PUBLIC SERVICE COMMISSION OF MARYLAND

2010 ANNUAL REPORT

For the Calendar Year Ending December 31, 2010

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

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I. MEMBERSHIP OF THE COMMISSION

The Public Service Commission ("PSC" or "Commission") consists of the Chairman and four Commissioners, each appointed by the Governor with the advice and consent of the Senate. The term of the Chairman and each of the Commissioners is five years and those terms are staggered. All terms begin on July 1. As of the December 31, 2010, the following persons were members of the Commission:

	Term Expires
Douglas R. M. Nazarian, Chairman	June 30, 2013
Harold D. Williams, Commissioner	June 30, 2012
Susanne Brogan, Commissioner	June 30, 2011[1]
Lawrence Brenner, Commissioner	June 30, 2015
Therese M. Goldsmith, Commissioner	June 30, 2014[2]

II. OVERVIEW OF THE COMMISSION

A. General Work of the Commission

In 1910, the Maryland General Assembly established the Commission to regulate public utilities and for-hire transportation companies doing business in Maryland. The jurisdiction and powers of the Commission are found in the Public Utilities Article, *Annotated Code of Maryland*.

The Commission regulates gas, electric, telephone, water, and sewage disposal (privately-owned) companies, as well as certain common carriers, such as bus, railroad companies and passenger motor vehicle carriers engaged in the transportation for hire of

[1] Commissioner W. Kevin Hughes was appointed for a five-year term to expire on June 30, 2016, and joined the Commission on September 12, 2011.

[2] Commissioner Goldsmith resigned her appointment in June 2011. Commissioner Kelly Speakes-Backman was appointed to fill the term, and joined the Commission on September 12, 2011.

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:

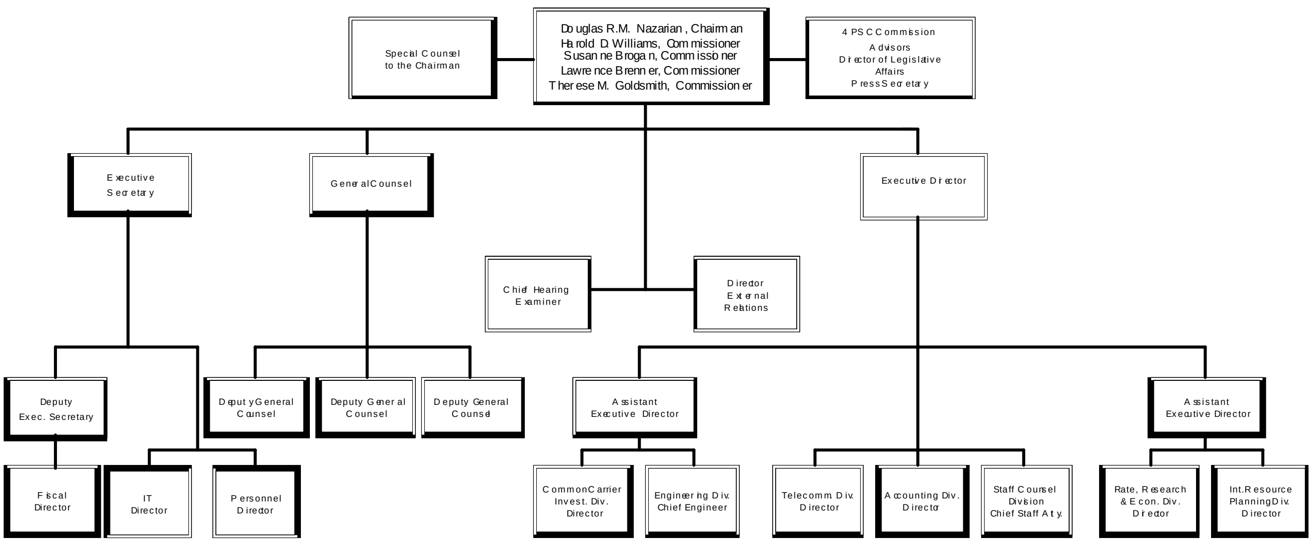
- electric utilities;
- gas utilities;
- combination gas and electric utilities;
- electric suppliers;
- gas suppliers;
- telecommunications companies;
- water, and water and sewerage (privately-owned) companies;
- bay pilots;
- docking masters;
- passenger motor vehicle carriers;
- railroad companies;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

The Commission has broad authority to supervise and regulate the activities of public service companies. It 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; (6) mergers or acquisitions of electric companies or gas companies; and (7) quality of utility and common carrier service. The Commission has the authority to issue Certificates of Public Convenience and Necessity to construct or modify a new generating plant or an electric company's application to construct or modify transmission lines designed to carry a voltage in excess of 69,000 volts. In addition, the Commission collects and maintains records and reports of public service companies, reviews plans for service, inspects equipment, audits financial records, handles consumer complaints, enforces its rules and regulations, defends its decisions on appeal to State courts, and intervenes in relevant cases before federal regulatory commissions and federal courts.

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, Voice over Internet Protocol ("VoIP"), and cable services are regulated by the Federal Communications Commission.

B. Organizational Structure as of December 31, 2010

MARYLAND PUBLIC SERVICE COMMISSION



III. MAJOR ACTIVITIES AND SPECIAL PROJECTS

A. EmPower Maryland (Case Nos. 9153, 9154, 9155, 9156, 9157)

In 2010, the five largest utilities[3] (hereinafter "utilities") fully implemented their suite of programs under their Commission approved EmPower Maryland Energy Efficiency and Conservation ("EE&C") portfolios[4] and four utilities continued to offer Demand Response ("DR") programs.[5] [6] Throughout 2010, the utilities enhanced various elements of their programs in order to generate higher participation and energy savings. The Commission expects that the utilities will continue to revise and enhance their plans to meet their 2011 goals.

Combined, the EmPower Maryland utilities are not on target to reach the 5% per capita reduction goal in energy usage by 2011.[7] However, the EmPower Maryland programs achieved the following results in 2010:

- The utilities' EmPower Maryland programs have saved a total of 587,265 MWh and 667 MW, and either encouraged the purchase of or installed approximately 8.6 million energy-efficient measures.

- In 2010, 1,992 low-income customers participated through the Residential Low-income Programs.

- As of the end of 2010, the utilities have spent over $281 million on the EmPower Maryland programs, including approximately $105.4 million on EE&C programs, $165.3 million on DR programs and $10.5 million for general awareness.

[3] The utilities are: The Potomac Edison Company ("PE"); Baltimore Gas and Electric Company ("BGE"); Delmarva Power & Light Company ("DPL" or "Delmarva"); Potomac Electric Power Company ("Pepco"); and Southern Maryland Electric Cooperative, Inc. ("SMECO").
[4] The five utilities with approved EE&C programs are BGE, Pepco, DPL, PE, and SMECO.
[5] The four utilities with approved DR programs are BGE, Pepco, DPL, and SMECO.
[6] PE: Case 9153 Order No. 82825 dated August 6, 2009; BGE: Case 9154 Order No. 82384 dated December 31, 2008; DPL: Case 9156 Order No. 82835 dated August 13, 2009; Pepco: Case 9155 Order No. 82836 dated August 13, 2009; SMECO: Case 9157 Order No. 82834 August 13, 2009.
[7] These estimations only include energy and demand savings from EE&C and DR programs.

- The average monthly residential bill impact of EmPower Maryland surcharges[8] for 2010 were as follows:

	EE&C	DR	Total
BGE	$0.73	$1.18	$1.91
Pepco	$0.78	$1.25	$2.03
DPL	$0.92	$1.82	$2.74
PE	$0.63	$0.00	$0.63
SMECO	$0.79	$0.74	$1.53.

Energy Efficiency and Conservation

As mandated by the EmPower Maryland Act of 2008, the utilities are responsible for achieving a 10% reduction in the State's energy consumption and a 15% reduction of peak demand by 2015. To generate a portion of this savings, the five utilities each developed EE&C portfolios, based on a three-year planning cycle beginning with the Program Planning Year ("PY") 2009-2011, followed by a second cycle for 2012-2014.

The EmPower Maryland portfolios were similarly designed, but include variations based upon the demographics and characteristics of each utility's service territory. Residential EE&C programs include discounted compact fluorescent lamps ("CFLs") and appliances, heating, ventilating, and air conditioning ("HVAC") rebates, home energy audits, weatherization, and low income programs.[9] Commercial EE&C programs are designed to encourage businesses to upgrade to more efficient equipment, such as lighting, HVAC or motors, or improve their building performance through weatherization or building shell upgrades. For larger commercial buildings or industrial facilities, the utilities can customize incentives for cost-effective improvements.

[8] Assuming an average monthly usage of 1,000 kWh. These figures do not include customer savings.
[9] Other than the surcharge amount charged to ratepayers, low income programs are offered at no additional cost for those who qualify.

The following table summarizes the actual electric consumption reduction numbers achieved by each utility and calculates that reduction as a percentage of the 2010 interim benchmark and as a percentage of the 2011 EmPower Maryland goal.

	2010 Reduction	**Percentage of 2009 Interim Benchmark***	**Program-to-Date Reduction**	**Percentage of 2011 Goal**
PE				
Electric Consumption Reduction (MWh)	15,068	55%	40,227	51%
BGE				
Electric Consumption Reduction (MWh)	274,068	80%	371,440	36%
DPL				
Electric Consumption Reduction (MWh)	11,706	32%	22,925	21%
Pepco				
Electric Consumption Reduction (MWh)	68,149	42%	134,179	28%
SMECO				
Electric Consumption Reduction (MWh)	18,461	73%	18,494	27%

*Based on preliminary energy savings from quarterly programmatic reports. These savings will be verified through an EM&V process, for which the design is currently in progress.

Demand Response

The EmPower Maryland Act also requires the five utilities to implement cost-effective demand response programs designed to achieve a reduction in their peak energy demand (measured in kW) of 5% by 2011, 10% by 2013, and 15% by 2015. In instances of system reliability concerns or high electricity prices during critical peak hours, these programs commonly involve the use of a switch or thermostat for a central air conditioning or an electric heat pump to briefly curtail usage. The Commission approved four residential Demand Response programs in early 2008 (BGE's DR program was approved in December of 2007), and all were operational by the end of 2009.[10]

BGE, Delmarva, Pepco, and SMECO all have bid demand response resources into the 2012/2013 PJM Reliability Pricing Model ("RPM") Capacity Auction and cleared 953 MW of demand reduction. Legacy Demand Response Initiative ("DRI") programs also remain in place for BGE and SMECO.

B. Deployment of Advanced Meter Infrastructure/Smart Grid (Case Nos. 9207, 9208)

In 2010, the Commission approved the Smart Grid Initiative ("SGI") for BGE, granted conditional approval for Pepco's SGI, and deferred the approval of DPL's SGI until DPL can demonstrate the cost effectiveness of a revised business case for its SGI.

On August 13, 2010, the Commission issued Order No. 83531 in Case No. 9208,[11] which authorized BGE to deploy its SGI project. Cost recovery for BGE's SGI will be determined in future rate cases, and cost recovery for the replacement of legacy meters by smart meters will be considered in a future depreciation proceeding. Deliverables for the SGI project in the order include an updated customer education plan at a budget of $66 million and "a comprehensive set of installation, performance, benefits and budgetary metrics that will allow the Commission to assess the progress and performance of the Initiative."[12] BGE will install more than 2 million electric meters and gas modules, with total benefits over the life of the project estimated to be $2.7 billion. Project deployment is budgeted for $440 million in capital costs and $57 million in

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[10] The Commission did not approve a DRI program for PE similar to those implemented for BGE, Pepco, DPL and SMECO because PE's program was not cost-effective.
[11] Order No. 83531, *In the Matter of Baltimore Gas and Electric Company for Authorization to Deploy a Smart Grid Initiative and to Establish a Surcharge Mechanism for the Recovery of Cost*, Case No. 9208 (2010).
[12] *Id*. at 48.

operational costs, offset by $136 million in federal grants from the Department of Energy ("DOE"). Total cost over the life of the program will reach $641 million in capital costs and $194 million in operational costs, offset by $136 million[13] in federal grants from the Department of Energy. The Company proposes the deployment period to take place from 2011-2014, with installation of smart meters beginning in October 2011.

