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**For Immediate Release**

## **Maryland PSC Advances Alternative Ratemaking Policy *PSC Opens Path for Multi-Year Rate Plans***

(BALTIMORE, MD-August 9, 2019) – The Maryland Public Service Commission has taken steps to advance an alternative utility rate-setting process known as a multi-year plan. This method would extend a utility’s approved rates several years into the future—in this case, a maximum of three years. The Commission’s use of this methodology, which is used in several other states, is expected to limit the number and frequency of utility rate cases, allow customers to know with certainty the timing and scale of changes in rates, and may also provide incentives to utilities if certain performance-based goals are achieved.

Until now, the Commission has relied largely on a traditional form of ratemaking based on a past, or historic, 12-month period as the basis for electric and gas utilities to recover the cost of providing service to customers. As such, many utilities now file rate cases as frequently as every year in an effort to recover their costs more quickly. The Commission opened a proceeding ([Public Conference 51](#)) in February to explore alternative forms of ratemaking, noting how economic changes, state policy goals and grid modernization have impacted utility operations. The Commission also convened a two-day technical conference in April to hear directly from stakeholders and state utility regulators from across the country with experience using different forms of alternative rate regulation.

Under current Maryland law, the Commission already has authority to adopt alternative forms of rate regulation and has done so on a case-by-case basis, including allowing the use of an inflation rate adjustment, revenue decoupling mechanisms, riders, and surcharges for programs such as reliability improvements and gas infrastructure replacement.

The Commission noted that the extensive record in this proceeding shows several benefits to a multi-year rate plan including a shorter cost recovery period, providing more predictable rates for customers and more predictable revenues for utilities, spreading rate changes over multiple years and decreasing the administrative burden on regulators by staggering filings over several years. The Commission’s order finds “multi-year rate plans would combine the stability of traditional ratemaking while permitting adjustments that better reflect the changing energy market.” Additionally,

multi-year plans can include performance-based measures that align with state policy goals, such as energy efficiency, and provide additional value to customers.

“Today’s order represents a historic step towards advancing ratemaking in Maryland,” said Jason M. Stanek, Chairman of the Commission. “With this decision, electric and natural gas utilities will have a path to file for rates using a multi-year rate plan, with the option to incorporate a performance-based component in the near future,” said Chairman Stanek. “While alternative forms of regulation are not new in Maryland, we recognize that changes are rapidly occurring in the utility sector and more can be done to facilitate cost recovery, improve utility planning, and meet the changing needs and expectations of customers. At the end of day, regardless of the form of ratemaking, the Commission’s responsibility is to ensure that utility rates remain just and reasonable,” he said.

The Commission’s order directs the Public Utility Law Judge Division to convene a working group of stakeholders to determine how best to implement multi-year rate plans. Utilities would still have the option to file traditional rate cases using historic test year data. The working group is also charged with exploring ways to incorporate performance-based measures into a multi-year plan by identifying specific goals and outcomes. These could include integrating more renewable resources and energy efficiency, encouraging peak demand reductions, facilitating energy storage, supporting grid modernization, and other state policy goals. The working group must file its report by December 20, 2019 and the Commission is expected to issue a ruling by January 30, 2020. By April 1, 2020, the working group must file a report identifying where performance metrics are appropriate and the Commission will then provide additional guidance on the proposed metrics.

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**About the Public Service Commission:**

*The Maryland Public Service Commission regulates electric and gas utilities, telephone companies (land lines), certain water and sewer companies, passenger motor vehicle carriers for hire (sedans, limousines, buses, Uber, Lyft), taxicab companies (in Baltimore City and County, Charles County, Cumberland and Hagerstown) and bay pilot rates.*

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