the Organization of PJM States, Inc. ("OPSI"). Chairman Nazarian of the Commission assumed the OPSI Presidency in 2009.

I. WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

The State of Maryland is a member of the Washington Metropolitan Area Transit Regulation Compact, an interstate agreement among this State, the Commonwealth of Virginia and the District of Columbia, which was approved by Congress in 1960 and amended in its entirety in 1990 at Maryland's behest and with the concurrence of the other signatories and Congress's consent.

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

The Metropolitan District includes: the District of Columbia; the cities of Alexandria and Falls Church of the Commonwealth of Virginia; Arlington County and Fairfax County of the Commonwealth of Virginia, the political subdivisions located within those counties, and that portion of Loudoun County, Virginia, occupied by the Washington Dulles International Airport; Montgomery County and Prince George's County of the State of Maryland, and the political subdivisions located within those counties; and all other cities now or hereafter existing in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of those counties, cities, and airports.

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

A Commissioner from the Public Service Commission (PSC) is designated to serve on the WMATC. Governor O'Malley appointed PSC Commissioner Lawrence Brenner to serve on the WMATC in November 2008. The Compact and the WMATC are codified in Title 10, Subtitle 2 of the Transportation Article of the Annotated Code of Maryland.

In fiscal year (FY) 2008, which is from July 1, 2007 through June 30, 2008, the WMATC accepted 245 applications to obtain, transfer, amend or terminate a WMATC certificate of authority. The WMATC also initiated 314 investigations of carrier compliance with WMATC rules and regulations; conducted a couple of interstate taxicab ratemaking proceedings and concluded a major rule making proceeding regarding insurance regulations. The WMATC issued 855 orders in formal proceedings in FY2008. There were 359 carriers holding a certificate of authority at the end of FY2008, which is almost four times the 97 that held authority at the end of FY1990, before the Compact lowered barriers to entry beginning in 1991. The number of vehicles operated under WMATC authority was approximately 3,459 as of December 8, 2008. The WMATC processed 50 informal complaints in FY2008, mostly concerning interstate taxicab overcharges.

The Public Service Commission includes its share of the WMATC budget in its own budget. Budget allocations are based upon the population of the Compact signatories in the Compact region. In Maryland this includes Montgomery and Prince George's Counties, as noted above. The FY2008 WMATC budget was $710,000 and Maryland's share was $337,960 or 48% of the WMATC budget. In FY2008 the WMATC generated $145,045 in non-appropriations revenue (fees and forfeitures), which were returned to the signatories on a proportional basis.

V. REPORTS TO LEGISLATURE

A. *Re-Regulation*. On December 10, 2008, the Commission issued the *Final Report of the Public Service Commission of Maryland to the Maryland General Assembly: Options For Re-Regulation and New Generation,* pursuant to Section 2(b)(2), Chapter 549, Acts 2007 (the "Final Report"). The Final Report included a *State Analysis and Survey on Restructuring and Reregulation (Task 2) and Analysis of Options for Maryland's Energy Future (Task 3),* prepared by Kaye Scholer LLP, Levitan & Associates, Inc. and Semcas Consulting Associates on December 1, 2008. The Commission presented its recommendations in the Final Report to the Senate Finance Committee and House Economic Matters Committee on December 16, 2008.

In the Final Report, the Commission recommended incremental re-regulation for the purposes of ensuring a reliable supply of electricity or to obtain economic benefits for ratepayers. In addition, the Commission requested additional legislation that would expand the range of options for obtaining new generation, leaving the Commission the flexibility to respond to evolving economic and market conditions. Finally, the Commission committed to investigate in 2009 when and how to build generation in Maryland as well as whether the current procurement method of Standard Offer Service should be altered.

B. *Termination and Arrearages*. Pursuant to Section 11, Chapter 5, 2006 Maryland Laws, 1st Special Session, the Commission reports annually regarding residential terminations, service reconnections, and arrearages. The Commission's report analyzes monthly statistics provided by all gas and electric companies. The Commission's most recent report covered the period October 2006 through September 2008, thereby comparing two full heating and cooling seasons. During the period covered by the report, terminations increased by 23% and gross arrearages increased by 43.7%. As the report noted, assistance from the Electric Universal Service Program which received an influx of funds from various State sources eased the financial burden faced by low-income customers.

C. *Universal Service Protection Program.* Pursuant to §7-307 of the PUC Article, the Commission submits an annual report to the General Assembly on terminations during the previous heating seasons when special protections are extended to low income customers who take steps to remain current on their utility bills, including any alternate payment plans. The most recent report showed that eight tenths of one percent (.008) of USPP customers was terminated during the heating season. This reflected a slight rise from the previous year when the percentage was seven tenths of one percent (.007).

D. *Ten-Year Plan*. Pursuant to §7-201 of the PUC Article, the Commission forwards a Ten-Year Plan to the Secretary of Natural Resources on an annual basis. The Ten-Year Plan compiles information on the long-range plans of Maryland electric companies and summarizes major events and activities that have or may affect the electric industry in Maryland in the near future. The most recent Ten-Year Plan covered the period 2008-2016 and addressed the following topics: 1) Generation and Supply Adequacy in Maryland; 2) Energy Transmission in PJM and Maryland; 3) Demand Response and Conservation and Energy Efficiency in Maryland; 4) Energy, the Environment and Renewables; 5) Electric Distribution Reliability in Maryland; 6) Maryland Electricity Markets; and 7) PJM and Regional Energy Issues and Events.

E. *Net Metering*. Pursuant to §7-306 of the PUC Article, the Commission reports to the General Assembly annually on the amount of energy available from net metered facilities in Maryland and whether the cap on eligible capacity should be altered. The Commission's most recent report, filed in 2009, indicates that the current eligible limit for the State of 1,500 megawatts ("MW") exceeds the level of installed capacity of 2.45 MW. Although there has been an increase in the number of recent installations, it is unlikely that the current cap will be approached without advanced notice. The Commission's report suggested two statutory revisions that could further the goals of the net metering statute. These proposals were: 1) removal of the requirement that a property owner must own and operate the renewable generating facility for which net metering is sought in order to facilitate the installation of large scale solar facilities; and 2) the addition of combined heat and power ("CHP") to the definition of facilities that a customer could use to provide net metered electricity on their property.