On September 2, 2010, the Commission issued Order No. 83571 in Case No. 9207,[14] which authorized Pepco to deploy its SGI project. The Company will install 570,000 electric meters during deployment for $69.4 million in capital costs. PHI initially planned to complete all meter installations in 2011, with total benefits over the life of the project estimated to be $311.6 million. Total cost over the life of the program will reach $127 million in capital costs and $1.038 million in annual incremental operational costs. DOE awarded Pepco $104.8 million in Smart Grid Investment Grant funds, $68.3 million of which will be used to partially offset the cost of Advanced Metering Infrastructure deployment. In accordance with Order No. 83571, Pepco must develop a comprehensive set of metrics and must create a plan detailing how it intends to fund its proposed Critical Peak Rebate dynamic pricing structure. Cost recovery for Pepco's SGI will be determined in future rate cases, and cost recovery for the replacement of legacy meters by smart meters will be considered in a future depreciation proceeding. Pepco filed its Customer Education Plan on October 15, 2010 and an amended business case with the Commission on December 13, 2010, also in accordance with Order No. 83571. In its amended business case, Pepco has proposed a time period

[13] BGE was awarded $200 million in American Recovery and Reinvestment Act ("ARRA") funding. Of this, $136 million funds for Advanced Metering Infrastructure ("AMI") deployment and $64 million for Peak Rewards and Customer Care & Billing.

[14] *In the Matter of Potomac Electric Power Company and Delmarva Power and Light Company Request for the Deployment of Advanced Meter Infrastructure*, Case No. 9207.

of 15 months for AMI installation, and "the starting month is expected to be June 2011, with completion in August 2012."[15] Following installation "the introduction of dynamic pricing is assumed to begin in 2012 on a phase-in basis."[16]

At the Commission's direction, BGE and PHI, in conjunction with Staff and other stakeholders, have established a Smart Grid Collaborative Work Group. The Work Group offers a venue to discuss issues such as the consumer education plan and the comprehensive set of performance metrics.

In Order No. 83571, the Commission deferred the decision on DPL's request to proceed with deployment of its AMI proposal. This deferment stemmed primarily from the DOE's decision not to grant DPL an award for ARRA funding under the Smart Grid Investment Grant, rendering cost-effectiveness for DPL's SGI untenable. The Commission required DPL to submit a revised business case and to submit a plan detailing how it intends to fund its proposed Critical Peak Rebate dynamic pricing structure. DPL filed a revised business case for its Smart Grid Initiative on December 14, 2010.

Separate from Case Nos. 9207 and 9208, SMECO has a proposed a two-phase AMI Pilot Program to test the operational benefits of AMI deployment. Phase I of the pilot includes the installation of 1,000 meters in one section of the territory. The Cooperative will attempt to quantify the level of operational benefits attainable through deployment of AMI and then report results of Phase I to the Commission prior to implementing Phase II, which will be a 10,000 meter deployment across the entire service territory. At the time of this report, SMECO had not yet submitted the report on

[15] Potomac Electric Power Company Amended AMI Business Case and Associated Benefits to Costs Analysis at 6 (Item No. 100 in Case Jacket for Case No. 9207).
[16] *Id.* at 5.

Phase I of the project to the Commission, though the Cooperative has commenced Phase I of the pilot as of March 2011.

C. Application of Potomac Electric Power Company for an Increase in its Retail Rates for the Distribution of Electric Energy – Case No. 9217

On December 30, 2009, Pepco filed an application for authority to increase its retail rates for the distribution of electric energy in Maryland. In the Application, Pepco initially sought an increase of $40,013,000. During the pendency of the proceeding, Pepco reduced its request for increase to $38,102,000. The Commission conducted the hearings for cross-examination in the matter on May 10, 2010 through May 14, 2010. Evening hearings for public comments were held on May 6, 2010 and May 20, 2010, in Rockville and College Park, Maryland, respectively.

On August 6, 2010, the Commission issued Order No. 83516. The Commission authorized Pepco to file tariffs which would yield an additional $7,773,000 in annual distribution rate revenue based upon an overall rate of return of 8.18%, and denied Pepco's request for the remainder of increased revenues and its request for a higher rate of return. Further, the Commission directed Pepco to file tariffs that very gradually continue to reduce the disparity between class rates of return and the overall rate of return. The Commission also rejected Pepco's and the Commission's Staff's proposals to increase the fixed customer charge for residential and small commercial classes and directed that the incremental authorized revenue be recovered through volumetric rates, to mitigate the impact on these customers and to encourage the efficient use of energy by tying the new rates to electric usage. Finally, the Commission initiated a Phase II proceeding in Case No. 9217 to examine the street lighting issues raised by several parties in the matter.

On September 2, 2010, Pepco filed an Application for Rehearing in the matter asking for rehearing on three decisions of the Commission in the Order: (1) rejection of the Company ratemaking adjustments to reflect rate-effective period levels of reliability plant in the proceeding; (2) failure to implement corrections of the formulas used to calculate Pepco's present value of cost of removal accrual; and (3) imposition of a savings offset related to Pepco's Enhanced Integrated Vegetation Management. Commission's Staff and Office of People's Counsel filed responses to the Application for Rehearing and each opposed grant of the application. As of December 31, 2010, the Commission had not issued its decision on the Application for Rehearing.[17]

On October 26, 2010, by Order No. 83652, the Commission delegated the conduct of the proceedings in the Phase II matter to the Hearing Examiner Division, where Phase II remains pending.

D. Application of Baltimore Gas and Electric Company for Revisions in its Electric and Gas Base Rates – Case No. 9230

On May 7, 2010, BGE filed its Application for authority to increase its rates for the retail distribution of electricity and natural gas in Maryland. The last BGE electric case occurred in 1993 and the last natural gas rate case occurred in 2005. In its Application, BGE stated that its evidence supported a $110.8 million increase in its electric distribution revenue requirement and a $42.4 million increase in its gas distribution revenue requirement. During the pendency of the matter, BGE revised its claimed electric revenue increase to $92.3 million and its claimed gas revenue

[17] By Order No. 84903 issued on June 8, 2011, the Commission denied the Application for Rehearing.

requirement to $30.4 million. BGE, however, as a result of a March 2008 Settlement Agreement with the Commission, the State of Maryland and certain Maryland officials, was limited to any increase in its electric distribution revenues to a maximum of 5%, which BGE calculated to $47.2 million. The Commission conducted hearings for cross-examination in the matter September 7, 8, 14–17, 23, 24, 27, and 28, 2010. Evening hearings for public comments in the matter were held in Bel Air, Maryland; Towson, Maryland; Baltimore City, Maryland; Annapolis, Maryland; and Columbia, Maryland on October 5, 12, 13, 14, and 20, 2010, respectively.

On December 6, 2010, the Commission[18] issued Order No. 83714[19] in the matter in which it granted, in part, and denied, in part, BGE's application for a rate increase in its electric and gas base rates. The Commission authorized BGE to file tariff pages that yield an additional $30,980,000 in annual electric base rate, based on an overall rate of return of 8.6%, and to file tariff pages that yield an additional $9,753, 000 in annual gas base rate revenue, based upon an overall rate of return of 7.90%. To the extent BGE requested greater increased revenues than authorized and requested a higher overall rate of return, these requests were denied. The Commission allowed BGE to include in rates the full $2.6 million in matching bill credits BGE allowed during the test year to customers who received grants from the Fuel Fund of Maryland, as requested, but directed BGE, in its next rate case, to present a cost-effectiveness analysis of the program for review. Further, the Commission rejected BGE's proposals to change the customer charges for residential and commercial time-of-use customers as well as its proposal to

[18] Chairman Nazarian and Commissioner Goldsmith dissented from the majority of the Commissioners' treatment of "minor storm" expenses, but otherwise agreed with the Order in all other respects.

[19] The Commission indicated that a detailed comprehensive order would be issued shortly after the December 6th Order. The comprehensive order, Order No. 83907, was issued on March 9, 2011.

levelize those classes' volumetric rates as well as other miscellaneous tariff revisions. The Commission, however, authorized BGE to file tariffs to: (1) create a new Schedule T class for transmission level customers; (2) combine residential time-of-use schedules (RL-1 and RL-2) into one residential time-of-use Schedule RL; (c) establish Schedule GU for unmetered service; and (d) eliminate Economy Service.

E. Investigation into the Reliability and Quality of the Electric Distribution Service of Potomac Electric Power Company (Case No. 9240)

By Order No. 83526 issued on August 12, 2010, the Commission initiated the docketed Case No. 9240 for the purpose of investigating the reliability of Pepco's electric distribution system and the quality of electric distribution service that Pepco is providing to its customers. On August 17, 2010, the Commission held a legislative-style hearing in which it directed certain senior executives of Pepco to appear to respond to the Commission's questions. On August 30, 2010 and September 2, 2010, the Commission held evening hearings for public comments in the matter in Montgomery County and Prince George's County, respectively. By Order No. 82552 issued on August 26, 2010, the Commission scheduled a status conference on October 12, 2010, to establish a procedural schedule in the matter as well as issued a set of data requests to Pepco with a 30-day response period. On October 12, 2010, the Commission held a status conference to establish a procedural schedule for the matter. As a result of the status conference, the evidentiary hearings for cross-examination of pre-filed testimony were scheduled in June 2011. In addition, the Commission directed Pepco to issue a Request for Proposal for an independent consultant to review the reliability of Pepco's distribution system and the quality of service to its customers. The Report from the Consultant was directed to be submitted by March 4, 2011. Dates for submission of pre-filed testimony were established with filings after the Report and prior to the evidentiary hearing dates, and the case remains pending.

F. Verizon Service Quality Order (Case Nos. 9072, 9114, 9120, 9121, 9123, 9133)

Commission Case Nos. 9072, 9114, 9120, 9121, 9123 and 9133, which are described in prior Annual Reports, cover a wide range of telecommunications issues involving Verizon Maryland Inc. (Verizon), the State's predominant Incumbent Local Exchange Carrier (ILEC): reclassification of regulated bundled 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); investigation into Verizon's provision of local exchange telephone service over fiber optic facilities (Case No. 9123); and the overall best manner of regulating telephone companies (Case No. 9133).

A settlement in principle was reached among the parties to these cases, and a Joint Petition for Approval of Settlement Agreement was filed on December 9, 2008. The proposed settlement included all the referenced cases (except Case No. 9123) as well as various judicial proceedings. Following hearings, by Order No. 82584 issued April 6, 2009, the Commission declined to approve the settlement as proposed, particularly noting the lack of connection between future price increases and ongoing service quality performance. The parties were directed to review the Commission's concerns and attempt to see if a revised agreement could be reached.

On August 28, 2009, Verizon submitted a new proposal that included all of the open proceedings, including Case No. 9123. Hearings on Verizon's proposal were held in November 2009, and post-hearing briefs were submitted.

On February 2, 2010, the Commission issued Order No. 83137 ("February 2 Order"), which resolved these pending cases. The Commission adopted several elements of Verizon's proposal, but made several changes as well.[20] Among the terms of the February 2 Order, Verizon is subject to a new Service Quality Plan that makes available up to $6 million per year in credits for customers who experience out-of-service conditions or missed repair or new installation appointments when Verizon misses an agreed-upon out-of-service metric or the COMAR repair or installation missed appointment metrics. Verizon remains subject to the Plan until it meets the out-of-service and missed appointment metrics for four consecutive quarters. Verizon filed an operational plan describing how it intends to meet the service quality metrics and submit monthly reports allowing the Commission to track its progress.

The February 2 Order also created a new link between Verizon's service quality and its ability to increase the price of residential basic local service. The lack of such a connection in the preexisting Alternative Form of Regulation was the primary reason the Commission opened Case No. 9133, to establish a new Alternative Form of Regulation for Verizon.

The Order allows Verizon to reclassify bundled services as competitive, and provides Verizon with the ability to make its competitive tariffs effective after one day's

[20] Because Verizon had reserved the right to withdraw its proposal if the Commission made any changes, the Commission gave Verizon 20 days to decide whether it would accept the proposal as modified. On February 22, 2010, Verizon filed its response, indicating that it would accept the proposal as modified by the Commission.

notice filed with the Commission, although Verizon agreed to provide the Commission's Technical Staff with two weeks' prior notice to give them time to review the tariffs.

Finally, the Order gives foreign exchange subscribers the opportunity to reduce their monthly rates from $14 to $4 if they also subscribe to unlimited intraLATA toll service, and resolves copper retirement issues by implementing a new notice to residential basic local exchange customers whose service is switched from copper to fiber/FiOS.

Throughout fiscal year 2010, the Commission has reviewed Verizon's monthly and quarterly service quality reports, which were required as part of the revised alternative form of regulation that was approved on February 2, 2010. Pursuant to the service quality improvement plan contained in the revised alternative form of regulation, Verizon paid credits to customers for its failure to meet service quality standards in the third calendar quarter of 2010. Verizon's 4th Quarter 2010 service quality report, however, indicated that no customer credits were payable because Verizon's service quality met or exceeded the minimum standards set by the Commission. During 2010, Verizon also submitted, for the Commission's approval, a proposal to pre-certify elderly customers and those with medical conditions for priority in repairing and restoring service, which the Commission considered and approved at its January 19, 2011 Administrative Meeting.

