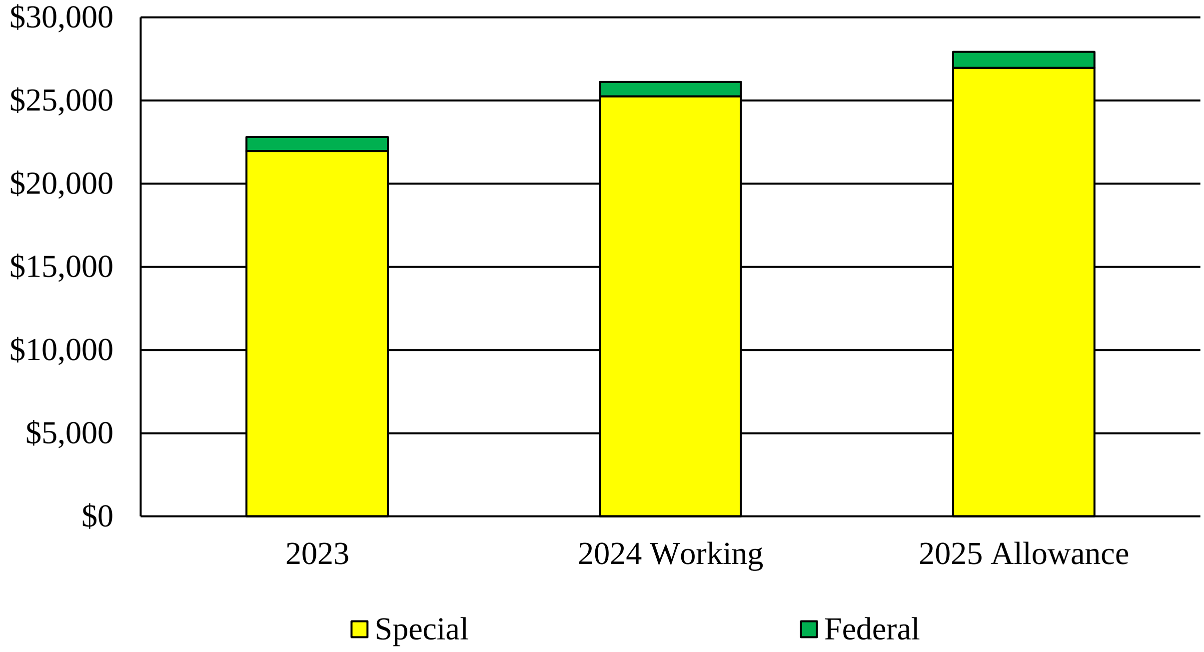
C90G00
Public Service Commission

Program Description

The Public Service Commission (PSC) regulates public service companies, including electric and natural gas utilities and suppliers, certain telecommunications companies, certain privately owned water utilities, and certain passenger-for-hire transportation companies. PSC regulatory authority includes the review of matters relating to the quality and reliability of service, rate setting, applications to modify the type or scope of service, and investigation of consumer complaints. Additionally, PSC may intervene in relevant cases before federal regulatory commissions and federal courts. PSC consists of five commissioners appointed by the Governor for five-year, staggered terms. PSC is primarily funded through special funds obtained through assessments on public service company revenue.

Operating Budget Summary

Fiscal 2025 Budget Increases $1.8 Million, or 6.9%, to $27.9 Million
($ in Thousands)



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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Fiscal 2024

A budget amendment increased PSC's fiscal 2024 special fund appropriation by $500,000 to support the hiring of a consultant to assist PSC technical staff in meeting the requirements of Chapter 95 of 2023 (the Promoting Offshore Wind Energy Resources (POWER) Act). Chapter 95 requires PSC, in consultation with the Maryland Energy Administration (MEA), to request that PJM Interconnection (PJM) conduct an analysis of electric transmission system upgrade and expansion options to accommodate the buildout of offshore wind energy capacity. As part of this analysis, PSC is required to consult with other states in the PJM service territory to evaluate regional transmission system cooperation and to gather relevant technical information. PSC is required to submit a status update on this analysis to the General Assembly by July 1, 2024.

