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PUBLIC SERVICE COMMISSION

February 14, 2018

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| EXPLORING THE USE OF ALTERNATIVE | * | Administrative Docket |
| RATE PLANS OR METHODOLOGIES TO | * | PC51 |
| ESTABLISH NEW BASE RATES FOR AN | * | |
| ELECTRIC COMPANY OR GAS COMPANY | * | |
| ***** | * | ***** |

**NOTICE OF TECHNICAL CONFERENCE ON
ALTERNATIVE FORMS OF RATE REGULATION**

Pursuant to Public Utilities Article (“PUA”), *Annotated Code of Maryland*, § 4-102, the Maryland Public Service Commission (“Commission”) has authority to set just and reasonable rates for electric, gas, and electric and gas companies. Historically, during a base rate case proceeding to determine whether the rates are just and reasonable, the Commission has directed the companies to employ a historic test year method to determine the company’s operating revenue deficiency. The Commission, however, also has permitted adjustments to the historic test year, such as the allowance of expenses and capital investments for periods after the historic test year, the approval of Bill Stabilization Adjustments, and the authorization of surcharges related to the recovery of infrastructure costs associated with reliability of the distribution system. In recent base rate cases, the applicant company has requested the Commission consider an alternative rate plan, such as a forecasted test year, in setting the base rates. The Commission declined to consider the alternative rate plan in the context of the single rate case because of the Commission’s concern, among other things, that a change in the Commission’s established rate making principles and policy would be made without other stakeholders in the State, including

other Maryland electric or gas companies, consumer advocates, and municipalities or counties that were not parties in the specific case, having an opportunity to provide comments or impacts on ratepayers caused by the acceptance of an alternative rate plan. Additionally, consideration of a specific alternative rate plan would not have allowed for comparisons of other alternative rate plans that could better serve the public interest. Further, as a base rate case is required by law to be completed within a limited timeframe (180 days from the effective date of the proposed rate revisions), the Commission could not reasonably evaluate the impact of employing an alternative ratemaking concept with far reaching consequences while performing its other duties in this limited timeframe.¹

The Commission is aware that other states have implemented alternative rate plans to determine just and reasonable rates and that there are a number of concepts, each having differing methodologies to adjust base rates.² The Commission therefore initiates this conference to allow affected stakeholders and interested persons to submit information and comments on the various alternative rate plans that may have been implemented in other states, including, but not limited to: (1) the manner in which those state regulatory commissions determined which alternative rate plans were acceptable; (2) the implementation period to transition from one form of regulatory rate making principles to the alternative rate plan; (3) any restrictions placed by other state regulatory commissions on the use of alternative rate plans, including whether a utility can switch between alternative rate plans in subsequent rate cases;

¹ See Order No. 88944, *In the Matter of the Application of Washington Gas Light Company for Authority to Increase Existing Rates and Charges to Revise its Terms and Conditions for Gas Service*, Case No. 9481 (Dec. 11, 2018) (“[A]lthough the Commission has statutory authority to consider alternative ratemaking proposals, such as a projected future test year, the Commission declines to deviate from its adherence to a traditional test year in this proceeding.”) (Emphasis added.) Slip Op. at 11.

² The Commission, under existing law (*i.e.*, PUA § 7-505(c)1), may approve alternative forms of rate regulation for an electric utility if the alternative form of rate regulation is determined to protect consumers, ensures reliability of the regulated utility services, and serves the public interest.

(4) the frequency by which the utility may file for rate increases under an alternative rate plan; (5) how reconciliations and refunds may be made when the utility is using a forecasted test year or other forecasted methodology; and (6) the impacts on the ratepayers resulting from the use of the alternative rate plans. The Commission also is interested in whether other states, in implementing alternative rate plans, required additional staff resources or staff with different skills that previously utilized prior to implementing.

Written comments shall be filed by March 29, 2019, with any reply comments due by April 18, 2019. An original and 17 hard copies, and one electronic copy,³ of the comments shall be submitted to Terry J. Romine, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 6 St. Paul Street, 16th Floor, Baltimore, Maryland 21202, and shall reference “PC51.” Five of the paper copies shall be three-hole punched.

The Commission will hold a conference on April 30, 2019, beginning at 10:00 AM, to allow for comment and presentations by interested parties and questioning from the Commission of the commenters. The conference will be held in the Commission’s Frank O. Heintz Hearing Room, 16th Floor, William Donald Schaefer Tower, 6 St. Paul Street, Baltimore, Maryland 21202. Parties wishing to participate in the conference should express interest to Molly Knoll at mollyg.knoll@maryland.gov by Friday, April 12, 2019.

By Direction of the Commission,

/s/ Terry J. Romine

Terry J. Romine
Executive Secretary

³ The Commission encourages the use of its E-file system for submission of the public version of the electronic copy. The E-file system is accessed through the Commission’s website, www.psc.state.md.us (Online Services dropdown).