G. Gas Price Hedging (Case No. 9224)

On March 10, 2010, the Commission initiated Case No. 9224 to determine the appropriate amount of hedging to be done to procure low priced gas to be injected into storage during the summer of 2010. After investigation and hearings, the Commission issued a series of Orders authorizing one gas utility, Washington Gas Light Company, to conduct hedging for summer storage gas for the 2010 injection season as well as for the 2010-2011 winter heating season and established reporting requirements on hedging transactions undertaken in both hedging plans.

H. 911 Outages in Calvert, Charles and St. Mary's Counties

The Commission directed Verizon Maryland to appear at an Administrative Meeting on October 13, 2010, to address 911 related outages that occurred in Calvert, Charles and St. Mary's counties (collectively, Counties) during the summer that affected some residents' ability to reach 911 services. The appearance was prompted by letters that the Counties wrote to the Commission in September 2010 expressing concerns over outages experienced on July 4, August 1, August 29, September 1 and September 6, 2010.

The Commission conducted an extensive hearing on the matter on October 13, 2010. Representatives from Verizon Maryland, the Counties, the Emergency Number Systems Board and the Commission's Technical Staff provided oral testimony. In response to the October 13 hearing, Verizon Maryland agreed to implement various operational, engineering and communications improvements. The Commission took the matter under advisement for further consideration.[21]

[21] As a result of additional outages occurring in last 2010 and early 2011, the Commission initiated Case No. 9265 and issued a Show Cause Order to Verizon Maryland as to why the Commission should not find Verizon Maryland in violation of Maryland law and issue civil penalties for the failures of the 9-1-1 network.

I. First Energy and Allegheny Energy Merger Case (Case No. 9233)

On May 27, 2010, FirstEnergy Corp. and Allegheny Energy, Inc. (collectively, "Applicants") filed a joint application for authorization for FirstEnergy to exercise substantial influence over the policies and actions of Potomac Edison, a utility operating in Maryland and a subsidiary of Allegheny Energy. FirstEnergy and Allegheny previously entered into a Plan and Agreement of Merger, which, if approved by the PSC, would permit Allegheny to merge into FirstEnergy in a stock-for-stock transaction ("Merger").

By Order No. 83362, issued on May 27, 2010, the PSC instituted Case No. 9233 to investigate and evaluate the application, and set a June 22, 2010 pre-hearing conference. At the pre-hearing conference, a procedural schedule and discovery procedures were established. Lengthy evidentiary hearings were held in this proceeding to permit the PSC to fulfill its statutory obligation to determine whether the proposed transaction would be "consistent with the public interest, convenience, and necessity, including benefits and no harm to consumers." Briefs were filed, and evening public comment hearings were held.

The PSC evaluated all the evidence, considered public comments, and by Order No. 83788, issued on January 18, 2011, approved the transaction, subject to twenty (20) conditions. [22] The most significant of the twenty (20) conditions are:

- Within three months following consummation of the Merger, the Applicants were required to pay a lump-sum rate credit totaling $6.5 million to Potomac Edison's Maryland residential customers. The

[22] The complete decision of the PSC can be found at http://webapp.psc.state.md.us. Enter case number 9233, and click on line 130.

credit was required to be funded by FirstEnergy, and not by Potomac Edison. With payment of the rate credit to be paid at one time.

- Through FirstEnergy Solutions Corp, the Applicants are required to assist in the development of one or more new Tier 1 renewable energy projects of at least an annual average of 13,000 megawatt hours or its megawatt equivalent in the State. FirstEnergy is required to ensure that the project(s) apply for all applicable permits within 24 months of the consummation of the Merger and that the facility or facilities have an in-service date of, on, or before 45 months following consummation of the Merger; and

- Potomac Edison shall not pay dividends to FirstEnergy if Potomac Edison equity-to-total capitalization ratio (as calculated under the Commission's ratemaking precedents) falls below 45% or if payment of dividends would cause Potomac Edison's equity-to-capitalization ratio to fall below 45%. In addition, Potomac Edison shall not pay dividends if, during such time, any of the three major credit rating agencies (Moody's, Standard & Poor's or Fitch) reports a credit rating for Potomac Edison below investment grade level.

On February 16, 2011, FirstEnergy notified the PSC that it intended to close the transaction upon satisfactorily obtaining all required regulatory approvals.[23]

J. Implementation of Maryland's Purchase of Receivables Programs

After the implementation of Rulemaking 17, which established customer service regulations for electricity suppliers, in 2009, the Commission oversaw the implementation of revisions to electricity supplier billing programs intended to promote Electric Choice. These revisions were included in the RM17 rulemaking changes, but it took time for the utilities to implement computer system and other process changes. The final tariffs were submitted by the utilities in 2010; the Commission reviewed the matter through its administrative process and accepted the tariff revisions in the second half of the year. Similarly, the Commission adopted customer service regulations for gas

[23] Approval of the transaction was also required in several states, including Pennsylvania, West Virginia and New Jersey, as well as at the federal level.

suppliers in 2009. Administrative review of the compliance plans and tariff revisions began in 2009 and continued through 2010.

Purchases of Receivables ("POR") programs are now fully implemented for electricity suppliers who serve customers in the BGE, DPL, Pepco, and Potomac Edison territories. POR programs for gas suppliers in the BGE and WGL have been approved and implemented. Under POR, the supplier's receivables, *i.e.*, the amount billed to customers, is paid by the utility to the supplier within 5 days of the bill's due date. The payment is reduced by a small percentage, the POR discount rate, to allow for recovery of program costs, including uncollected revenue. POR programs apply to electricity suppliers and gas suppliers that use the utility's bill to collect payment for electricity supply or gas supply, respectively. Under the previous method, utilities also billed and collected payment on behalf of suppliers. However, the utility portion of the bill was given priority of payment over the supplier portion and past due amounts were prioritized over current amounts.

The availability of POR has increased supplier participation in Maryland's Electric Choice program, especially for residential and small commercial customer classes, which in turn has caused the number of customers buying electricity from alternative suppliers to increase from 7.6% of all eligible electricity accounts on December 31, 2009, to 15.7% on December 31, 2010.

K. Electric Competition Activity (Case No. 8738)

By letter dated September 13, 2000, the Commission ordered the four major investor-owned utilities in the state – PE; BGE; Delmarva; and PEPCO - to file Monthly Electric Customer Choice Reports. The reports were to 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 2009, electric suppliers in the state served 169,908 commercial, industrial and residential customers. Through December 2010, this number had increased to 350,729. Of these, 268,658 were residential and 82,071 were non-residential accounts. BGE had the highest number of residential (179,801) accounts served by suppliers as well as the highest number (46,583) of commercial accounts served by suppliers. The total statewide number of distribution service accounts eligible for electric choice was 2,236,552 of which 1,995,940 were residential and 240,612 were non-residential. Overall, as of December 2010, 13.5% of residential accounts and 34.1% of non-residential accounts were enrolled with an electric supplier.

The overall demand in megawatts ("MW") of peak load obligation served by all electric suppliers was 6,162 MW at the end of December 2010. Of this amount, 983 MW were residential and 5,179 MW were non-residential. BGE had the highest peak-load served by suppliers (3,559 MW). The total statewide peak load obligation eligible for choice was 13,452 MW of which 6,603 MW were residential and 6,849 MW were non-residential. Statewide at the end of December 2010, electric suppliers served 14.9% of eligible residential peak load and 75.6% of eligible non-residential peak load.

As of December 2010, Potomac Edison had 10 suppliers serving residential customers, 17 suppliers serving Small C&I, 20 suppliers serving Mid-Sized C&I, and 12 suppliers serving Large C&I. BGE had 22 suppliers serving residential customers, 31 suppliers serving Small C&I, 31 suppliers serving Mid-Sized C&I, and 18 suppliers serving Large C&I. Delmarva had 13 suppliers serving residential customers, 19 suppliers serving Small C&I, 20 suppliers serving Mid-Sized C&I, and 13 suppliers serving Large C&I. Pepco had 18 suppliers serving residential customers, 24 suppliers serving Small C&I, 27 suppliers serving Mid-Sized C&I, and 19 suppliers serving Large C&I.

L. Supplier Diversity Memorandum of Understanding (PC16)

As reported in the 2009 Annual Report, 15 utilities[24] had entered into a Memoranda of Understanding ("MOU") with the Commission in which each utility agreed voluntarily to develop, implement and consistently report on its activities and accomplishments in promoting a strategy designed to create viable and prosperous women, minority, and service-disabled-veteran-owned business enterprises ("Diverse Suppliers"). These MOUs contained the utilities' commitment to use their best efforts to achieve a goal of 25% Diverse Supplier contracting, standardized the reporting methodology, and instituted uniform annual plans and annual reports, in order to track the utilities' compliance with the MOU.

In March of 2010, the majority of the signing utilities provided the first annual reports on the results of their supplier diversity programs. The results, summarized below, were tabulated by the Commission Staff and presented to the Commission in early

[24] Association of Maryland Pilots; Baltimore Gas and Electric Company; Delmarva Power & Light Company; First Transit's Baltimore Washington International Thurgood Marshall Airport Shuttle Bus Contract; Potomac Edison Company d/b/a/ Allegheny Power; Potomac Electric Power Company; Qwest Communications Corporation; Verizon Maryland Inc.; Washington Gas Light Company; XO Communications Services, Inc; Southern Maryland Electric Cooperative, Inc.; Choptank Electric Cooperative, Inc.; Chesapeake Utilities Corporation; Easton Utilities; and Pivotal Utilities Holdings, Inc. d/b/a Elkton Gas

2011. The results reflect the data filed with the Commission by the ten initial MOU signatories. Of the ten initial MOU signatories, two exceeded the 25% goal, two were within a percentage of reaching the 25% goal, one was over 20%, and the others were significantly below the 25% threshold. Since the MOU was originally signed, an additional nine companies have committed to its principles. All MOU signatories must file their annual reports and plans by March 31, 2012.

2009 Reporting Year Results Summary

Utility	Total Diverse Supplier Procurement ($)	Utility Procurement	Percentage of Diverse Supplier $ to Utility Procurement $
First Transit BWI Airport	$1,130,423	$1,130,423	100.00%
Assoc. Of MD Pilots	$174,306	$609,418	28.60%
Verizon	$108,514,803	$443,256,904	24.48%
QWEST	$463,489	$1,921,503	24.12%
Pepco	$47,439,775	$232,609,847	20.39%
DPL	$17,758,959	$137,148,635	12.95%
WGL	$19,231,989	$168,552,740	11.41%
BGE	$61,964,798	$551,712,415	11.23%
AP	$2,975,402	$37,727,354	7.89%
Elkton Gas	$5,061	$469,600	1.08%
XO Communication Services Inc.	$1,717,954	$154,903,254	1.11%
Sum	**$261,376,959**	**$1,730,042,093**	15.11%

M. The Reliability Pricing Model and 2013/2014 Delivery Year Base Residual Auction Results (PC22)

On October 14 and October 15, 2010, the Commission held a public conference to obtain information and comments on issues related to PJM Interconnection, L.L.C.'s Reliability Pricing Model ("RPM") in general and the results of the 2010 Base Residual Auction ("BRA") for the 2013-2014 delivery year in particular ("Conference"). The purpose of the proceeding was to address the Commission's concerns that the results of the BRA for the 2013-2014 delivery year, like six prior BRA's, had failed to attract significant new generation in Maryland, with indications that no new generation is on the horizon in Maryland or the relevant zones as a direct result of RPM. The object of the Conference was to provide the Commission a better understanding of the market forces driving RPM results. The questions asked were to determine: (1) whether RPM is fulfilling its intended purpose; (2) whether and if so how RPM should be changed; and (3) how the Commission's regulations and policies might affect participation in the capacity market. Further, the Commission asked for information on how PJM develops its planning models and any limitations on such models or scenario planning. The Commission received approximately 12 written comments responding to the set of questions which it issued on August 16, 2010 and September 16, 2010.

On the first day of the Conference, the Commission heard from a panel of two representatives from PJM and a second panel including a representative from Monitoring Analytics (the PJM Independent Market Monitor), the Brattle Group, and PJM Power Providers Group. On the second day of the Conference, the Commission heard from three panels:

- Panel 1: Representatives of Maryland electric utilities and from the American Public Power Association;
- Panel 2: Representatives from the Maryland Office of People's Counsel, the University System of Maryland, and the Maryland Energy Administration; and
- Panel 3: Representatives from CPV Maryland, L.L.C and EnergyConnect, Inc.

The Commission found the comments and presentations to be instructive and helpful, and this Conference developed a record on which the Commission relied heavily in its filings with FERC in RPM-oriented proceedings in 2011.