F. *Renewable Energy Portfolio Standard Program.* In compliance with §7-712 of the PUC Article, the Commission reports to the General Assembly on the status of the Renewable Energy Portfolio Standard for the preceding compliance year. During 2008 the Commission certified Maryland's first solar renewable facilities. Small solar facilities may open accounts with PJM Environmental Information Systems, Inc. in order that their renewable energy credits ("RECs") may be created and tracked by GATS. In 2007, 553,612 Tier 1 RECs and 1,384,029 Tier 2 RECs were provided in compliance with the renewable energy obligation for that year; $36,374 in compliance fees were paid for that period in lieu of RECs.

G. *Wind Powered Generation*. Pursuant to Section 2 of Chapter 163 of the Acts of 2007, the Commission submits a report each February to the Governor, the Senate Finance Committee, and the House Economic Matters Committee regarding the status of wind-powered generating stations in Maryland. The most recent report, filed in 2009, shows that under the exemption from the certificate of public convenience and necessity process provided specifically for wind facilities, § 7-207.1 of the PUC Article, authority to construct wind-powered generation in Maryland continues to be granted. Several small wind facilities are expected to be built during 2009.

VI. OTHER ISSUES

A. ENERGY EFFICIENCY AND CONSERVATION

Demand side management, including various methods of energy efficiency, conservation, demand reduction, and distributed generation, is expected to become an important source of meeting the State's needed supply. This source offers the most cost effective way to meet expected loads while reducing costs, supporting system reliability, and limiting environmental impacts. It is important that these cost-effective resources be exploited to the maximum extent possible. Per the EmPower Maryland Energy Efficiency Act, the Commissions will require the utilities to implement aggressive and cost-effective demand management and energy conservation programs to meet energy efficiency and demand reduction targets. On December 31, 2008, the Commission approved the EmPower Maryland plans filed by Baltimore Gas & Electric and approved the design of the plans submitted by Allegheny Power, Delmarva, Pepco, and Southern Maryland Electric Cooperative.

1. Statutory Requirements

The EmPower Maryland Energy Efficiency Act of 2008 ("EmPower MD Act") was enacted on April 24, 2008, and became effective July 1, 2008. The Act established an overarching goal of reducing the State's energy consumption 15% by 2015 in order stave off potential rolling blackouts as early as 2011, reduce energy bills, protect the environment and reduce global warming pollution, while also creating new Maryland businesses and building sources of clean, reliable energy for Marylanders. The Commission is required to report annually to the General Assembly, beginning March 1, 2009.

2. Demand Side Management Activities

The EmPower MD Act requires each affected electric company to propose cost-effective energy efficiency and conservation programs and services designed to achieve targeted per capita energy reductions of at least 5% by the end of 2011 and 10% by the end of 2015. As of December 31, 2008, the Commission approved the design of the majority of the aforementioned utilities' EmPower Maryland programs, with modifications.[6] The utilities are due to file updated cost and cost-effectiveness data with the Commission by March 31, 2009. For 2011, although together the utilities' preliminary EmPower Maryland plans are estimated to reach only about 63% of the energy savings target goal, most either meet or exceed the energy demand targets. Combined the EmPower Maryland plans are estimated to reach 215% of the demand reduction goal. Specifically, energy demand reductions will be key to maintaining reliability and stabilizing energy costs in the near term by decreasing our need for costly peak-demand power plants (i.e., "peaker plants"). Additionally, the utilities and the Commission plan to continue revising and enhancing the plans to continue to provide additional resources, including EE&C programs, advanced metering initiatives, incenting the increased development and use of distributed generation and demand response resources. The Company will determine program cost recovery in early 2009, based on utility recommendation and stakeholder input.

Concurrently, the "fast-track programs", originally initiated under, through Case No. 9111 and authorized per § 7-510(c) of the Public Utility Companies Article, *Annotated Code of Maryland*, continued to offer immediate assistance in reducing electricity consumption and utility bills for Marylanders. These programs serve to reach the "low hanging fruit," or quick-payback energy-saving opportunities, in the interim of designing comprehensive plans in meeting Governor O'Malley's EmPower Maryland energy and demand goals. The fast-track programs will be folded into the utilities' comprehensive EmPower Maryland plans.

[6] Case No. 9153 – Order No. 82383; Case No. 9154 – Order No. 82384; Case No. 9155 – Order No. 82385; Case No. 9156 – Order No. 82386; and Case No. 9157 – Order No. 82387.

a. Baltimore Gas and Electric Company

Fast Track Programs

BGE continued to run the fast track program approved by the Commission in 2007. The fast track program consisted of rebates for the purchase of compact fluorescent light bulbs ("CFLs") and for Energy Star refrigerators, freezers and clothes washers. In 2008, the fast track program provided an annual savings of 84.8 million kWh and $11.5 million to customers compared to non efficient measures. The fast-track programs will be rolled into the Company's EmPower Maryland Plan that was approved by the Commission on December 31, 2008.

EmPower Maryland Plan

On September 29, 2008 BGE, filed with the Commission its EmPower Maryland Plan which contained DSM programs for residential, commercial, and industrial sectors, including low-income and low-to-moderate income communities. BGE proposed six residential, two small commercial, and three large commercial, industrial and institutional EE&C programs, that are projected to save over 1,024,416 megawatt hours of consumption by 2011 (613,397 MWh commercial energy savings and 411,019 MWh residential savings). The Company expects to spend $149.2 million on the programs from 2009 to 2011.

b. Potomac Electric Power Company and Delmarva Power and Light Company (PHI Holdings)

Fast Track Programs

DPL began its "fast-track" programs in November of 2007. As of December 31, 2008, running a CFL fast-track program, DPL estimated that the fast-track program have saved consumers, on average, approximately 6.3 million kWh annually, or $902,687.

Lifetime saving produced from these programs total about 56.8 million kWh, or about $8.1 million.

Pepco began its "fast-track" programs in November of 2007. As of December 31, 2008, running a CFL fast-track program, Pepco estimated that the fast-track program have saved consumers, on average, approximately 65.0 million kWh annually, or $9.8 million. Lifetime saving produced from these programs total about 585 million kWh, or about $86.2 million.