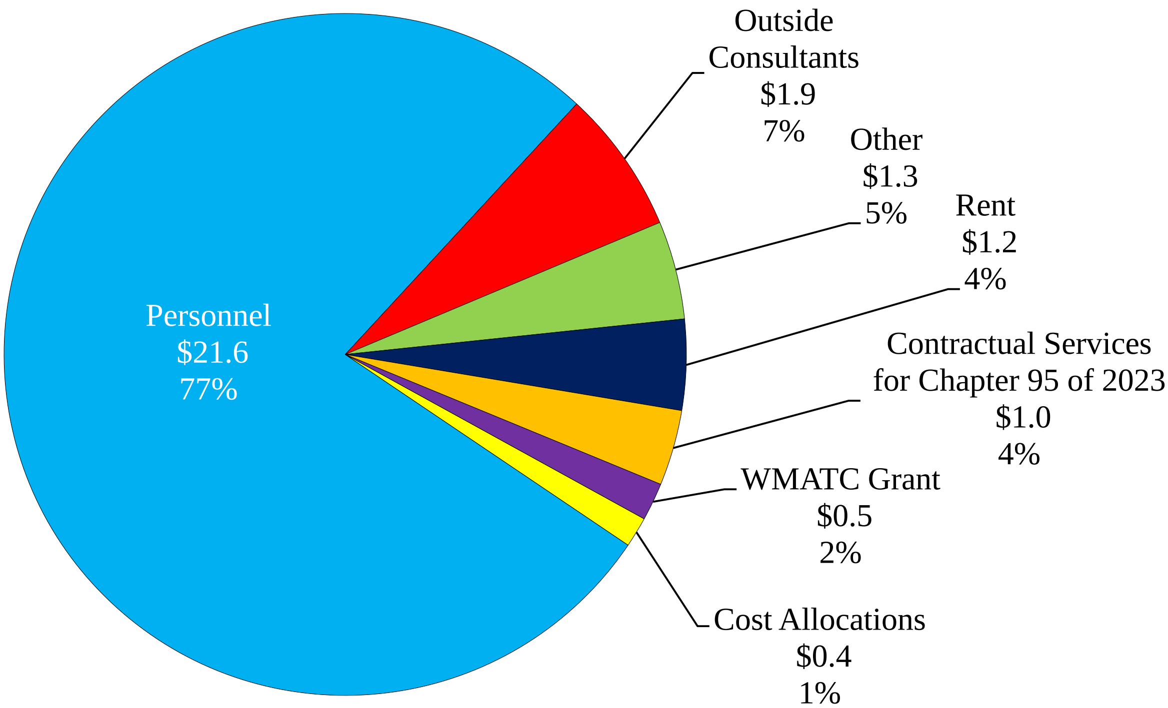
Implementation of Legislative Priorities

Language in Section 19 of the fiscal 2024 Budget Bill added $364,000 in special funds and 3 new regular positions for PSC to support the implementation of Chapter 499 of 2023 (Critical Infrastructure Cybersecurity Act). Chapter 499 requires PSC to include on its staff 1 or more experts in cybersecurity to advise the commission and requires PSC to consider the protection of a public service company's infrastructure against cyberattack threats as part of its regulation of these companies. Currently, PSC has filled 2 of the 3 positions and is actively recruiting for the third.

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for PSC totals $27.9 million. As shown in **Exhibit 1**, personnel expenses total $21.7 million, or 77% of the budget. These funds support the agency's 155 regular positions and 9 contractual full-time equivalents (FTE). Outside of personnel spending, the largest single item in the fiscal 2025 allowance is $1.9 million for outside subject matter experts and technical consultants, who assist the technical staff and/or commissioners of PSC in cases and proceedings pending before PSC or other federal regulatory bodies and the courts. Spending in this area can vary from year to year, depending on the volume and type of cases that are heard before the commission.