N. Regional Greenhouse Gas Initiative ("RGGI")

The Regional Greenhouse Gas Initiative ("RGGI") is the first mandatory cap-and-trade program in the United States for carbon dioxide ("CO_2"). RGGI, Inc.[25] is a nonprofit corporation formed to provide technical and scientific advisory services to participating states in the development and implementation of these CO_2 budget trading programs.[26] Under RGGI, 10 Northeastern and Mid-Atlantic states jointly designed a cap-and-trade program that caps power plants' CO_2 emissions, then lowers that cap by 10% by 2018. The participating states have agreed to use an auction as the means to distribute allowances[27] to electric power plants regulated under coordinated state CO_2 cap-and-trade programs. All fossil fuel electric power plants 25 MW or greater must obtain allowances.

RGGI took effect on 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

[25] The RGGI Board of Directors ("Board") 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. Commissioner Brogan served as a member of the RGGI Board representing Maryland, and was elected treasurer effective January 1, 2010. Commissioner Brogan resigned this position on July 31, 2011, when she resigned her position at the Commission.

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

[27] An allowance is a limited permission to emit one ton of CO_2.

the period 2009-2011. The initial base annual emissions budget for the 2009-2014 period 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."

In 2010, RGGI held four auctions of CO_2 allowances. These auctions raised approximately $51 million for the State's Strategic Energy Investment Fund ("SEI Fund"). Pursuant to § 9-20B-05(g-1) of the State Government Article, *Annotated Code of Maryland*, the proceeds received during 2010 by the SEI Fund, were allocated as follows:

(1) up to 50% shall be credited to an energy assistance account to be used for low-income energy assistance through the Electric Universal Service Program established under § 7-512.1 of the PUA and other electric assistance programs in the Department of Human Resources;

(2) 23% shall be credited to a rate relief account to provide rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers under § 7-211 of the PUA, on a per customer basis and in a manner prescribed by the Commission;[28]

(3) at least 17.5% shall be credited to a low and moderate income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs, of conservation programs account for (i) the low-income residential sector at no cost to the participants of the programs, projects, or activities; and (ii) the moderate-income residential sector;

(4) at least 6.5% shall be credited to a renewable and clean energy programs account for (i) renewable and clean energy programs and initiatives; (ii) energy-related public education and outreach; and (iii) climate change programs; and

(5) up to 3.0%, but not more than $ 4,000,000, shall be credited to an administrative expense account for costs related to the administration of the SEI Fund, including the review of electric company plans for achieving electricity savings and demand reductions that the electric companies are required under law to submit to MEA.

O. Organizations and Related Activities

1. 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

[28] During 2010, the Commission set the residential rate relief credit ("RGGI Credit") as follows: $0.42 per customer for the billing months of March, April and May 2010 (Order No. 83133 issued January 27, 2010); $0.59 per customer for the billing months of June, July and August 2010 (Order No. 83267 issued April 21, 2010); $0.51 per customer for the billing months of September, October, and November 2010 (Order No. 83493 issued July 21, 2010); and $0.38 for the billing months of December 2010 and January and February 2011 (Order No. 83660 issued October 28, 2010). The total amount of the 2010 SEI Fund allocated to reimburse the electric companies for the 2010 RGGI Credits was approximately $12.8 million.

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' consent. The Compact and the WMATC are codified in Title 10, Subtitle 2 of the Transportation Article of the Annotated Code of Maryland.

The Washington Metropolitan Area Transit Commission ("WMATC") was created in 1960 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.

WMATC 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 Commission is designated to serve on the WMATC. Governor O'Malley appointed Commissioner Lawrence Brenner to serve on the WMATC in November 2008. Commissioner Brenner currently serves as the Chair of WMATC.

2. Mid-Atlantic Distributed Resources Initiative ("MADRI")

MADRI was established by the regulatory utility commissions of the states of Delaware, Maryland, New Jersey and Pennsylvania and District of Columbia, DOE, and PJM at a meeting in Baltimore, held on June 14-15, 2004. In 2008, the regulatory utility commissions of Illinois and Ohio became members of MADRI. The stated goal of MADRI is "to develop regional policies and market-enabling activities to support distributed generation and demand response in the Mid-Atlantic region." Facilitation support is provided by the Regulatory Assistance Project funded by DOE. The Commission participates along with other stakeholders, including utilities, FERC, service providers, and consumers, in discussions and actions of MADRI. Commissioner Brenner currently is the Chair of MADRI.

3. Organization of PJM States, Inc.

The Organization of PJM States, Inc. ("OPSI") was incorporated as a non-profit corporation in May 2005. It is an inter-governmental organization comprised of 14 utility regulatory agencies, including the Commission. OPSI, among other activities, coordinates data/issues analyses and policy formulation related to PJM, its operations, its

Independent Market Monitor, and related FERC matters. While the 14 OPSI Members interact as a regional body, their collective actions as OPSI do not infringe on each of the 14 agencies' individual roles as the statutory regulators within their respective state boundaries.

4. Eastern Interconnection States' Planning Council

The Eastern Interconnection States' Planning Council ("EISPC") has its initial funding by an award from the United States Department of Energy pursuant to a provision of the American Recovery and Reinvestment Act (ARRA). The goal of EISPC is to create a collaborative among the states in the Eastern Interconnection. It is comprised of public utility commissions, Governors' offices, energy offices, and other key government representatives. The collaboration is intended to foster and produce consistent and coordinated direction to the regional and interconnection-level analyses and planning. Significant state input and direction increases the probability that the outputs will be useful to the state-level officials whose decisions may determine whether proposals that arise from such analyses become actual investments. Chairman Nazarian serves on the EISPC Executive Committee and currently is President of EISPC.

5. National Association of Regulatory Utility Commissioners

NARUC is the national association representing the State Public Service Commissioners who regulate essential utility services, including energy, telecommunications, and water. NARUC members are responsible for assuring reliable utility service at fair, just, and reasonable rates. Founded in 1889, the Association is an invaluable resource for its members and the regulatory community, providing a venue to set and influence public policy, share best practices, and foster innovative solutions to improve regulation. Chairman Nazarian serves on the NARUC Board of Directors and Executive Committee, and Commissioner Williams is the Chair of the Subcommittee on Utility Marketplace Access.

The Commission also is a member of the Mid-Atlantic Conference of Regulatory Utility Commissioners ("MACRUC"), a regional division of NARUC. Commissioner Brenner served as the Chair of MACRUC during 2010 – 2011.

IV. OTHER MAJOR CASES

The Applications: (1) to Establish the Overall Need for Construction of a New Transmission Line Known as the Mid-Atlantic Power Pathway (MAPP) Project; (2) to Modify the CPCN in Case No. 6526 to Construct an Already Approved Second 500 kV Circuit on New Supporting Structures Across the Potomac River; (3) to Modify the CPCN in Case No. 6984 to Construct a Second 500 kV Circuit Between Chalk Point and Calvert Cliffs, Maryland and to Replace Certain Existing Structures for the Existing 500 kV Circuit in Calvert County – Case No. 9179

As reported in the Commission's 2009 Annual Report, the Commission docketed the matter as Case No. 9179 and delegated the matter to the Hearing Examiner Division. On January 8, 2010, the BGE, Pepco, and Delmarva ("Applicants") submitted a motion to suspend the procedural schedule in the matter, which was granted on January 12, 2010. On January 13, 2010, OPC filed a motion asking the Hearing Examiner to rescind the order suspending the procedural schedule and requested the Hearing Examiner hear the oppositions to the Applicant's motion. On February 3, 2010, the Hearing Examiner issued a notice scheduling a hearing on all pending motions in the matter. Also on February 3, 2010, OPC and the Applicants submitted a Joint Agreement in which OPC agreed to withdraw its motion and the parties agreed to a suspension of the procedural schedule and to have a status conference on July 30, 2010. On February 22, 2010, the

Hearing Examiner denied Dorchester County's opposition to the suspension of the procedural schedule. On July 28, 2010, the status conference scheduled for July 30, 2010 was canceled.

On November 12, 2010, the Applicants submitted a Supplemental Application. On November 19, 2010, the Applicants submitted a proposed procedural schedule for the matter. On December 2, 2010, the Hearing Examiner issued a notice scheduling a pre-hearing conference on January 6, 2011.

The Matter of Increase of Rates for Taxicab Service in Baltimore City and Baltimore County – Case No. 9184

As reported in the Commission's 2009 Annual Report, the Commission docketed Case No. 9184 in response to the objections to a reduction in the taxicab fuel surcharge and delegated the matter to the Hearing Examiner Division. A hearing on the merits was held on August 2, 2010, and two hearings for public comment were held – one in Baltimore County on August 4, 2010, and one in Baltimore City on August 5, 2010. On November 9, 2010, the Proposed Order of Hearing Examiner was issued, in which the Hearing Examiner ordered: (1) the temporary rates in effect remained in effect as temporary rates pending the completion of Phase II of the matter; (2) Staff to issue the forms required under COMAR 20.90.02.12 to all Baltimore City and Baltimore County taxicab permit holders and taxicab associations, and all permit holders were directed to comply with the completion and return of the forms; (3) Staff to comply with the PUA Sections 10-203 and 10-205 when issuing or transferring Baltimore City or Baltimore County taxicab permits pending the completion of Phase II of the matter; and (4) Staff to notify the Commission when the data collected under COMAR 20.90.02.12 had been reviewed to permit Phase II of the matter to commence. By Order No. 83721 issued on

December 10, 2010, the Commission affirmed the Ordered Paragraph Nos. (1) – (4) of the Proposed Order, and ordered that Phase II of the matter would be conducted by the Commission en banc and include the issues of financial relationships between permit holders and drivers, the number of permits available and the terms of their transfer; and the revenues and expenses of taxicab owners and the results of combined operations of all taxicabs operated by the associations necessary to produce just and reasonable rates for taxicabs in Baltimore City and Baltimore County.

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

As reported in the Commission's 2009 Annual Report, the Commission docketed this matter as Case No. 9199 and delegated it to the Hearing Examiner Division. On April 27, 2010, the procedural schedule was amended to set the evidentiary and public hearing locations for the Curtis Bay Recreation Center. On May 3, 2010, the time and location was then changed to the Commission's 19th Floor Hearing Room.

On May 17, 2010, the Applicant filed subpoenas for the appearance of Shari T. Wilson, Secretary of the Maryland Department of the Environment ("MDE"), as well as Edward M. Dexter of MDE, at the evidentiary hearing. MDE filed a motion to quash with the Commission, and, on May 25, 2010, the Commission held a hearing on the motion and granted it at the conclusion of the hearing.

An evidentiary hearing was held on May 26, 2010. An evening hearing for public comments was conducted on May 26, 2010, and an evening hearing for public comment on the air quality issues was held on June 28, 2010. On July 8, 2010, a Proposed Order of Hearing Examiner was issued and, among other things: (1) granted a CPCN to construct a power plant in Baltimore City; (2) incorporated conditions to ensure compliance with all applicable regulatory standards and requirements related to the environment; and (3) set August 10, 2010 as the date on which the Proposed Order was to become a final order of the Commission. On July 23, 2010, MDE and PPRP filed a Motion to Amend the Proposed Order and Notification of Settlement. Accordingly, the Commission initiated a further proceeding on the Proposed Order and the pending Motion to Amend, on its own motion. By Order No. 83517 issued on August 6, 2010, the Commission granted MDE's/PPRP's Motion to Amend and modified the Proposed Order to incorporate the conditions filed by MDE/PPR in its Motion, affirmed the Hearing Examiner's denial of a request for intervention filed by Clean Water Action, Chesapeake Climate Action Network, Environment Maryland and Linda and Terry Stewart, and designated Order No. 83517 as the final order of the Commission effective August 6, 2010.

On September 23, 2010, National Solid Waste Management Association and Wheelabrator Baltimore, L.P. submitted to the Commission, a Motion for Stay of Enforcement of Order No. 83517 until their Petition for Judicial Review of Order No. 83517 filed in the Circuit Court of Baltimore City (24-C-10-006316) on September 7, 2010 was decided by the Court. On October 21, 2010, the Commission heard oral argument from the Petitioners and the Company. At the hearing, after each party had the opportunity to present their oral arguments, the Commission denied the Motion for Stay.