EmPower Maryland Plan

On September 2, 2009, Pepco and DPL's plans both proposed four residential and four non-residential EE&C programs, which were designed to save 301,256 megawatts in 2011 and 1.875 million MWh by 2015 for Pepco and 205,846 MWh by 2011 and 332,448 MWh by 2015 for DPL. Opportunities range from using the information provided through customer information and education, to incentives to purchase lighting and energy efficient HVAC and housing or building upgrades. DPL and Pepco's plans are very similar in design. Pepco expects to spend $44.2 million on the programs from 2009 to 2011, and DPL expects to spend $16.1 Million during the same time frame.

c. Allegheny Power Company

Fast Track Programs

On September 14, 2007, Potomac Edison Company d/b/a Allegheny Power (AP or Company) filed with the Commission an application seeking authority to implement two "fast-track" programs. The proposed programs included a compact fluorescent lighting (CFL) program and a residential consumer awareness campaign. However, after numerous consumer complaints surrounding program implementation and costs, AP voluntarily halted the Energy Conservation Surcharge for the CFL Program as of January 16, 2008. Additionally, AP refunded all Energy Conservation Surcharge monies collected since the surcharge began on October 3, 2007, and suspended the distribution of the CFL bulbs. The customers who did receive the two bulbs that AP mailed to its customers can expect to save customers about $1 per month over the life of the bulbs.

EmPower Maryland Plan

Allegheny Power filed its plan on August 29, 2008. The plan included a portfolio of 13 energy EE&C programs that serve the residential and commercial sectors including seven for residential customers and five for the commercial and industrial customers, and 16 programs that the Company is still evaluating. AP's programs as modified by the Commission's Order are designed to save 81,597 MWh by the end of 2011 and 187,722 MWh by the end of 2015. The Company expects to spend $14.5 Million on the approved programs between 2009 and 2011.

d. SMECO

EmPower Maryland Plan

Filed on September 2, 2008, SMECO's plan included five residential EE&C programs and one non-residential EE&C program, and designed to reduce energy consumption by 94,421 MWh by the end of 2011 and 181,672 MWh by the end of 2015. Its plan consists of a traditional set of programs, such as market buy-down or other incentives for the purchase and/or installation of energy efficient products or measures. SMECO expects to spend $18.4 million between 2011 and 2015.

e. Demand Response

Additionally, by Letter Orders dated November 30, 2007, April 19, 2008, and April 22, 2008, the Commission approved four residential Demand Response Initiative (“DRI”) programs. Demand response is defined as changes in electric usage by end-use customers from their normal consumption patterns either in response to changes in the price of electricity over time or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized. The EmPower Maryland Act requires the five utilities to lower their peak energy demand (measured in kW) by five percent by 2011 and by 15 % by 2015.

BGE, Delmarva Power, Pepco, and SMECO all have bid into the PJM 2011/2012 PJM RPM Capacity Auctions and cleared 647.6 MW of demand reduction. Each utility is in the process of finalizing program planning to launch in 2009. Legacy DRI programs remain in place for BGE and SMECO until the switchover occurs.

B. BROADENED OWNERSHIP ACT

In compliance with §14-102 of the Economic Development Article of the *Annotated Code of Maryland*, entitled the "Broadened Ownership Act," the Commission engaged in communications with the largest gas, electric, and telephone companies in the State in an effort to assure their awareness of this law. The law establishes the need to institute programs and campaigns to encourage the public and employees to purchase stocks and bonds in these companies, thus benefiting the community, the economy, the companies, and the general welfare of the State.

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

(a) Pepco Holdings, Inc. ("PHI") continues to encourage broadened ownership of the Company's capital stock particularly among Maryland residents. PHI is the parent company of Potomac Electric Power Company and Delmarva Power & Light Company. As of September 30, 2008, there are more than 202 million shares of PHI common stock outstanding and are held by over 61,000 shareholders. With respect to ownership of PHI stock by Maryland residents, PHI's records show that 11,194 shareholder accounts, representing 6.8 million shares, are registered directly to Maryland residents.

(b) NiSource, Inc. (Parent) owns all of the common stock of the Columbia Energy Group, which in turn owns all of the common stock of Columbia Gas of Maryland, Inc. The Parent has five plans, which encourage broadened stock ownership. The Employee Stock Purchase Plan ("ESPP") encourages broadened stock ownership by employees. The Parent maintains the NiSource Inc. Retirement Savings Plan, the Northern Indiana Public Service Company Bargaining Unit Tax Deferred Savings Plan, and the Bay State Gas Company Operating Employee Savings Plan collectively referred to as the Tax Deferred Savings Plans. In addition, the Automatic Dividend Reinvestment and Stock Purchase Plan broaden capital ownership by all stockholders.

On July 31, 2008, the Parent had 274,216,784 shares of its common stock outstanding, of which 6.8 million or about 2.5% were held by employees in the ESPP Plan and the Tax Deferred Savings Plans. As of July 31, 2008, the Parent had approximately 788 registered stockholders with Maryland addresses, holding approximately 255,177 shares of Parent common stock.

(c) As of September 30, 2008, 23,224 Maryland residents representing 60.11% of Constellation Energy Group, Inc. (Parent Company of Baltimore Gas and Electric Company) total common shareholders owned 10,285,326 or 5.74% of the outstanding shares of common stock. In addition, Company employees (many of whom are Maryland residents) own additional shares of common stock through the Company's Employee Savings Plan.

Constellation Energy Group, Inc. established an Employee Savings Plan to provide employees with a convenient way to save toward retirement and to increase their ownership interest in the Company. Under this Plan, employees may save up to 50% of their income and invest such savings in any of the Company’s common stock, 11 mutual funds, 12 Target Dated Funds or a combination of all 24 investment options. As of September 30, 2008, 5,699,170 shares of common stock were held in the Employee Savings Plan for current and former employees, including approximately 47,274 shares allocated during the current reporting period.

(d) The Potomac Edison Company d/b/a Allegheny Power is a wholly-owned subsidiary of Allegheny Energy, Inc. (“AE”). In 2007, AE continued its Employee Stock Ownership and Savings Plan. Approximately 86% of AE's employees are currently contributing to the Plan and 3,926 participants have AE stock as part of their account balance within the Plan. As of December 31, 2007, 1,375 Maryland residents held 541,728 shares of AE stock as stockholders of record, which represents approximately 7.12% of all AE registered stockholders and 0.32% of all shares.

(e) Washington Gas Light Company (“WGL”), provides the following information from the Investor Relations Department regarding its efforts to broadened ownership of the Company's capital stock, particularly among residents of Maryland and Company employees. Currently, approximately 27.02% of registered shareholders reside in Maryland, and represent 4.49% of the Company's outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2008, 109 employees were actively participating in the Company's Dividend Reinvestment and Common Stock Purchase Plan, and approximately 1,119 employees (both active and retired) owned shares through its 401K Savings Plan.