Exhibit 1
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Millions)



WMATC: Washington Metropolitan Area Transit Commission

Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, PSC's fiscal 2025 allowance increases by $1.8 million, or 6.9%, compared to the fiscal 2024 working appropriation. The largest increase is in the area of regular personnel expenditures, which increase by $1.3 million. This includes an $825,200 increase for salary increases and associated fringe benefit costs and an increase of $668,700 to support 8 new regular positions. Contractual personnel costs decrease by $104,500 due to the conversion of 3 contractual FTE positions to 2 regular positions.

Exhibit 2
Proposed Budget
Public Service Commission
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2023 Actual	$21,956	$849	$22,804
Fiscal 2024 Working Appropriation	25,250	860	26,110
Fiscal 2025 Allowance	26,967	956	27,923
Fiscal 2024-2025 Amount Change	$1,717	$96	$1,813
Fiscal 2024-2025 Percent Change	6.8%	11.2%	6.9%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments	$825
Cost of 8 new regular positions	603
Workers' compensation premium assessment	-33
Turnover expectancy increased from 3.64% to 4.01%	-67
Other Changes	
Contractual service costs of Chapter 95 of 2023 to conduct offshore wind interconnection study	1,000
Contractual service costs of Chapter 652 of 2023 to make permanent the Community Solar Energy Generating Systems Pilot Program	100
Motor vehicle expenses including the replacement costs for three vehicles	60
Rent	36
Outside experts and consultants	-29
Contractual personnel expenses, reflecting the elimination of 3 full-time equivalent positions due to contractual conversions	-104
Contracts for information technology to better align with recent experience	-113
Contract for retail choice customer education materials, which expires in fiscal 2024	-400
Other	-65
Total	**$1,813**

COLA: cost-of-living adjustment

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

The largest increase in operating expenses outside of the area of personnel is an additional $1.1 million for contractual services for costs related to Chapters 95 and 652 of 2023. Of this total, $1.0 million is budgeted for additional contractual services that are required by Chapter 95, including costs associated with the required electric transmission system upgrade and expansion study and solicitations for proposals for open access offshore wind transmission facilities and complementary onshore transmission upgrades and expansions. The fiscal 2025 allowance also includes $100,000 for additional contractual services as required by Chapter 652, which makes permanent the Community Solar Energy Generating Systems Pilot Program.

Infrastructure Investment and Jobs Act and Inflation Reduction Act Funding

Although PSC has not been directly awarded federal funding under either the Infrastructure Investment and Jobs Act (IIJA) or the Inflation Reduction Act (IRA), competitive grant funding is available through the IIJA to Maryland's utilities for projects relating to the reliability and resiliency of the electric grid. Additional discussion of IIJA competitive grant funding that is available to Maryland utilities can be found in Key Observation 3 of this analysis. Additional discussion of IIJA formula grant funding awarded to MEA on behalf of the State for grid reliability and resiliency planning activities can be found in the analysis for D13A13 – Maryland Energy Administration.

Personnel Data

	FY 23 Actual	FY 24 Working	FY 25 Allowance	FY 24-25 Change
Regular Positions	141.00	147.00	155.00	8.00
Contractual FTEs	5.60	12.00	9.00	-3.00
Total Personnel	**146.60**	**159.00**	**164.00**	**5.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.85	4.01%
Positions and Percentage Vacant as of 12/31/23	15.00	10.20%
Vacancies Above Turnover	9.15	

- The fiscal 2025 allowance includes funding for an additional 8 regular positions. These positions include:

  - 4 new positions due to Chapter 95, including 1 offshore wind program manager position, 1 regulatory economist position, 1 staff attorney position, and 1 engineer position;

  - 2 new regulatory economist positions due to Chapter 652; and

  - 2 new administrative specialist positions resulting from the conversion of 3 contractual FTE administrative specialist positions.

- In addition to the 8 new regular positions funded by the fiscal 2025 allowance, 1 new regular position (a procurement officer trainee position) was created in fiscal 2024 by the Board of Public Works.