Maryland Water Service, Inc.'s Bulk Purchased Water Rate Increase and Purchased Water Surcharge Reconciliation – Pinto and Highland Estates – Case No. 9212

As reported in the Commission's 2009 Annual Report, the Commission docketed the matter as Case No. 9212 and delegated it to the Hearing Examiner. After filing of the testimony in the matter, the parties entered discussion in an effort to resolve the issues in dispute and reached an agreement to settle the issues. On January 7, 2010, the Applicant submitted the parties' Settlement Agreement. Also, on January 7, 2010, an evidentiary hearing was held in Cumberland, Maryland with an evening hearing for public comment conducted immediately thereafter. On March 17, 2010, a Proposed Order of Hearing Examiner was issued which approved the Settlement Agreement, authorized the Company to file revised rates and charges for water services in accordance with the Settlement Agreement, and noted that the Proposed Order would become a final order of the Commission on April 17, 2010. By Order No. 83248 issued on April 12, 2010, the Commission initiated further proceedings for the purpose of receiving testimony to support the acceptance of the Settlement Agreement in the matter on its own motion, directing that the Proposed Order not become a final order and that any associated tariff revisions not be implemented until further order of the Commission. Order No. 83248 also established a procedural schedule establishing the filing dates for the testimony and scheduling an evidentiary hearing. On June 25, 2010, the Commission conducted the evidentiary hearing. On July 9, 2010, the Commission issued Order No. 83465, in which it: (1) accepted the Settlement Agreement; (2) directed the Company to file revisions to its tariff in accordance with the Settlement Agreement, with the exception of the Unaccounted For Water reconciliation surcharges, which were directed to be updated to reflect Staff's allowances based on 2009 actual year-end data for Pinto and Highland

Estates, as well as, directing the date on which the tariff revisions were to become effective and requiring a form of notice that would be sent to the customers in Pinto and Highland Estates with the Commission; and (3) otherwise affirming the Proposed Order.

The Request by Oldtown Toll Bridge, LLC to Increase Its Rates – Case No. 9213

As reported in the Commission's 2009 Annual Report, the Commission docketed the matter as Case No. 9213 and delegated it to the Hearing Examiner Division. On March 26, 2010, the owner of the toll bridge reported that he had a "serious prospective buyer" for the Company and reason to believe the sale would be consummated. He, therefore, requested to discontinue Case No. 9213, while reserving the right to re-file if conditions warranted. The record was held open until April 6, 2010 for any final comments. On April 19, 2010, a Proposed Order of Hearing Examiner was issued, which ordered that: the rates and charges for the toll bridge remain in effect without change due to the request to discontinue the rate application; Case No. 9213 is closed on the docket of the Commission; and the Proposed Order would become a final order of the Commission on May 20, 2010. The Proposed Order was not appealed and became Order No. 83342 on May 21, 2010.

In the Matter of the Application of Calvert Cliffs 3 Nuclear Project, LLC and Unistar Nuclear Operating Services, LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Calvert Cliffs Unit 3 Project at Calvert Cliffs in Calvert County, Maryland – Case No. 9218

On November 20, 2009, Calvert Cliffs 3 Nuclear Project, LLC and Unistar Nuclear Operating Services, LLC submitted an application to modify their CPCN, granted in Case No. 9127 by Order No. 82741 issued on April 28, 2009, to construct a new nuclear power plant at Calvert Cliffs in Calvert County, Maryland. In the

Application, the Companies asked to reconfigure some of the layout of the cooling system as well as to add two emergency diesel fire pumps and two sponge media blast units. The Commission initiated a new docket, Case No. 9218, and delegated the conduct of the proceedings to the Hearing Examiner Division. A hearing for cross-examination in the matter was held on April 19, 2010, as well as an evening hearing for public comments. On July 22, 2011, a Proposed Order of Hearing Examiner was issued granting the application to modify the CPCN, incorporating the conditions set forth in the Order issued in Case No. 9127 with the exception that conditions Nos. 1 and 63 – 93 proposed in Case No. 9218 superseded and replaced the prior conditions. The Proposed Order was not appealed and became Order No. 83547 on August 24, 2010.

In the Matter of the Application of Columbia Gas of Maryland, Inc. for Authority to Increase Rates and Charges, Pursuant to the "Make-Whole" Provisions of Section 4-207, Public Utilities Article – Case No. 9219

On January 28, 2010, Columbia Gas of Maryland, Inc. submitted an application to the Commission for an increase of the Company's rates under the "Make Whole" provisions of the Public Utilities Article. The Company requested authority to increase rates and charges to produce a $2,213,521, or 5.34%, increase in its operating revenue. On February 19, 2010, by Order No. 83166, the Commission docketed this matter as Case No. 9219, suspended the proposed rates, and delegated the matter to the Hearing Examiner Division. On February 23, 2010, a procedural schedule with the expedited schedule requirements of the "Make Whole" statute was issued. Because the expedited schedule did not permit Commission Staff adequate time to reach a conclusion about the reasonableness of Columbia's requested rates, Staff recommended that Columbia implement its proposed rates and the Commission establish a Phase II of the matter, pursuant to Section 4-207 of the PUA. After discussion at a hearing held on March 19, 2010, the Company and the parties agreed that Columbia's January 28, 2010 filing would be deemed to have been filed on March 15, 2010; thereby modifying the date by which a final Commission decision in the matter was required to be issued (from April 28, 2010 to June 14, 2010).

On March 23 and March 24, 2010, evening hearings for public comments were held in Hagerstown and Cumberland, respectively. On or about May 7, 2010, a Settlement Agreement was reached among the parties. On May 10, 2010, a hearing for cross-examination was held on the pre-filed Settlement Testimony. The Settlement did not specify a rate base or rate of return, but proposed an increase in Columbia's revenue requirements of $1,694,913, resulting in a 4.09% increase in Columbia's total existing revenue requirement. On May 26, 2010, a Proposed Order of Hearing Examiner was issued approving the Settlement Agreement. The Proposed Order was not appealed and became Order No. 83396 on June 14, 2010.

In the Matter of an Investigation into the Performance of Utilities during the Snow Storms between the Period February 5 through February 12, 2010 – Case No. 9220

On February 26, 2010, pursuant to Order No. 83173, the Commission initiated Case No. 9220 to review the performances of the electric utilities (specifically, BGE, Pepco, DPL, PE, Choptank, and SMECO (collectively "Utilities") and directed the Utilities to file, by March 5, 2010, a report that included the information required in a major storm report as set forth in COMAR 20.50.07.07. Comments on the reports were due to be filed by March 18, 2010. The Commission conducted a legislative-style hearing on March 23, 2010.

On May 7, 2010, as a result of the information received through the written reports, written comments and testimony at the legislative hearing, the Commission initiated Administrative Docket PC 21. The purpose of the further proceeding was to obtain input from the utilities and other persons on the lessons learned from the December 2009 and February 2010 snow storm experiences and to develop best practices to ensure that all utilities are prepared to implement an emergency plan for snow storms, other types of major storms (such as hurricanes), and other natural disasters or emergency events that may occur in Maryland. The Hearing Examiner Division was designated to conduct the technical conference to determine what the lessons learned were and explore development of "best practices." The Commission directed that a final report on the findings and recommendations of the stakeholders be submitted to the Commission.

Several stakeholders' meetings were held during 2010. As of December 31, 2010, no final report had been submitted.[29]

In the Matter of Requests by Baltimore Gas and Electric Company, Delmarva Power & Light Company, and Potomac Electric Power Company for Recovery of Standard Offer Service Related Cash Working Capital Revenue Requirement – Case Nos. 9221, 9226, and 9232

These three proceedings were initiated based on submissions of BGE, Pepco and DPL[30] asking for recovery of Standard Offer Service ("SOS")-related cash working capital revenue requirement. Based on a request by Office of People's Counsel, the scope of each proceeding was expanded to review all components of the SOS Administrative Charge. Each proceeding was delegated to the Hearing Examiner Division to conduct the proceedings.

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[29] On April 14, 2011, a Final Report was submitted by the Hearing Examiner Division.
[30] Case No. 9226 and Case No. 9232 were conducted as consolidated proceedings.

Hearings for cross-examination in Case Nos. 9226 and 9232 were held on September 2, 2010, and September 13, 2010. As of December 31, 2010, no decision had been issued.

Testimony and other pleadings were filed in Case No. 9221 during 2010, but the hearings for cross-examination were not scheduled until January 20 and 24, 2011. The matter remained pending as of December 31, 2010.

In the Matter of the Petition of Big Savage LLC for an Expedited Determination That It Is Eligible to Obtain a Certificate of Public Convenience and Necessity to Construct an Associated Transmission Line That Will Interconnect an Out-Of-State Wind Generating Facility to a Maryland Substation – Case No. 9222

On January 28, 2010, Big Savage LLC, a non-electric company, filed a Petition in which it requests an expedited determination from the Commission that it is eligible to obtain a CPCN to construct a transmission line in Maryland. The transmission line at issue would exist solely for the purpose of interconnecting an out-of-state wind generating station with the electric grid, and is the only component of the project located in Maryland. Big Savage requested The Potomac Edison Company, a Maryland electric company, to build the transmission line, but Potomac Edison declined to do so.

The Commission considered the Petition at an Administrative Meeting on February 24, 2010, and took it under advisement. On March 4, 2010, the Commission issued a Notice docketing Case No. 9222 and establishing a procedural schedule for briefing and oral argument. On June 2, 2010, the Commission heard oral argument.

On January 6, 2011, Order No. 83774 was issued in the matter with four of the five Commissioners joining in the decision to deny the Petition. The majority opinion found that Big Savage is not eligible to obtain a CPCN to construct a transmission line in

Maryland because it was not an "electric company" as required by the then Maryland law. Commissioner Brenner dissented and opined that there was not a statutory prohibition against allowing Big Savage to seek the requested CPCN.

Big Savage appealed the Commission's decision in the Circuit Court for Baltimore City, and a discussion of the appeal is found in the *Summary of Selected Litigation*, Section VII – B (1).

In the Matter of the Application of the Potomac Edison Company D/B/A Allegheny Power for a Certificate of Public Convenience and Necessity to Construct the Maryland Segments of a 765 kV Electric Transmission Line and a Substation in Frederick County, Maryland – Case No. 9223

On December 21, 2009, Potomac Edison, a Maryland electric company, filed an application for a CPCN construct the Maryland segments of a 765 kV electric transmission line, the so-call Potomac-Appalachian Transmission Highline ("PATH"), and a substation in Frederick County, Maryland. This was a second attempt to file a CPCN application for the PATH segments that would be located in Maryland. The Commission found in Case No. 9198, Order No. 82892, that the application filed on behalf of PATH Allegheny Transmission Company LLC in May 2009 was not properly filed, as it was not filed by an "electric company," as required by PUA § 7-207(b)(3). The December 21, 2009 application was filed only by Potomac Edison, which is an "electric company."

In the application, Potomac Edison stated that it will "construct, operate and maintain the PATH Project" in Maryland, but that PATH Allegheny Maryland Transmission Company LLC ("PATH-MD") will "own and finance the construction of the project." According to the Application, PATH-MD was "formed by Potomac Edison and PATH Allegheny Transmission Company, LLC."

On March 21, 2010, the Commission docketed this matter as Case No. 9223 for the limited purpose of considering only preliminary legal issues such as whether the corporate structure satisfies PUA § 7-207(b)(3). The Commission declined the Company's invitation to bifurcate the CPCN process into need and non-need proceedings, and stated that it did not consider Potomac Edison to have filed a complete Application until such time as it files the evidence on which it intends to rely to prove "the need for the project in meeting demands for service." Oral arguments addressing the preliminary legal issues were heard by the Commission on June 3, 2010.

On July 13, 2010, the Commission issued Order No. 83469 in which it found that PE was a proper applicant for the CPCN. The Commission, however, did not consider the Application to be complete, and declined to address the merits of the Application. On July 26, 2010, the Commission issued Order No. 83501, in which it found the Application to be complete and accepted it for filing; determined that the merits of the Application would be considered in Case No. 9223; announced that discovery in the matter commenced on the issuance of the Order; and delegated the conduct of the hearings to the Hearing Examiner Division. As of December 31, 2010, the matter was pending before the Hearing Examiner Division.[31]

In the Matter of a Review of the Price to Compare Published by the Maryland Investor-Owned Electric Utilities – Case No. 9228

On April 10, 2010, the Commission initiated Case No. 9228 for the purpose of investigating whether the "price to compare" calculated by the IOUs and set forth on customers' monthly bills is an effective tool that facilitates or influences a customer's decision whether to select a competitive electric supplier and provides sufficient and

[31] On February 28, 2011, PE filed a Notice to Withdraw the Application.

accurate information to make the comparison between the competitive offers and Standard Offer Service provided by the customer's IOU. After receiving written comments and holding a legislative-style hearing on June 1, 2010, the Commission issued Order No. 83423 (dated June 24, 2010) directing the IOUs to replace their existing "Price to Compare" message with a listing of current and known SOS prices and a weighted average of known SOS prices, including effective dates and to a make a compliance filing including the description of certain pricing information along with cost information.