(f) Verizon Maryland Inc. is a wholly owned subsidiary of The Verizon Corporation. Public stockholder ownership in the Maryland Company is obtained through the purchase of Verizon Capital Stock. The Verizon Savings Plan and the Verizon Savings and Security Plan enable employees to purchase Verizon stock. Employees are eligible to participate in the plans after one year of service. As of September 30, 2008, there were 25,715 Maryland residents who held Verizon stock

VII. CASES AND DECISIONS OF NOTE[7]

A. GAS AND ELECTRIC UTILITIES

1. The Matter of the Electric Universal Service Program – Case No. 8903

This case, noted in prior Annual Reports, concerns the Electric Universal Service Program ("EUSP"), which was authorized as part of the Electric Customer Choice Act of 1999 to assist low-income electric customers with arrearage retirement, bill assistance and weatherization. The Legislature directed the Commission to establish and oversee the

[7] This section does not contain all cases or matters considered or decided by the Commission in 2008; only those cases of note that have not been discussed elsewhere in the Annual Report.

program and to report to the General Assembly on its status and operation. The Department of Human Resources, Office of Home Energy Programs (OHEP) is responsible for fiscal management, staffing, program planning and budget development. OHEP's operation of the EUSP is based upon the fiscal year.

Electric ratepayers provide funding for the EUSP, which has been set by law at $37 million per year of which $36 million is for arrearage retirement assistance and bill payment assistance with $1 million going to the Department of Housing and Community Development to use for low-income weatherization. Residential, commercial, and industrial electricity customers contribute through a universal service charge collected by electric companies.

On June 13, 2008, OHEP submitted to the Commission its Proposed Operations Plan for FY 2009 for the EUSP. OHEP's Proposed Operations Plan for FY 2009 provides for EUSP funding in the amount of $57,700,000, of which $36,000,000 is collected from ratepayers and available for arrearage retirement assistance and bill payment assistance and $21,700,000 represents monies appropriated to OHEP from the State General Funds. The Commission's statutory oversight extends only to the approval of the proposed allocation of the $36 million ratepayer funds.

After a hearing held on July 16, 2008, by letter order issued October 2, 2008, the Commission accepted OHEP's FY 2009 Operational Plan including its proposed allocations for the Ratepayers' Fund, which allocations include $1.5 million toward arrearage retirement assistance and nearly $30 million to bill payment assistance, with approximately $4.3 million to administrative costs. The Commission also recommended that OHEP move forward in the effort to create a one-stop shopping multi-year certification where limited income customers could apply for all types of social service benefits at one time.

2. The Application of Catoctin Power, LLC for a Certificate of Public Convenience and Necessity to Construct A Nominal 600 MW Generating Facility in Frederick County, Maryland – Case No. 8997

This case, noted in prior Annual Reports, concerns an application by Catoctin Power, LLC for a CPCN to construct a nominal 600 MW generating facility in Frederick County. As noted in the 2005 Annual Report, the CPCN was granted by Order No. 79923 issued on April 25, 2005, with various conditions included. Also, on January 23, 2007, in Order No. 81221, the Commission authorized an extension of the commencement of construction with respect to certain conditions.

On April 24, 2008, Catoctin filed a motion to amend certain conditions of its CPCN, seeking to extend the deadline contained in Condition 10 (air quality) to allow an additional 14 months to commence construction and avoid expiration of air quality approvals. The Commission tolled the imminent deadline scheduled one day following the motion, and following an Administrative Meeting, tolled the deadline for approximately a six-week period to allow the company an opportunity to offer the project into the May 2008 PJM Reliability Pricing Model Base Residual Auction, as well as an opportunity to reach certain agreements with Frederick County regarding tax credits and water issues.

By Order No. 82077 entered on June 18, 2008, requests for further extension were denied, the expiration of the condition was no longer tolled, and the air quality provisions of Condition 10 expired. Further explanation of the decision was issued in Order No.

82133 issued July 8, 2008, in which the Commission noted the requested extension created no commitment for Catoctin to proceed with the project, with the company admitting that in the absence of agreements, the project was not financially viable for this developer.

3. The Matter of the Inquiry Into Natural Gas Leaks From the Washington Gas Light Company Distribution System – Case No. 9035

This case, noted in the 2005 and 2006 Annual Reports, was instituted in April 2005 as an inquiry into natural gas leaks on Washington Gas Light Company's (WGL) Maryland Distribution System. The Company was directed to file documents showing its plans to find and repair the gas leaks, as well as file monthly reports. WGL has indicated in various reports and in proceedings before the Federal Energy Regulatory Commission that it believes increased supplies of liquefied natural gas (LNG) in its system have produced the increased leaks it has experienced, and the Company has injected hexane into its gas supply as a proposed remedial measure.

Following hearings held in February 2007, a Proposed Order of Hearing Examiner was issued on April 2, 2007, in which the Hearing Examiner determined that injection of LNG was a contributing factor to the increased number of leaks experienced on the WGL distribution system, and injection of hexane gas may cause a re-swelling of seals and ameliorate the leak problem. The Proposed Order would also authorize recovery of prior use of hexane as a prudent and reasonable remediation effort, and the Company must continue certain reports. Following appeal by the Office of People's Counsel (OPC), the Commission affirmed the Proposed Order by Order No. 81714 entered on November 16, 2007, while also keeping the proceeding open to monitor the company's actions with respect to the gas leaks.

On August 19, 2008, OPC moved to re-open the proceeding, which was opposed by WGL. Staff then filed its own motion on December 9, 2008 in support of re-opening of the proceeding to determine the effectiveness of the hexane injections in reducing gas leaks.

4. The Commission's Investigation into Default Service for Type II Standard Offer Service Customers – Case No. 9056

As noted in prior Annual Reports, this docket has involved issues regarding Standard Offer Service (SOS) electric supply for Type II medium-sized commercial customers, including reviews of bidding procedures and related bid results.

Hearings have been held periodically in 2008 regarding the solicitations for SOS residential and Type I and II commercial service, and various orders have been issued in this docket and Case No. 9064 regarding the bid processes and results.

5. The Matter of the Competitive Selection of Electricity Supplier/Standard Offer or Default Service for Investor-Owned Utility Small Commercial Customers; and for The Potomac Edison Company d/b/A Allegheny Power's, Delmarva Power and Light Company's and Potomac Electric Power Company's Residential Customers – Case No. 9064

As noted in prior Annual Reports, on May 10, 2006, the Commission instituted Case No. 9064 as a major policy review proceeding regarding the provision of Standard Offer Service (SOS) to residential and small commercial customers of the large investor-owned electric utilities.