- Out of the 15 total departmentwide vacancies as of December 31, 2023, 4 vacant positions, or 2.6% of total authorized positions, had been vacant for greater than one year. An additional 4 positions reflect new positions created in fiscal 2024 that had not been filled as of that date. **PSC should comment on efforts to fill long-term vacancies and new positions.**

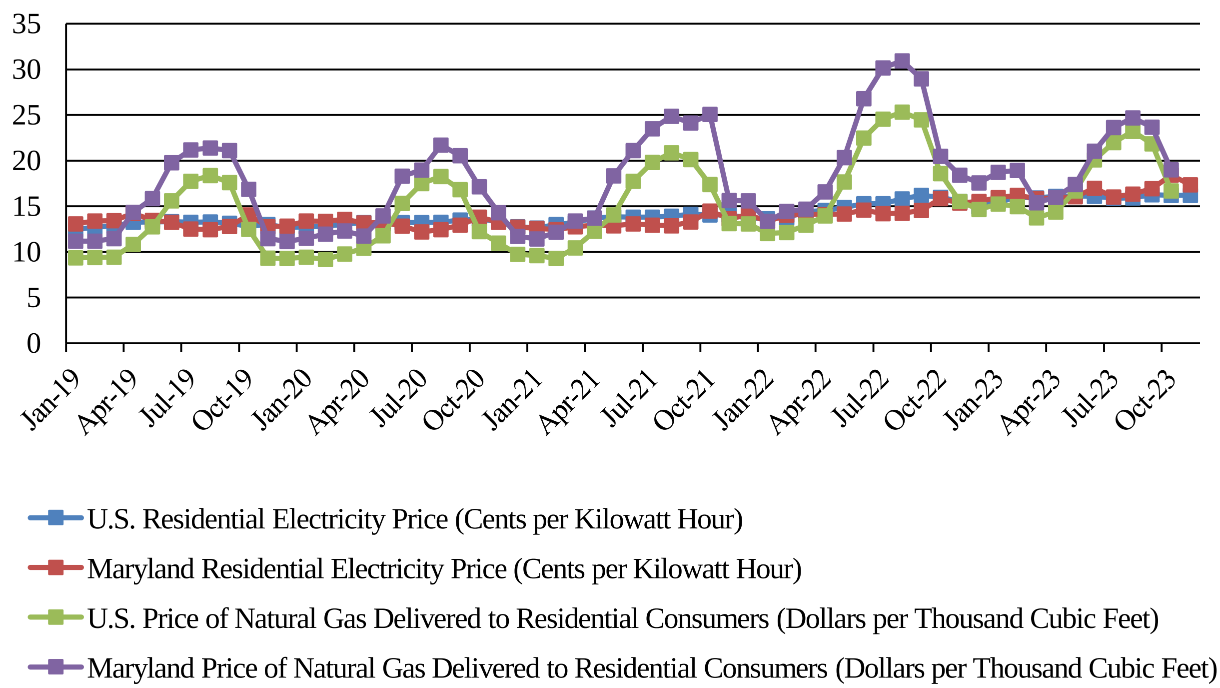
Key Observations

1. Utility Terminations Increase and Arrearages Remain Elevated

Energy Prices

Utility terminations and arrearages have been impacted in recent years first by economic hardship caused by the COVID-19 pandemic and subsequently due to rising energy costs, driven by inflation in the energy sector and other impacts to energy market supply and demand. As shown in **Exhibit 3**, the residential prices for both electricity and natural gas have generally been rising over the past five calendar years. According to pricing data reported by the U.S. Energy Information Administration, in November 2023, the average price of electricity for residential customers in Maryland was 17.38 cents per kilowatt hour (kWh), approximately 13.1% higher than in November 2022 and 27.3% higher than in November 2021. Notably, the residential price for electricity has grown faster than the U.S. average during calendar 2023, which was 16.19 cents per kWh in November 2023.