In the Matter of the Application of Mirant Mid-Atlantic, LLC for a Certificate Of Public Convenience and Necessity Authorizing the Modification of the Morgantown Generating Station in Charles County, Maryland – Case No. 9229

On March 26, 2010, Mirant filed its initial Application for a CPCN authorizing modifications to install an ash beneficiation facility at its Morgantown Generating Station. The Commission docketed the matter as Case No. 9229 on April 28, 2010 and delegated the matter to the Hearing Examiner Division. A pre-hearing conference was held on June 10, 2010, to establish the procedural schedule.

On July 20, 2010, Mirant submitted a supplemental application that changed the Facility's design and operation so that all emissions would be below PSD and NA-NSR levels. On November 9, 2010, Mirant submitted to the Commission its Amended CPCN Application and Environmental Analysis which contained all changes to the project and information in response to parties' data requests.

A hearing for cross-examination of pre-filed testimony was held on November 9, 2010, and an evening hearing for public comment was held in Hughesville, Charles County, Maryland on November 10, 2010. Due to concerns about the possible impact of the proposed project on local traffic, a second evening hearing was held in Hughesville on December 13, 2010. A Proposed Order of Hearing Examiner was issued on January 14, 2011, which granted a CPCN to construct a Staged Turbulent Air Reactor and necessary appurtenances at the Morgantown Generating Station, subject to all conditions recommended by the Maryland Department of Natural Resources Power Plant Research Program, which were attached as an appendix to the Proposed Order. The Proposed Order was not appealed and became Order No. 83827 on January 31, 2011.

In the Matter of the Application of Southern Maryland Electric Cooperative, Inc. for Authority to Revise Its Rates and Charges for Electric Service and for Certain Rate Design Changes - Case No. 9234

On June 17, 2010, Southern Maryland Electric Cooperative, Inc. (SMECO) requested authority to increase its rates and charges for electric service to increase its operating revenue by $22, 807,846. By the same application, SMECO sought certain rate design changes that, if implemented, would recover fixed costs through large increases in customer charges for the residential and small commercial customer classes. The matter was delegated to the Hearing Examiner Division. The Proposed Order of the Hearing Examiner was issued November 12, 2010, and was finalized as Order No. 83737 on December 13, 2010.

Order No. 83737 authorized SMECO to file rates and charges that would allow increased revenue of $19,461,068 based on a TIER of 1.95. The Order rejected SMECO's rate design proposal while accepting a Bill Stabilization Adjustment to decouple Company revenue from electricity sales thereby removing a major disincentive to conservation efforts.

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

On October 22, 2009, the Maryland Alliance for Fair Competition and Richard Foard submitted a *Petition to Investigate the Current Practices of BGE and BGE Home and for Other Relief* (as amended on November 6, 2009) to the Commission. On January 11, 2010, BGE filed a Response and Motion to Dismiss the Petition and BGE Home Products & Services, Inc. submitted a Response to the Petition. On May 10, 2010, the Petitioners filed a Response to the BGE Response and to the BGE Home Response. On July 13, 2010, the Commission issued Order No. 83467 initiating the docket (Case No. 9235) and delegating to the Hearing Examiner, the conduct of the investigation of the practices of sharing resources by BGE and BGE Home for the purpose of submitting a report to the Commission that contains findings of fact, including whether any violations of the Commission's regulations have occurred, and any recommendations the Hearing Examiner may have in connection with additional measures that the Commission may wish to consider for strengthening the Commission's Code of Conduct regulations to ensure that cross-subsidization by a utility's ratepayers for unregulated affiliate activities do not occur.

On September 28, 2010, a Notice of Procedural Schedule was issued by the assigned Hearing Examiner, with the hearings for cross-examination scheduled in February 2011. The matter remains pending before the Hearing Examiner Division as of December 31, 2010, and no report has been submitted to the Commission in the matter.

In the Matter of an Investigation of Demand Response Billing Service by Electric Utilities to Federal End-User Customers – Case No. 9236

On July 22, 2010, the Commission initiated Case No. 9236 to examine the demand response billing services utilized by Maryland electric utilities for federal end-user customers and to consider potential methods for increasing the participation of these customers in demand response programs, including through utility billing credits. The Commission received comments in the matter on August 28, 2010. No hearing in the matter was held in 2010.

In the Matter of the Application of the Potomac Edison Company d/b/a Allegheny Power for a Certificate of Public Convenience and Necessity to Modify the Monocacy-Ringgold-Carroll Transmission Line in Frederick, Washington and Carroll Counties, Maryland – Case No. 9239

On July 27, 2010, The Potomac Edison Company filed an application for CPCN, requesting authorization to modify an existing transmission line located in Frederick, Washington and Carroll Counties, Maryland. On August 11, 2010, the Commission docketed the matter as Case No. 9239 and delegated the matter to the Hearing Examiner Division for hearing. A pre-hearing conference was conducted on October 7, 2010, with the evidentiary hearing for cross-examination on the pre-filed testimony scheduled for March 22, 2011.

In the Matter of an Investigation of the Regulation of Curtailment Service Providers ("CSPs") – Case No. 9241

On August 11, 2010, Commission Staff filed a Request for Hearing regarding whether the definition of "electricity suppliers" contained in PUA § 1-101(j) encompasses CSPs, thereby requiring them to obtain a license from the Commission in order to operate in the State. In response to Staff's request, by Order No. 83545 issued on August 23, 2010, the Commission docketed the matter as Case No. 9241, to consider whether CSPs operating in Maryland are required to obtain a license, and if so, whether the Commission should require CSPs to submit periodic reports containing information that may be relevant to the Commission's statutory obligation to assess the adequacy of Maryland's electricity supply. The Order contained a procedural schedule for comments and reply comments to be filed in September 2010 and October 2010, respectively. A legislative-style hearing was scheduled for February 10, 2011.

In the Matter of the Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for the Bagley 230 kV Transmission Line Bypass – Case No. 9243

On September 20, 2010, BGE filed an application for a CPCN for the modification of an existing 230 kV overhead transmission line located near the intersection of Fallston Road and Harford Road in Harford County, Maryland. BGE proposed to construct a bypass line necessary to facilitate construction of the Bagley New 230 kV-to-34.5 kV Master Substation. On September 29, 2010, the Commission docketed the matter as Case No. 9243, and delegated the matter to the Hearing Examiner Division for hearing. A pre-hearing conference was held on October 25, 2010 to establish the procedural schedule, with the evidentiary hearings in the matter scheduled on January 19, 2011 in Fallston, Maryland including an evening hearing for public comments scheduled for the same date and location.

In the Matter of the Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity for its Joppatowne Supply Project – Case No. 9244

On October 13, 2010, BGE filed an application for a CPCN for the addition of a "tap line" at its existing Joppatowne Substation located in Harford County, Maryland. On November 5, 2010, the Commission docketed the matter as Case No. 9244 and delegated the matter to the Hearing Examiner Division. By agreement of the parties to the matter (BGE, Staff, OPC, and Power Plant Research Program), the evidentiary hearing was scheduled to be held on January 19, 2011 in Fallston, Maryland. An evening hearing for the purpose of receiving public comment also was scheduled on the same date and location as the evidentiary hearing.

In the Matter of an Investigation into the Licensing of Maryland-Licensed Electric and Gas Brokers' Agents – Case No. 9245

On November 8, 2010, the Commission initiated Case No. 9245 to consider whether persons (companies or individuals) selling electricity or gas on behalf of electricity and gas brokers or suppliers licensed in Maryland, but not directly employed by the licensed brokers or suppliers, should be considered brokers themselves and therefore required to obtain electricity or gas supplier licenses from the Commission. The Commission requested responses to two questions, with the responses due by December 10, 2010. A hearing on the matter was scheduled for February 25, 2011.

In the Matter of the Application of Baltimore Gas and Electric Company for a Certificate of Public Convenience and Necessity to Construct a 230 kV Transmission Line Circuit between the Conastone and Graceton Substations in Harford County, Maryland – Case No. 9246

On November 3, 2010, BGE filed an application for a CPCN to construct a 230 kV transmission line circuit between the Conastone and Graceton Substations in Harford County, Maryland. On November 10, 2010, the Commission docketed the matter as Case No. 9246, and delegated the matter to the Hearing Examiner Division. On December 13, 2010, a pre-hearing conference was held and a procedural schedule established, with evidentiary hearings on the matter scheduled April 25 and April 26, 2011.

In the Matter of the Application of the Town of Thurmont, Maryland for Authority to Increase its Rates for Electric Service – Case No. 9247

On December 1, 2010, the Town of Thurman submitted an application to increase its revenues associated with electric service by $495,714, which the Town indicated was a 6.22% increase. By Order No. 83738 issued on December 13, 2010, the Commission docketed the matter as Case No. 9247, suspended the tariff revisions for 150 days from the effective date of the revisions, and delegated the matter for hearing before the Hearing Examiner Division. On December 27, 2010, a Notice of Prehearing Conference scheduled for January 28, 2011 was issued.

In the Matter of the Application of Maryland Water Service, Inc. for Authority to Revise its Rates and Charges for Water and Wastewater Service – Case No. 9248

On December 1, 2010, Maryland Water Service, Inc. filed an application for authority to revise it rates and charges for water and wastewater service. It requested authority to increase its revenues by $485,398. It indicated that the rate increase would result in an average overall bill increase of 38% for its Highland Estate residential water customers and of 49% for its Pinto residential water/wastewater customers. Further, it proposed to change the rate structure and design by removing the minimum monthly charge as well as the tiered rate structure and by implementing a monthly base facilities charge and usage charge. Maryland Water Service agreed to hold its application in abeyance until it filed certain documents requested by Staff. By Order No. 83749 issued on December 17, 2010, the Commission docketed the matter as Case No. 9248, suspended the tariff revisions for 150 days from the date on which the Company and Staff agreed that the further documentation was filed and Staff found the documents satisfactory, and delegated the matter for hearing before the Hearing Examiner Division.

In the Matter of the Application of Delmarva Power & Light Company for an Increase in its Retail Rates for the Distribution of Electric Energy – Case No. 9249

On December 21, 2010, Delmarva Power & Light Company filed an application for authority to increase its distribution rates by $17.803 million. It indicated it would be an approximate 2.8% increase for the typical residential customer using 1000 kWh per month. It also requested its rate of return on equity be increased from 10% to 10.75%. By Order No. 83762 issued on December 28, 2010, the Commission docketed the matter as Case No. 9249, suspended the tariff revisions for 150 days from the effective date of the revisions, and scheduled a prehearing conference on February 3, 2011 to establish the procedural schedule in the matter.

V. RULEMAKINGS: REGULATIONS—NEW AND AMENDED

COMAR 20.31.01.02B, 20.31.03.03, and 20.31.03.04—Terminations of Service

The Commission adopted – as Emergency Regulations on March 12, 2010 and as final on June, 8, 2010 – new regulations restricting terminations of service during extreme weather conditions. After considering these regulations initially in 2009, the Commission convened a Working Group of interested parties to consider the following issues: (1) inserting the term "non-payment" into COMAR 20.03.03.03(E)(1); (2) the inclusion of summer gas cooling customers; (3) the weather forecast frame; and (4) the definition of weather station. The Working Group was unable to reach consensus regarding all issues, including the most contested, the weather forecast frame. The Commission held an Open Meeting on January 15, 2010, to consider revisions to the proposed regulations. And in recognition of the health and safety issues inherent in termination of utility service during periods of extreme heat and cold, the Commission adopted a 72-hour period during which terminations are restricted based on forecasted temperatures. The regulations include customers who use gas for cooling, provided they notify their utility of that fact.

COMAR 20.90.02.17, 20.90.03.17 and 20.95.01.18 - Transportation Regulations – 2010

On November 3, 2010, the Commission Staff filed proposed revisions to the insurance regulations to increase the amount of liability insurance required both for taxicabs and for-hire transportation. The proposed revisions were in response to the passage of House Bill 825 which, effective January 1, 2011, increased the minimum amount of liability insurance requirements for motor vehicles. The increased limit in House Bill 825 exceeded the existing liability insurance requirements for taxicabs.

After considering comments on the published regulations at an Open Meeting, held on December 10, 2010, the Commission adopted an increase in taxicab insurance limits to $30,000/$60,000 for bodily injury and $15,000 for property damage, which is consistent with the mandated minimum insurance requirements set forth in House Bill 825. The Commission determined that the insurance limit regulations for the remaining for-hire vehicles would remain unchanged as they were in excess of the new statutory minimum. Finally, the Commission requested additional information from the taxicab industry on the Maryland Motor Vehicle Administration's self-insurance program. The rule making remains pending awaiting revised proposed regulations to be submitted in the matter that conform to the Commission's decision on December 10, 2010.