During 2008, the Commission conducted periodic public hearings and issued various orders in this docket and Case No. 9056 with respect to review of the results of bidding for Residential and Type I commercial customer SOS bid solicitations. These hearings included testimony from the Commission's SOS consultant as to the conduct and results of the process relating to whether the bid solicitations were conducted in conformance with Commission requirements and appropriate security measures were in place during the process.

In October 2008, BGE was unable to fill its residential SOS blocks offered during the solicitation and Delmarva was unable to file a portion of its residential and Type I commercial SOS blocks offered during that solicitation. A reserve tranche solicitation was held in November 2008, but Delmarva was only able to fill one of the blocks. In Order No. 82373 dated December 22, 2008, the Commission directed the unfilled blocks of SOS load to be added and offered in the January 12, 2009 procurement.

6. The Commission's Investigation into a Residential Electric Rate Stabilization and Market Transition Plan for The Potomac Edison Company d/b/a Allegheny Power – Case No. 9091

This case is also noted in prior Annual Reports. By Order No. 81130 issued on November 28, 2006, the Commission instituted Case No. 9091 to investigate opportunities for implementing a rate stabilization and market transition plan for residential customers of The Potomac Edison Company d/b/a Allegheny Power (AP) in order to provide an opportunity for a more gradual transition to market-based rates. Rates for AP residential customers were reduced by seven percent in 1999 and then frozen through December 31, 2008, while the costs of fossil fuels have been rising dramatically since the 1999 rate cap was instituted. Similar to Case Nos. 9052 (BGE) and 9058 (Pepco and Delmarva) in which rate stabilization plans have been investigated for residential customers of the other investor-owned utilities; this proceeding was instituted for Allegheny Power.

On December 29, 2006, AP filed an application for a proposed Rate Stabilization Ramp Up Transition Plan that would provide a more gradual transition to market-based rates. The initial plan would be mandatory and provides for surcharges in 2007 and 2008 prior to the expiration of the rate caps, which surcharges will be credited to customer accounts with interest earned to reduce the future bill increases that will occur on January 1, 2009 upon the expiration of the rate caps. By Order No. 81331 issued on March 30, 2007, the Commission authorized a Transition Plan with an opt-out election method and using a two-billing cycle decision period for customers. Also, the company was directed to file quarterly reports to better monitor the plan.

During 2008, quarterly reports were filed, and actual results of the Rate Transition Surcharge have gradualized rate increases for June 2007 (15%), January 2008 (13.1%), January 2009 (12.5%), and a projected 10.9% for January 2010.

7. The Application of Potomac Electric Power Company for Authority to Revise its Rates and Charges for Electric Service and for Certain Rate Design Changes – Case No. 9092

As noted in prior Annual Reports, on November 17, 2006, Potomac Electric Power Company (Pepco) filed an application with the Commission for authority to increase its rates and charges for electric service to produce additional annual operating revenues of approximately $55.7 million.

Following extensive hearings, by Order No. 81517 entered on July 19, 2007 the Commission determined that a temporary rate increase of $10,606,000 be granted. In determining that the increase be temporary; the Commission found that the Company failed to submit an independent audit opinion demonstrating compliance with §4-208 of the Public Utility Companies Article regarding its cost allocation manual. Therefore, the temporary increase was authorized while a Phase II was instituted to further review cost allocation and service company costs allocated to Pepco. The decision also adopted a "Present Value" methodology for calculation of costs of removal of depreciated property, while accepting a "Bill Stabilization Adjustment" to de-couple company revenue from electricity sales which will remove a major disincentive to conservation efforts.

By Order No. 81583 issued on August 31, 2007, the Commission clarified its directives as to the audit opinion. In Order No. 81713 issued November 15, 2007, the Commission consolidated the Phase II cost allocation review of Case No. 9092 with the similar Phase II review of Case No. 9093, *Re Delmarva Power and Light Company*.

Following hearings held in March 2008, by Order Nos. 82136 entered July 18, 2008 and 82168 entered August 4, 2008 in this case and Case No. 9093, the Commission determined that the utility satisfied the statutory provisions regarding a Cost Allocation Manual (CAM) audit, and finalized the temporary rate increase previously authorized in this proceeding. Also, the utility was directed to conduct a management audit of affiliated service company costs for services provided to the regulated company.

8. The Application of Delmarva Power and Light Company for Authority to Revise its Rates and Charges for Electric Service and for Certain Rate Design Changes – Case No. 9093

As noted in prior Annual Reports, on November 17, 2006, Delmarva Power and Light Company (Delmarva) filed an application with the Commission for authority to increase its rates and charges for electric service to produce additional annual operating revenues of approximately $20.3 million.

Following extensive hearings, by Order No. 81518 entered on July 19, 2007 the Commission determined that a temporary rate increase of $14,882,000 be granted. In determining that the increase be temporary, the Commission found that the Company failed to submit an independent audit opinion demonstrating compliance with §4-208 of the Public Utility Companies Article regarding its cost allocation manual. Therefore, the temporary increase was authorized while a Phase II was instituted to further review cost allocation and service company costs allocated to Delmarva. The decision also adopted a "Present Value" methodology for calculation of costs of removal of depreciated property, while accepting a "Bill Stabilization Adjustment" to de-couple company revenue from electricity sales which will remove a major disincentive to conservation efforts.

By Order No. 81583 issued on August 31, 2007, the Commission clarified its directives as to the audit opinion. In Order No. 81713 issued November 15, 2007, the Commission consolidated the Phase II cost allocation review of Case No. 9093 with the similar Phase II review of Case No. 9092, *Re Potomac Electric Power Company*.

Following hearings held in March 2008, by Order Nos. 82136 entered July 18, 2008 and 82168 entered August 4, 2008 in this case and Case No. 9092, the Commission determined that the utility satisfied the statutory provisions regarding a Cost Allocation Manual (CAM) audit, and finalized the temporary rate increase previously authorized in this proceeding. Also, the utility was directed to conduct a management audit of affiliated service company costs for services provided to the regulated company.

9. The Application of Baltimore Gas and Electric Company for Approval of Changes In Depreciation Rates – Case No. 9096

As noted in the 2007 Annual Report, on December 27, 2006, Baltimore Gas and Electric Company filed an application for changes to its depreciation rates. On January 3, 2007 the Commission delegated this case to the Hearing Examiner Division. A pre-hearing conference was held on February 13, 2007 at which a procedural schedule was set. Several parties were added as intervenors and testimony was filed on behalf of BGE, the Office of People's Counsel, and the Commission's Staff. Hearings were held on September 24 and 25, 2007, and briefs were filed.

