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PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE EXPLORATION
INTO THE ELECTRIC COOPERATIVES' 2016
LEGISLATIVE PROPOSAL TO AUTHORIZE
INCREASED FIXED CHARGES IN A BASE RATE
PROCEEDING OR REVENUE-NEUTRAL RATE
DESIGN FILING

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

PC 46

Issue Date: January 5, 2017

NOTICE OF PUBLIC CONFERENCE AND OPPORTUNITY TO COMMENT

To: All Interested Persons

The Public Service Commission of Maryland ("Commission") hereby initiates Public Conference 46 ("PC 46") to explore the implications of a 2016 legislative proposal that would have authorized an electric cooperative to increase its fixed charge for purposes of aligning the collection of fixed and usage charges with actual system costs, either in a base rate proceeding or in a revenue-neutral rate design filing.

Senate Bill 1131 ("SB 1131"), introduced during the 2016 legislative session, would have authorized Maryland electric cooperatives to propose a revised fixed monthly electricity charge levied on customers in order to align the collection of fixed and usage charges with actual system costs, with "fixed costs" being defined as all costs that do not vary by kilowatt-hour. The Commission would have been required to approve the proposed increase to the fixed charge, with the restriction that the increase should be no more than 25% higher than the fixed charge in

effect one year prior to the effective date of the revised charge, and that the fixed charge be applied in a non-discriminatory manner to both net metered and non-net metered customers. The electric cooperatives would have been directed to present their proposals in the context of either a base rate proceeding or a revenue-neutral rate design filing, along with appropriate supporting cost of service data and information pertaining to the reasonableness of the revised charge in light of the different costs associated with serving small and large retail electric customers.

Although SB 1131 (2016) was not enacted, in a letter dated April 14, 2016 the Senate Finance Committee Chairman and the House Economic Matters Committee Vice-Chair requested that the Commission study the implications of the electric cooperatives' proposal. In particular, it was requested that the study investigate the implications of an increased fixed charge on low-income customers, on potential subsidies created by distributed energy resources and community solar customers, on potential subsidies received by low-usage customers (particularly customers who have boat lifts, sheds, and hunting cabins), the potential implications for energy efficiency goals, and whether the principles of gradualism require slower adjustments than those proposed by SB 1131 (2016). Further, the Commission was asked to assess the implication of rate design options on the electric cooperatives' ability to fairly recover their fixed costs from customers.

The Commission agreed to provide findings and recommendations pertaining to the matters requested in a Report to be filed by January 31, 2017. To assist with this endeavor, the Commission engaged independent consultant Synapse Energy Economics, Inc. ("Synapse") to conduct a study regarding these matters on behalf of the Commission. Synapse filed a Report of its evaluation on January 3, 2017, which is available in the PC 46 docket electronically on the

Commission's website. The Commission invites all interested parties to file written comments regarding the Synapse Report on or before January 24, 2017.

An original and seventeen (17) copies, and an electronic copy, of all filings, identified as PC 46, shall be filed with the Commission no later than January 24, 2017 and addressed to David J. Collins, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 6 St. Paul Street, 16th Floor, Baltimore, Maryland 21202. Five of the copies shall be three-hole punched. The interested parties are encouraged to use the Commission's "e-file" system that is available on the Commission's website, www.psc.state.md.us.

By Direction of the Commission,

/s/ David J. Collins

David J. Collins
Executive Secretary