VI. 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 August 31, 2010, there are more than 224 million shares of PHI common stock outstanding and are held by over 56,000 shareholders. With respect to ownership of PHI stock by Maryland residents, PHI's records show that 10,297 shareholder accounts, representing 6.6 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 two plans, which encourage broadened employee stock ownership: the Employee Stock Purchase ("ESP") Plan and the Retirement Savings Plan. In addition, NiSource, Inc. maintains the Automatic Dividend Reinvestment and Stock Purchase Plan that broadens capital ownership by all stockholders.

On August 31, 2010, the Parent had 278,196,027 shares of its common stock outstanding, of which 9.5 million or about 3.4% were held by employees in the ESP Plan and the Retirement Savings Plan. As of August 31, 2010, the Parent had approximately 687 registered stockholders with Maryland addresses, holding approximately 251,412 shares of Parent common stock.

(c) As of September 30, 2010, 20,663 Maryland residents representing 60.72% of Constellation Energy Group, Inc's. (Parent Company of Baltimore Gas and Electric Company) total common shareholders owned 8,582,319 or 4.25% 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, 10 mutual funds, 12 Target Dated Funds, one bond fund, one stable fund or a combination of all 25 investment options. As of September 30, 2010, 5,317,021 shares of common stock were held in the Employee Savings Plan for current and former employees, including approximately 196,605 shares allocated during the current reporting period. As of October 30, 2009, nuclear employees were segregated into a separate plan sponsored by Constellation Energy Nuclear Group, LLC ("CENG"). As of September 30, 2010, there were 1,123,244 shares of common stock in that CENG Plan.

Constellation Energy Group, Inc. established a Shareholder Investment Plan to provide a viable and attractive method for Constellation Energy's registered and beneficial investor to acquire additional shares. As of September 30, 2010, 6,756 Maryland residents representing 19.85% of Constellation Energy's total common shareholders, owned 2,539,045 or 1.26% of the outstanding shares of common stock, participated in the Shareholder Investment Plan.

(d) The Potomac Edison Company d/b/a Allegheny Power is a wholly-owned subsidiary of Allegheny Energy, Inc. ("AE"). In 2010, AE continued its Employee Stock Ownership and Savings Plan. Approximately 86.1% of AE's employees are currently contributing to the Plan and 3,723 participants have AE stock as part of their account balance within the Plan. As of December 31, 2009, 1,207 Maryland residents held 436,368 shares of AE stock as stockholders of record, which represents approximately 6.99% of all AE registered stockholders and 0.26% 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 26.66% of registered shareholders reside in Maryland, and represent 3.84% of the Company's outstanding common shares. WGL employees also actively participate in the ownership of the Company. As of October 1, 2010, 99 employees were actively participating in the Company's Dividend Reinvestment and Common Stock Purchase Plan, and approximately 1,027 employees (both active and retired) owned shares through its 401K Savings Plan.

(f) Verizon Maryland Inc. ("Verizon") 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, 2010, there were 24,049 Maryland residents who held Verizon stock.

VII. REPORTS OF THE AGENCY'S DEPARTMENTS/ DIVISIONS

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 2010, this Section established 313 new dockets and processed 2,774 non-transportation related 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 2010, this Section scheduled 51 Commission administrative meetings to consider the Agenda; and there were 1,983 items considered at these meetings. Additionally, this Section is responsible for docketing public conferences held by the Commission. There were three administrative docket public conferences initiated and held in 2010. This Section also processed 6,660 filings, including 3,010 memoranda.

c. *Regulation Management.* This Section is responsible for providing expert drafting consultation, establishing and managing the Commission's rulemaking docket, and coordinating the adoption process with the Secretary of State's Division of State Documents. During 2010, this Section managed 3 rulemaking dockets that resulted in emergency or final adoption of regulation changes to COMAR Title 20 – Public Service Commission, and 9 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:

    e. *Fiscal and Budget Management*. This Section manages the financial aspects of the daily operations of the Commission. The operating budget totaled $15,034,517 for fiscal year ending June 30, 2010. This budget consisted of $14,675,246 in Special Funds and $359,271 in Federal Funds. Included within the normal State functions are two unique governmental accounting responsibilities. The first function allocates the Commission's cost of operation to the various public service companies subject to the Commission's jurisdiction. The second function allocates the budget associated with the Department of Natural Resources' Power Plant Research Program to electric companies distributing electricity to retail customers within Maryland. This Section also administers the financial accountability of the Pipeline Safety Program and the Hazardous Liquid Pipeline Safety Program, which are partially reimbursed by the Federal Department of Transportation, by maintaining all associated financial records consistent with federal program rules, regulations, and guidelines requiring additional record keeping.

    f. *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, 2010, this Section was maintaining approximately 141 items of disposable supplies and materials totaling $7,985.97 and fixed assets totaling $2, 125,585.82.

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 2010, IT: (a) implemented an online Competitive Service Tariff Revision application utilizing an electronic filing portal in concert with the Commission's efile system; (b) created an application to allow the MD State Police/State Apprehension Team secure/remote/online access to the Commission's Payphone Service Provider database; (c) completed a new database for the tracking of EmPower Maryland program information; (d) designed a new application to track RFP correspondence lists; (e) deployed a new UPS system provisioning 4 hours of battery power to critical servers and equipment in the computer facility in the

event of power failures; (f) upgraded all PSC Servers to Windows 2003 and 2008; and (g) upgraded the live streaming video system (REAL NETWORKS) for the Commission's public Hearings and Proceedings (unlimited connections).

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 2010, 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 the General Counsel

The Office of General Counsel ("OGC") provides legal advice and assistance to the Commission on questions about the jurisdiction, rights, duties or powers of the Commission, defends Commission orders in court, represents the Commission in federal and State administrative proceedings, and initiates and defends other legal actions on the Commission's behalf as needed. OGC also supervises enforcement of the Commission's rules, regulations and filing requirements as applied to utilities, common carriers and other entities subject to the Commission's jurisdiction, and leads or participates in special projects as directed by the Commission.

In addition, OGC provides legal support to the Commission in a variety of ways, including responding to requests for information pursuant to the Maryland Public Information Act. During 2010, OGC attorneys also continued to interface with various Maryland communities regarding utility reliability concerns and tree trimming practices as those practices related to electric power restoration, and assisted the Commission with various enforcement actions relating to limousine and for-hire drivers.

Below is a summary of selected cases litigated by OGC and selected matters that OGC represented the Commission in before the Federal Energy Regulatory Commission and before the Federal Communications Commission:

1. Summary of Selected Litigation

Of the Commission's cases on appeal in 2010, two remain open pending decision and two others closed at the end of 2010. In *Big Savage, LLC v. Maryland Public Service Commission* (Circuit Court for Baltimore City, Civil No. 24-C-11-000820), in which the Commission determined that Big Savage, LLC was not eligible to obtain a Certificate of Convenience and Necessity to construct an overhead transmission line to connect its wind generation station in Pennsylvania to Allegheny Power's transmission system in Frostburg, Maryland, Big Savage's petition review remains open in the Circuit Court. Also, *Communications Workers of America, AFL-CIO v. Public Service Commission of Maryland, et al.*, Ct. of Sp. App., Sept. Term, 2010, No. 02185 ("*CWA*"), in which the Circuit Court affirmed the Commission order that comprehensively resolved six regulatory cases involving Verizon Maryland Inc., remains open pending motions in the

Court of Special Appeals. And, *Stevenson v. Pepco* (Circuit Court for Prince George's County, CAL 09-00301), in which the Circuit Court affirmed the Commission's dismissal of the customer's complaint addressing billing and meter issues and denied a subsequently filed request for reconsideration, is closed.

In *Severstal Sparrows Point, LLC, et al. v. Public Service Commission of Maryland*, 194 Md. App. 601 (2010), the Court of Special Appeals determined that the Commission erred in reducing SOS rates for Type II BGE customers by increasing the distribution charge for nonresidential customers. The court held that the Restructuring Act of 1999, as amended in 2006, limited the Commission's ability to set SOS rates other than through auction oversight. The Commission did not seek certiorari in the Court of Appeals.

2. Federal Energy Regulatory Commission and Federal Communications Commission Proceedings

In *PJM Interconnection, L.L.C.* (Docket No. EL05-121-000), OGC filed comments on behalf of the Commission in paper hearing proceedings established by the Federal Energy Regulatory Commission ("FERC") regarding the methodology PJM should use in allocating the costs of new extra high voltage ("EHV", 500 kV and above) transmission facilities. FERC's proceedings and the Commission's comments were filed in response to a remand order issued by the United States Court of Appeals for the Seventh Circuit in *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7^{th} Cir. 2009). In its filing, the Commission recommended that FERC reaffirm the conclusion reached in Opinion No. 494 providing that the costs of EHV (500 kV and above) transmission facilities should be socialized or allocated on a load-ratio share basis. FERC's decision in this matter is still pending.

On the Commission's behalf, OGC also continued to challenge excessive transmission incentive rate requests filed by transmission owners and developers and intervened in and filed comments in several proceedings involving shortage pricing and demand response compensation, including extensive comments to FERC in a rule making proceeding on how demand response providers should be compensated in the wholesale energy markets, and how the costs should be allocated (FERC Docket No. RM 10-17-000).

Additionally, OGC filed comments on behalf of the Commission in Federal Communications Commission Docket WC No. 10-60 (In Re the Petition for Declaratory Ruling and Alternative Petition for Preemption to the Pennsylvania, New Hampshire and Maryland State Commissions), opposing Global NAPs, Inc's effort to preclude a determination by the Commission regarding whether GNAP's Voice over Internet Protocol-related traffic can be tracked from geographic end-point to geographic end-point in order to determine whether intrastate switched access charges might apply.

C. Office of the Executive Director

The Executive Director and two assistants supervise the Commission's Technical Staff. The Executive Director's major supervisory responsibility consists of directing and coordinating the work of the Technical Staff relating to the analysis of utility filings and operations, the presentation of testimony in Commission proceedings, and support of the Commission's regulatory oversight activities. The Executive Director supervises the formulation of Staff policy positions and serves as the liaison between Staff and the Commission. The Executive Director is also the principal contact between the Staff and other State agencies, commissions and utilities.

1. Accounting Investigation Division

The Accounting Investigation Division is responsible for auditing utility books and records and providing expertise on a variety of accounting, taxation and financial issues. The Division's primary function includes developing utility revenue requirements, auditing fuel costs, auditing the application of rates and charges assessed by utilities, monitoring utility earnings, examining the effectiveness of cost allocations, analyzing 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 2010, the Accounting Investigation Division's work responsibilities included assisting other divisions, conducting audits of utility fuel programs and other rate adjustments, ongoing evaluating of 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, 10 other rate adjustments and provided appropriate analysis and comment with respect to 89 filings submitted by utilities. In addition, Division personnel also participated in the approximately 18 formal proceedings and a number of special assignments during 2010.

2. Electricity Division

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

The Electricity Division was formed in August 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 2010, the Division's work included expert testimony and/or policy recommendations in approximately 100 formal and administrative proceedings before the Commission.

3. Staff Counsel Division

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

During 2010, Staff attorneys participated in a wide variety of matters involving all types of public service companies regulated by the Commission. The Staff Counsel Division's work included review of rates charged by public service companies, participation in the FirstEnergy/Allegheny Power merger case, two transmission line proceedings, settlement of several pending Verizon cases and compliance report reviews, consideration of an application to build a refuse derived fuel burning generation facility in Baltimore City, an investigation into high customer energy bills, investigations into electric utilities' service reliability, and matters concerned with the safety, reliability, and quality of utility services. The Staff Counsel Division was also involved in a variety of efforts intended to address the EmPower Maryland Act of 2008, investigation into methodologies used for gas procurement and sufficiency of gas supply plans, establishing the procedures to be followed by electric and gas suppliers as a part of consumer choice, consideration of means for acquisition of new or additional electric generation and transmission, and continued development of the Maryland Renewable Energy Portfolio Program.

4. Engineering Division

The Commission's Engineering Division monitors the operations of public service companies. Engineers 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 2010, the Engineering Division was deeply involved in facilitating Maryland's move to safe and reliable energy sufficiency, alternative energy technology, and certification of Solar Renewable Energy Facilities eligible to earn Photovoltaic Renewable Energy Credits. The Division managed and improved the Solar Renewable Energy Facility certification process for small level 1 and large level 2 Photovoltaic Solar Systems deployed in the state. Applications for solar system certification continued to grow rapidly compared to previous years' application rates. Application volume of 98 in 2008 increased to 396 in 2009, and to 922 in 2010. The Division entered into a partnership with the District of Columbia, Delaware and Departments of Energy to develop a web-based application platform that will be capable of receiving and processing the Solar Renewable Energy Facility application process for small level 1 and large level 2 Photovoltaic Solar Systems deployed in the state.