A Proposed Order was filed on February 26, 2008, which found that the prior depreciation rates dated from 1995 and since that time BGE's business structure has changed from a vertically integrated investor-owned utility to a much smaller distribution-only company, as a result of the changes which resulted from the enactment of the "Electric Customer Choice and Competition Act of 1999." This dramatic change in character has had numerous effects on BGE. The Proposed Order ordered a change from a straight line method to a present value method as has been ordered by the Commission in other utilities' depreciation cases, a change in the handling of third-party insurance reimbursements, and changes to specific accounts. The Proposed Order also declined OPC's request to order a refund of the removal cost reserve to ratepayers. The Proposed Order was appealed by BGE on March 26, 2008, which appeal was pending at year's end.

10. The Application of Washington Gas Light Company for Approval of Changes in Depreciation Rates – Case No. 9103

As noted in the 2007 Report, on April 13, 2007 Washington Gas Light Company filed an application to change its depreciation rates. Following delegation to the Hearing Examiner Division, hearings were held in May 2008, following which a Proposed Order was issued on October 15, 2008, which determined a "Present Value Methodology" should be utilized with respect to recovery of the future cost of negative net salvage. Also, Third Party Reimbursements are to be credited prospectively into the depreciation reserve, with potential allocations noted for such reimbursements. Various appeals of the Proposed Order were noted, which appeals remain pending.

11. The Application of Washington Gas Light Company for an Increase in Rates and Charges for Gas Service and to Implement a Performance-Based Rate Plan – Case Nos. 9104 and 9104, Phase II

As noted in the 2007 Annual Report, on April 20, 2007, Washington Gas Light Company (WGL) filed an application with the Commission for authority to increase its rates and charges for gas service by $33.8 million. The Commission issued Order No. 81715 on November 16, 2007 affirming a Proposed Order except as modified to make necessary adjustments to WGL's tariff to reflect the depreciation reserve treatment contained in the Order. The Order authorized WGL to file tariffs designed to produce $20,555,809 in additional annual revenues. A Phase II proceeding was also instituted to review and examine issues regarding an Accenture, LLP outsourcing contract and to consider a Performance-Based Rate Plan (PBR Plan).

Following hearings on Phase II held in June 2008, a Proposed Order was issued on September 4, 2008, which would deny the PBR Plan, while also directing an independent management unit, among other directives. Various appeals of the Phase II Proposed Order were noted, which remain pending.

12. The Commission's Investigation of Investor-Owned Electric Companies' Standard Offer Service for Residential and Small Commercial Customers In Maryland – Case No. 9117

As noted in the 2007 Annual Report, the Commission instituted Case No. 9117 by Order No. 81563 issued on August 16, 2007. Its purpose is to investigate power procurement methods for Standard Offer Service to residential and small (Type I) commercial customers, pursuant to Senate Bill 400, Chapter 549, Acts 2007, and to examine aggregating the buying power of low-income Electric Universal Service Program customers.

A hearing before the Commission was held on January 8, 2008. On July 3, 2008, the Commission issued Order No. 82105. Therein the Commission set out numerous criteria for various power procurement portfolios by investor-owned utilities (IOUs) in Maryland. The IOUs were directed to present portfolio plans including evaluation of long-term procurement (10-15 years) plans, and also include an evaluation of a variety of different resource mixes, including some component of short- (one year or less), medium- (one to five year), and long-term (more than five year) purchase commitments. The Order also required Maryland IOUs to provide the Commission with the various portfolio plans with evaluations and recommendations by October 1, 2008.

On October 28, 2008, the Commission issued a notice seeking comments and reply comments on the various IOU procurement plans. In response, numerous comments were filed in November and December 2008, and further hearings were held in December 2008. The case will continue in 2009.

13. The Application of UniStar Nuclear Energy, LLC and UniStar Nuclear Operating Services, LLC, for a Certificate of Public Convenience and Necessity to Construct a Nuclear Power Plant at Calvert Cliffs in Calvert County, Maryland – Case No. 9127

As noted in the 2007 Annual Report, on November 13, 2007, UniStar Nuclear Energy, LLC and UniStar Nuclear Operating Service, LLC, filed a joint application for a Certificate of Public Convenience and Necessity to construct a new nuclear power plant at Calvert Cliffs in Calvert County, Maryland. By letter issued February 7, 2008, the proceedings were delegated for hearing to the Hearing Examiner Division. Hearings were conducted in August 2008, including both evidentiary and public comment hearings, and briefs and reply briefs were filed in November and December 2008. On December 16, 2008, a Notice of Air Permit Comment Period was published providing a 30-day public comment period on the Air Permit impacts of the application, which may include requests for hearing on the Air Permit. The matter will continue in 2009.

14. The Commission's Interim Report to the General Assembly Regarding Stranded Costs – Case No. 9137

In Senate Bill 400 (Chapter 549, Acts 2007), the Maryland General Assembly directed the Commission to conduct hearings to reevaluate the general regulatory structure, agreements, orders, and other actions of the Commission under the Electric Customer Choice and Competition Act of 1999, including determination of and allowance for stranded costs.

On January 17, 2008, the Commission issued the report prepared by its consultants, Kaye Scholer, LLP, which included a detailed analysis of electric restructuring under the 1999 Act and BGE's stranded cost settlement. The Commission also issued the Commission's own Interim Report Part II regarding stranded costs, CTC payments, and nuclear decommissioning funding, which offered recommendations to the General Assembly regarding further proceedings as well as possible legislative responses to the findings of the report. Following reported criticisms by Baltimore Gas and Electric Company (BGE), including a stated intent by its parent company, Constellation Energy Group (CEG), to terminate a "standstill agreement" and file suit, by Order No. 81823 issued January 30, 2008, the Commission instituted Case No. 9137 to investigate BGE's and CEG's handling and stewardship of nuclear decommissioning funds and stranded cost funds collected from ratepayers.

An initial hearing was held on February 6, 2008, following which the Commission sought further detailed information from BGE and CEG, with a further hearing held on February 26, 2008, primarily with respect to nuclear decommissioning costs.