Exhibit 3
Average Residential Electricity and Natural Gas Prices
Calendar 2019-2023



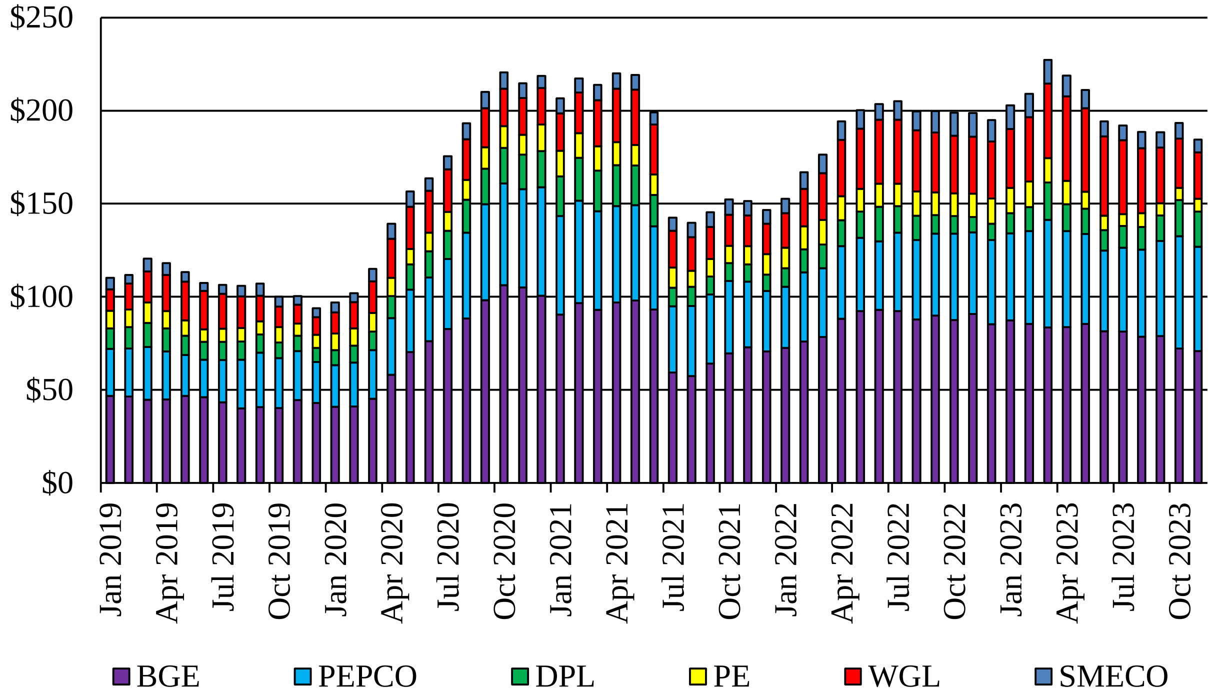
Source: U.S. Energy Information Administration

Natural gas prices are largely seasonal, with prices reaching their highest points from late summer to early fall and declining during winter months. At its seasonal high point in August 2023, the average price of natural gas delivered to residential customers in Maryland was $24.70 per thousand cubic feet. In comparison, the season high point in August 2022 for Maryland residential customers was $30.90 per thousand cubic feet. Although year-over-year residential natural gas prices in Maryland declined by approximately 20% between August 2022 and August 2023, prices in August 2022 were approximately 24% higher than August 2021 and approximately 42% higher compared to August 2020.

Arrearages

PSC reports monthly data by utility on residential utility terminations and arrearages on its website, including data on the number of utility customers with arrearages, the total amount of outstanding arrearages, and the number of utility terminations. **Exhibit 4** shows that PSC reported data on the total dollar amount of outstanding arrearages for residential utility customers for select Maryland utilities. Prior to the onset of the COVID-19 pandemic, total outstanding arrearages declined slightly through calendar 2019 to approximately $93.9 million in December 2019 before increasing rapidly throughout calendar 2020 to a peak of approximately $220.6 million in October 2020. A utility termination moratorium in effect between March and November 2020 during the height of the COVID-19 pandemic likely contributed to the increase, as customers were not at risk of termination, and there were widespread economic disruptions. Arrearages remained elevated through the first half of calendar 2021 before decreasing during summer 2021, corresponding to the allocation of $83 million to support arrearage assistance as directed by Chapter 39 of 2021. Arrearages remained at a lower level throughout the second half of calendar 2021 before rebounding throughout calendar 2022. During calendar 2023, arrearages increased during the first months of the year to a new high of approximately $227.3 million in March 2023, nearly $6.7 million higher than the previous high point in October 2020. However, arrearages have generally decreased through the remainder of calendar 2023, and in November 2023 totaled approximately $184.5 million, the lowest level since March 2022. Although arrearages have declined during calendar 2023, they remain elevated above prepandemic levels.