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 Prince Georges County, and assessing the plans for bare steel replacement in Western Maryland. All of the

Commission's Pipeline and Hazardous Liquid Safety Engineers are fully trained for their roles in enforcement of Federal pipeline 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 is projected to exceed electric supply. PJM peak load forecasts have been reduced due to demand response programs, solar installations, and the continued economic downturn. Nevertheless, work continued in 2010 on the permitting process for PATH and MAPP- two large interstate high-voltage transmission lines. MAPP is a direct current line under the Chesapeake Bay required to improve reliability on the Delmarva Peninsula and hopefully reduce the price of electricity for consumers. Although not physically in Maryland, the TrAIL transmission line has been constructed and is expected to be in service beginning June 1, 2011. It is expected to improve West-East Power flows and relieve congestion along these interfaces. It will also allow PJM to take Bedington-Black Oak out of service for some much needed repairs.

Commensurate with lower consumer energy bills for both gas and electricity, the division saw a decrease in meter referee test requests. Only four gas meter requests were received for the entire year in 2010, down from 27 in 2008 and 32 in 2009. Electric meter test requests returned to a normal level of 111, compared to 105 in 2008 and 223 in 2009.

In 2010, in addition to its traditional regulatory inspections, investigations, and over-sight, 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.

5. Transportation Division

The Transportation Division enforces the laws and regulations of the Commission pertaining to the safety, rates, and service of transportation companies operating in intrastate commerce in Maryland. The Commission's jurisdiction extends to most intrastate for-hire passenger carriers by motor vehicle (total 1,103), intrastate for-hire railroads, as well as taxicabs in Baltimore City, Baltimore County, Cumberland and Hagerstown (tota1 1,482). The Commission regulated water vessels (total of 12) until October 1, 2010, when water vessels were deregulated by HB 494. The Commission is also responsible for licensing drivers (total 7,432) 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 5,391), 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 2010, 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 2010 by utilizing field investigations and joint enforcement project 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 communications among the Commission's internal databases.

6. Telecommunications, Gas, and Water Division

The Telecommunications, Gas, and Water Division assists the Commission in regulating the delivery of wholesale and retail telecommunications services 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, monitors 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 2010, the Division reviewed 315 tariff filings, rate revisions, new service offerings and related matters. In 2010, the Commission authorized ten new local exchange and ten additional long distance carriers and certified 107 payphone service providers and 8,009 payphones in Maryland. In 2010, 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, quality of service and the regulation of retail service offered by the largest incumbent carrier in the State.

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, and debt and equity issuances. The Division also conducts research and analysis on the procurement of natural gas for distribution to retail customers.

In the water industry, the Division focuses on retail prices and other retail issues arising in the provision of safe and affordable water services in the State. During 2010, Division personnel testified in several cases involving water company franchises and rates.

7. Energy Analysis and Planning Division - Integrated Resource Planning

The Integrated Resource Planning ("IRP") group, a part of the Energy Analysis and Planning Division, 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 2010, IRP was directly responsible or involved in several significant initiatives including:

- Preparing the "10-Year Plan (2010-2019) of Electric Companies in Maryland."

- Preparing the “Renewable Energy Portfolio Standard Report of 2010.”
- Preparing the “Status of Wind-Powered Generating Stations in the State of Maryland Report of 2010.”
- Monitoring wholesale electricity prices in Maryland, including spot prices as measured by locational marginal prices.
- Monitoring and analyzing residential market penetration by competitive retail suppliers in Maryland for the respective four investor-owned utilities.
- 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 (PC), the Market Implementation Committee (MIC), the Members Committee (MC), the Demand Side Response Working Group (DSPWG), and the Regional Planning Process Working Group (RPPWG).
- Monitoring and analyzing the PJM Reliability Pricing Model capacity procurement process and related costs to meet Maryland’s electric reliability needs.
- Preparing an analysis of how small generators and demand response participants receive compensation and the role of curtailment service providers (CSPs) in aggregating retail load to perform PJM demand response activities.
- Implementing the Maryland Renewable Energy Portfolio Standard (RPS). Year 2009 was the fourth compliance year for the Maryland RPS, and the results are available for inclusion in the RPS Annual Report of 2011.
- 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.
- Actively participated in discussions and preparation of the Report On The 2010 Procurement Improvement Process (PIP) concerning modifications to the wholesale procurement of electric supplies to provide Standard Offer Service to utility retail customers. The improvements recommended in the report were approved by the Commission by letter order on August 25, 2010 (Case Nos. 9064/9056).
- Participate in Commission regulatory proceedings, including the matter of whether new generating facilities are needed to meet long-term demand for SOS service (Case No. 9214); the matter of applications to, in part, establish the overall need for

construction of a new transmission line known as the Mid-Atlantic Power Pathway (MAPP) Project (Case No. 9179); and providing testimony concerning the revenue credit to customers from the Allegheny Power Warrior Run generating facility (Case No. 8797).

- Planned and hosted the Technical Conference on Electric Vehicles regarding the current status of electric vehicle technologies, inquire as to transmission and distribution system impacts, and obtain information regarding generator, consumer and regulatory impacts and implications. The conference provided significant input for assessment of possible future Commission involvement on this subject.
- 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).

D. Office of External Relations

The Office of External Relations (OER) investigates and responds to consumer complaints relating to gas, electric, water and telephone services. OER investigators obtain information from the consumers with the dispute and from the applicable utilities to resolve the dispute between the consumer and the utility based on applicable laws and tariffs. In 2010, the OER investigated 5,508 consumer complaints. Out of those complaints 3,203 involved gas and electric issues, while 1,935 were telecommunication complaints, 64 complaints related to water companies, and 216 complaints involved issues outside of the PSC's jurisdiction. The majority of complaints against gas and electric local distribution 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 698 requests for information concerning the Commission, utilities and suppliers. OER responded to 8,535 requests for payment plans or extensions.

OER also continues its efforts in consumer education. Representatives from OER 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.

OER instituted supplier training in order to stay abreast of consumer issues within the industry. Additionally, OER continued to meet with the utilities to discuss consumer issues.

The OER's Director also serves as the Commission's liaison to the supplier diversity MOU signatories in Public Conference 16 as well as the Commission's liaisons with the competitive electric and gas suppliers.

E. Hearing Examiner Division

Under the Public Utilities 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, Cumberland, and Hagerstown 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 2010, 399 cases were delegated by the Commission to the Hearing Examiner Division, 357 relating to transportation matters of which 169 were taxicab-related. These transportation matters include license applications and disciplinary proceedings involving requests for imposition of fines or civil penalties against carriers for violations of applicable statutes or regulations. 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 thirty days.

VIII. RECEIPTS AND DISBURSEMENTS FY 2010

Receipts and Disbursements

C90G001 – General Administration and Hearings

Salaries and Wages	$	6,186,598
Public Utility Regulation Fund	$6,186,598	
Federal Fund	$0	
Technical and Special Fees		221,195
Public Utility Regulation Fund	$207,965	
Federal Fund	$13,230	
Operating Expenses		2,099,960
Public Utility Regulation Fund	$2,064,978	
Federal Fund	$34,982	
Total Disbursements for Fiscal Year 2010	$	8,507,853
Public Utility Regulation Fund	$8,459,541	
Federal Fund	$48,212	
Reverted to State Treasury		433,524
Public Utility Regulation Fund	$261,170	
Federal Fund	$172,354	
Total Appropriation for Fiscal Year 2010	$	8,941,277
Public Utility Regulation Fund	$8,720,711	
Federal Fund	$220,566	

C90G002 – Telecommunications Division

Salaries and Wages	$	525,543
Operating Expenses		1,902
Total Disbursements for Fiscal Year 2010	$	527,445
Reverted to State Treasury		0
Total Appropriation for Fiscal Year 2010	$	527,445

C90G003 – Engineering Investigations Division

Salaries and Wages	$	1,156,026
Public Utility Regulation Fund	$856,152	
Federal Fund	$299,874	
Operating Expenses		34,562
Public Utility Regulation Fund	$23,377	
Federal Fund	$11,185	
Total Disbursements for Fiscal Year 2010	$	1,190,588
Public Utility Regulation Fund	$879,529	
Federal Fund	$311,059	
Reverted to State Treasury		698
Public Utility Regulation Fund	$0	
Federal Fund	$698	
Total Appropriation for Fiscal Year 2010	$	1,191,286
Public Utility Regulation Fund	$879,529	
Federal Fund	$311,757	

C90G004 – Accounting Investigations Division

Salaries and Wages	$	623,820
Operating Expenses		7,164
Total Disbursements for Fiscal Year 2010	$	630,984
Reverted to State Treasury		1,347
Total Appropriation for Fiscal Year 2010	$	632,331

C90G005 – Common Carrier Investigations Division

Salaries and Wages		$	1,088,687
Public Utility Regulation Fund	$1,088,687		
For-Hire Driving Services Enforcement Fund	$0		
Technical and Special Fees			109,569
Public Utility Regulation Fund	$0		
For-Hire Driving Services Enforcement Fund	$109,569		
Operating Expenses			57,010
Public Utility Regulation Fund	$44,074		
For-Hire Driving Services Enforcement Fund	$12,936		
Total Disbursements for Fiscal Year 2010		$	1,255,266
Public Utility Regulation Fund	$1,132,761		
For-Hire Driving Services Enforcement Fund	$122,505		
Reverted to State Treasury			187
Public Utility Regulation Fund	$187		
For-Hire Driving Services Enforcement Fund	$0		
Total Appropriation for Fiscal Year 2010		$	1,255,453
Public Utility Regulation Fund	$1,132,948		
For-Hire Driving Services Enforcement Fund	$122,505		

C90G006 – Washington Metropolitan Transit Commission

Operating Expenses		290,780
Total Disbursements for Fiscal Year 2010	$	290,780
Reverted to State Treasury		0
Total Appropriation for Fiscal Year 2010	$	290,780

C90G007 – Rate Research and Economics Division

Salaries and Wages	$	469,171
Operating Expenses		8,561
Total Disbursements for Fiscal Year 2010	$	477,732
Reverted to State Treasury		2,637
Total Appropriation for Fiscal Year 2010	$	480,369

C90G008 – Hearing Examiner Division

Salaries and Wages	$	808,633
Operating Expenses		1,342
Total Disbursements for Fiscal Year 2010	$	809,975
Reverted to State Treasury		1,533
Total Appropriation for Fiscal Year 2010	$	811,508

C90G009 – Office of Staff Counsel

Salaries and Wages	$	768,267
Operating Expenses		3,149
Total Disbursements for Fiscal Year 2010	$	771,416
Reverted to State Treasury		2,829
Total Appropriation for Fiscal Year 2010	$	774,245

C90G0010 – Integrated Resource Planning Division

Salaries and Wages	$	565,924
Operating Expenses		6,654
Total Disbursements for Fiscal Year 2010	$	572,578
Reverted to State Treasury		2

Total Appropriation for Fiscal Year 2010	$	572,580

Summary of Public Service Commission
Fiscal Year Ended June 30, 2010:

Salaries and Wages	$	12,192,669
Public Utility Regulation Fund	$11,892,795	
Federal Fund	$299,874	
For-Hire Driving Services Enforcement Fund	$0	
Technical and Special Fees		330,764
Public Utility Regulation Fund	$207,965	
Federal Fund	$13,230	
For-Hire Driving Services Enforcement Fund	$109,569	
Operating Expenses		2,511,084
Public Utility Regulation Fund	$2,451,981	
Federal Fund	$46,167	
For-Hire Driving Services Enforcement Fund	$12,936	
Total Disbursements for Fiscal Year 2010	$	15,034,517
Public Utility Regulation Fund	$14,552,741	
Federal Fund	$359,271	
For-Hire Driving Services Enforcement Fund	$122,505	
Reverted to State Treasury		442,757
Public Utility Regulation Fund	$269,705	
Federal Fund	$173,052	
For-Hire Driving Services Enforcement Fund	$0	
Total Appropriations	$	15,477,274
Public Utility Regulation Fund	$14,822,446	
Federal Fund	$532,323	
For-Hire Driving Services Enforcement Fund	$122,505	

Assessments remitted to the State Treasury during Fiscal Year 2010:	$	20,882,851

Miscellaneous Fees remitted to the State Treasury during Fiscal Year 2010:

1) Misc. Fines & Citations	$	151,847
2) For-Hire Driving Services Permit Fees	$	141,197
3) Meter Test	$	1,260
4) Filing Fees	$	252,483
5) Copies	$	613
6) Rent to Department of General Services	$	786,104
Total Miscellaneous Fees	$	1,333,504