A March 2008 Settlement Agreement was subsequently reached between CEG, BGE, Calvert Cliffs Nuclear Power Plant, Inc., the Commission, and State of Maryland that resolved various matters and litigation between the parties, including closure of Case No. 9137 (and also closure of ongoing proceedings in Case No. 9099, *Re BGE's Proposal to Implement a Rate Stabilization Plan*). As part of the comprehensive Settlement Agreement, a one-time bill credit to BGE residential electric customers of $187 million is provided, in addition to resolution of Calvert Cliffs nuclear decommissioning fund issues.

15. The Investigation of the Process and Criteria for Use in Development of Request For Proposal by the Maryland Investor-Owned Utilities for New Generation to Alleviate Potential Short-Term Reliability Problems in the State of Maryland – Case No. 9149

On August 13, 2008, the Commission instituted Case No. 9149 to investigate the process and criteria for having Maryland investor-owned utilities issue one or more Requests For Proposals (RFP) to obtain additional generation to avoid potential capacity shortfalls if certain transmission line projects are not completed by 2011-2012. The proceeding was commenced based on analysis by PJM Interconnection, LLC of possible reliability shortfalls, with a RFP designed to bridge a potential gap in the reliability of the electricity supply.

Following filing of comments, Commission hearings were held on October 3 and October 6, 2008. In addition, PJM convened, at the Commission’s request, a Regional Reliability Summit among states affected by the potential shortfalls, which was held on November 7, 2008, as a first step toward a regional response to alleviate this potential regional problem.

In an order issued November 6, 2008, the four investor-owned utilities in Maryland were directed to develop and issue RFPs to procure resources that meet PJM's Emergency Load Response Program for the power planning years 2011-2016 to serve as insurance against the possibility that in-service dates of the TRAIL (Trans-Allegheny Interstate Line) and PATH (Potomac-Appalachian Transmission Highline) transmission projects are delayed past June 2011 and June 2013, respectively. In addition, the Commission Staff was directed to convene a distributed generation workgroup, and to report back to the Commission by March 30, 2009. Staff also filed a report and recommended Gap RFP on December 22, 2008, noting the utilities must issue Gap RFPs by January 16, 2009, to bid any resources into the PJM Interconnection's 2012-2013 Reliability Pricing Model base residual auction. Hearing on the Staff report and recommended Gap RFP is scheduled for January 8, 2009.

16. The Petition of the Commission's Staff for an Investigation into Washington Gas Light Company's Asset Management Practices and Cost Recovery of Natural Gas Purchases – Case No. 9158

On July 24, 2008, the Commission Staff petitioned the Commission to open an investigation into Washington Gas Light Company's asset management practices and cost recovery of natural gas purchases, noting WGL has changed its policy by implementing self-management of its gas capacity and commodity resources rather than use of a third party asset manager. Staff further recommends review of margin sharing mechanisms of revenues generated from off-system sales, and review of company pricing of gas storage injections (referred to as the "ratable fill" method).

Following response by the company and People's Counsel, on September 4, 2008 the Commission docketed this matter as Case No. 9158 and delegated the proceedings to the Hearing Examiner Division. A pre-hearing conference was held on September 29, 2008, and hearings are scheduled for March 2009.

17. The Acquisitions of Constellation Energy Group, Inc., the Parent Company of Baltimore Gas and Electric Company, by MidAmerican Energy Holdings Company and Constellation Energy Holdings, LLC and of Baltimore Gas and Electric Company by BGE Holdings, LLC – Case No. 9160

On October 17, 2008, an application was filed with the Commission in which MidAmerican Energy Holdings Company and other joint applicants requested authority to engage in an acquisition of Constellation Energy Group, Inc. (CEG), the parent company of Baltimore Gas and Electric Company.

By letter order issued October 20, 2008, the Commission instituted Case No. 9160 to investigate and review the proposed acquisition; as such acquisition would allow the acquiring company to exercise substantial influence over BGE. Following a pre-hearing conference held on November 3, 2008, by Order No. 82315 issued November 14, 2008, the Commission established the procedural schedule and ground rules for discovery, and also defined the scope of the proceeding. However, a letter of withdrawal of the application was filed on December 17, 2008, as Constellation Energy Group, Inc. determined to pursue a different transaction with Electricite de France International, SA (EDF) and certain of its affiliates. A status conference previously scheduled for December 19, 2008, was held at which the new developments were discussed, and the new proposed transaction with EDF will be considered in Case No. 9173.

18. The Matter of the Allocation of Money in the Maryland Strategic Energy Investment Fund Pursuant to Section 9-20B-05(G)(2) of the State Government Article, *Annotated Code of Maryland* – Case No. 9166

On December 5, 2008, the Commission instituted Case No. 9166 to prescribe the manner in which a portion of funds in the Maryland Strategic Energy Investment Fund (Fund) will be allocated to provide rate relief by offsetting electricity rates of residential customers, including an offset of energy efficiency surcharges. The monies in the Fund, which is administered by the Maryland Energy Administration (MEA), are principally proceeds from the sale of Regional Greenhouse Gas Initiative (RGGI) allowances, money appropriated in the State budget, and compliance fees. The purpose of the Maryland

Strategic Energy Investment Program under the MEA is to decrease energy demand and increase supply to promote affordable, reliable and clean energy, and 23% of the monies in the Fund are to be allocated for rate relief on a per customer basis in a manner prescribed by the Public Service Commission.

Comments have been filed by various stakeholders, and a legislative-style hearing is scheduled for January 14, 2009.

B. TELECOMMUNICATIONS

1. The Request of Verizon Maryland Inc. to Reclassify Certain Retail Bundled Services to the Competitive Services Basket as Provided by the Commission's Price Cap Plan (Case No. 9072); the Commission’s Investigation into Verizon Maryland Inc.'s Service Performance and Service Quality Standards (Case No. 9114); the Commission's Investigation into Verizon's Affiliate Relationships (Case No. 9120); the Commission's Investigation into Local Calling Area Boundaries and Related Issues (Case No. 9121); and the Matter of Appropriate Forms of Regulating Telephone Companies (Case No. 9133) – Case Nos. 9072, 9114, 9120, 9121 and 9133

Case Nos. 9072, 9114, 9120, and 9121 are discussed in prior Annual Reports, including the 2007 Annual Report, while Case No. 9133 was instituted by Order No. 81776 entered on January 3, 2008. These five cases cover a wide range of telecommunications issues involving Verizon Maryland Inc., the State's predominant ILEC: reclassification of regulated services to the competitive basket (Case No. 9072); Verizon's service performance and standards for service quality (Case No. 9114); Verizon's legal and regulatory relationships with its affiliates (Case No. 9120); the appropriate local calling area boundaries and related issues (Case No. 9121); and the overall best manner of regulating telephone companies (Case No. 9133). Only two of the five cases proceeded to full evidentiary hearings, Proposed Orders of Hearing Examiner, and appeals (Case Nos. 9072, Proposed Order issued August 8, 2007; Case No. 9120, Proposed Order issued January 7, 2008). The rest were at various procedural stages in November and December 2008, when settlement in principle was reached and a Joint Petition for Approval of Settlement Agreement was filed on December 9, 2009, to include all the referenced cases as well as various judicial proceedings.

On December 19, 2008, the Commission approved a schedule for the filing of testimony by the parties on the settlement. Hearing on the settlement is also scheduled for early 2009.

2. The Commission's Inquiry Into Verizon Maryland Inc.'s Provision of Local Exchange Telephone Service Over Fiber Optic Facilities – Case No. 9123

As noted in the 2007 Annual Report, on August 9, 2007 the Office of People's Counsel filed with the Public Service Commission a Request for an Investigation into Verizon Maryland Inc.'s Provision of Local Exchange Telephone Service over Fiber Optic Facilities. OPC alleges that Verizon has failed to make proper disclosures to consumers when Verizon switches a customer's local telephone service to Verizon's fiber optic facilities service (FIOS). OPC further questions whether the practices employed by Verizon in connection with switching consumers to FIOS complies with requirements of the Public Utility Companies Article, *Annotated Code of Maryland*, and the Commission's rules.

Following Verizon's response and OPC's counter-response, this matter was delegated to the Hearing Examiner Division on October 24, 2007, and a pre-hearing conference was held on November 19, 2007. Following extensive discovery, evidentiary hearings were held on August 26-28, 2008. Briefs and reply briefs have been filed through early December 2008, and the matter remains pending before the Hearing Examiner.

3. The Proposal of Verizon Maryland Inc. to Reduce the Residential Monthly Directory Assistance "Free" Call Allowance – Case No. 9125

As noted in the 2007 Annual Report, on October 3, 2007, Verizon Maryland Inc. filed a request with the Commission to reduce its monthly calling allowance for directory assistance without a charge from four to two. On October 31, 2007 the matter was delegated to the Hearing Examiner Division. After a pre-hearing conference in November 2007 and the submission of written testimony, hearing was held on January 23, 2008.

Following the submission of post-hearing briefs, the Hearing Examiner issued a Proposed Order on February 15, 2008. The Proposed Order found that directory assistance is a competitive product and that the reduction requested will encourage competition and is in the public interest. The Proposed Order also required a 30-day notice to customers prior to any reduction taking place. The Proposed Order was appealed by the Office of People's Counsel on March 4, 2008, and the appeal remains pending.

VIII. RECEIPTS AND DISBURSEMENTS FY 2008

Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	$	5,174,319
Technical and Special Fees		179,496
Operating Expenses		4,650,534
Total Disbursements for Fiscal Year 2008	$	10,004,349

Reverted to State Treasury		1,586
Total Appropriation for Fiscal Year 2008	$	10,005,935

C90G002 – Telecommunications Division

Salaries and Wages	$	454,612
Operating Expenses		1,246
Total Disbursements for Fiscal Year 2008	$	455,585
Reverted to State Treasury		296
Total Appropriation for Fiscal Year 2008	$	456,154

C90G003 – Engineering Investigations Division

Salaries and Wages	$	1,098,502
Operating Expenses		91,329
Total Disbursements for Fiscal Year 2008	$	1,189,831
Reverted to State Treasury		13,099
Total Appropriation for Fiscal Year 2008*	$	1,202,930

Includes $46,000 Federal Funds

C90G004 – Accounting Investigations Division

Salaries and Wages	$	454,135
Operating Expenses		2,445
Total Disbursements for Fiscal Year 2008	$	456,580
Reverted to State Treasury		527
Total Appropriation for Fiscal Year 2008	$	457,107

C90G005 – Common Carrier Investigations Division

Salaries and Wages	$	1,143,595

Technical and Special Fees		116,470
Operating Expenses		77,265
Total Disbursements for Fiscal Year 2008	$	1,337,330
Reverted to State Treasury		0
Total Appropriation for Fiscal Year 2008*	$	1,337,330

Includes $160,566 Special Fund attainment for the
For Hire Driving Enforcement Fund

C90G006 – Washington Metropolitan Transit Commission

Operating Expenses		246,415
Total Disbursements for Fiscal Year 2008	$	246,415
Reverted to State Treasury		0
Total Appropriation for Fiscal Year 2008*	$	246,415

C90G007 – Rate Research and Economics Division

Salaries and Wages	$	537,746
Operating Expenses		8,272
Total Disbursements for Fiscal Year 2008	$	546,019
Reverted to State Treasury		0
Total Appropriation for Fiscal Year 2008	$	546,019

C90G008 – Hearing Examiner Division

Salaries and Wages	$	771,804
Operating Expenses		1,403
Total Disbursements for Fiscal Year 2008	$	773,207
Reverted to State Treasury		496
Total Appropriation for Fiscal Year 2008	$	773,703

C90G009 – Office of Staff Counsel

Salaries and Wages	$	727,213
Operating Expenses		3,988
Total Disbursements for Fiscal Year 2008	$	731,202
Reverted to State Treasury		439
Total Appropriation for Fiscal Year 2008	$	731,641

C90G0010 – Integrated Resource Planning Division

Salaries and Wages	$	493,942
Operating Expenses		5,228
Total Disbursements for Fiscal Year 2008	$	499,170
Reverted to State Treasury		1
Total Appropriation for Fiscal Year 2008	$	499,171

Summary of Public Service Commission
Fiscal Year Ended June 30, 2008:

Salaries and Wages	$	10,855,868
Technical and Special Fees		295,966
Operating Expenses		5,088,125
Total Disbursements for Fiscal Year 2008	$	16,239,959
Reverted to State Treasury		16,444
Total Appropriations		16,256,403

Public Utility Regulation Fund:	$	16,062,936
For-Hire Driving Services Enforcement Fund:	$	160,566
Federal Funds:	$	32,901

Assessments (Cost and expenses of the Public Service

Commission, Office of People's Counsel and the Railroad Safety Program) remitted to the State Treasury during Fiscal Year 2008:	$	19,303,715

Miscellaneous Fees remitted to the State Treasury during Fiscal Year 2008:

1) Misc. Fines & Citations	$	146,681
2) Rent to Department of General Services	$	689,932
Total Miscellaneous Fees	$	836,613