Exhibit 4
Total Residential Arrearages for Select Utilities
Calendar 2019-2023
($ in Millions)



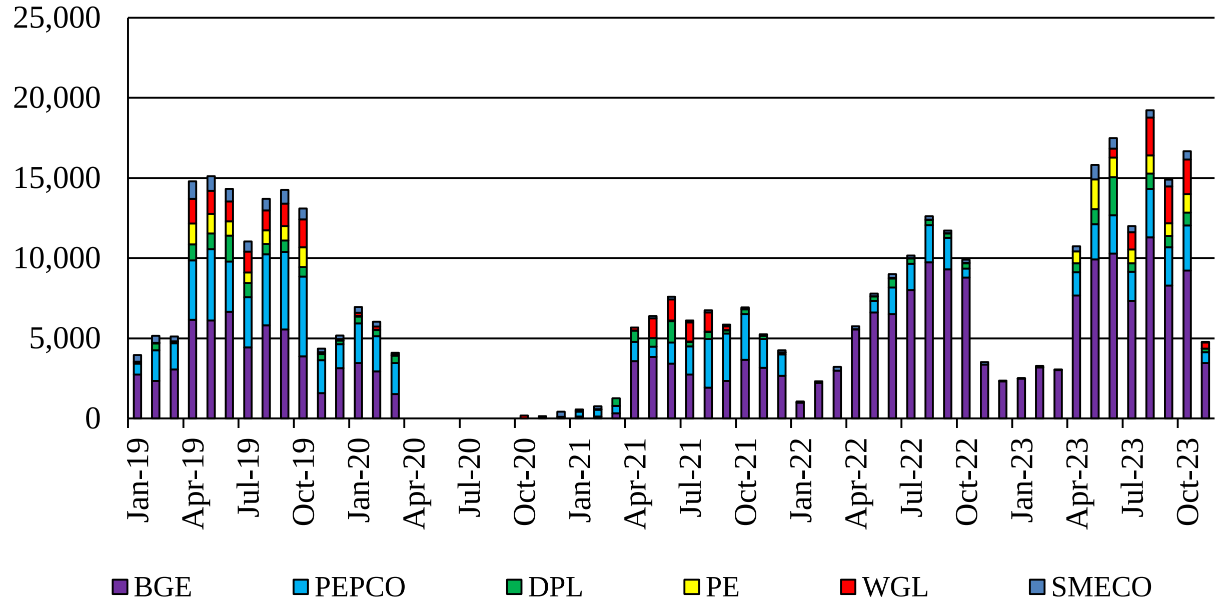
BGE: Baltimore Gas and Electric Company
DPL: Delmarva Power and Light
PE: The Potomac Edison Company
PEPCO: Potomac Electric Power Company
SMECO: Southern Maryland Electric Cooperative, Inc.
WGL: Washington Gas Light

Source: Public Service Commission

Terminations

The number of monthly utility terminations for select utilities are shown in **Exhibit 5**. Due to restrictions on the circumstances in which a utility may terminate service during the winter heating season between November 1 and March 31, utility terminations follow a seasonal pattern, with the most occurring during late spring, summer, and early fall. Similar to outstanding arrearages, utility terminations were impacted by the moratorium that was in effect between March and November 2020 and by the distribution of State funding to utilities for arrearage assistance relief in summer 2021. However, during summer 2022, utility terminations began to rebound toward prepandemic levels and in summer 2023 reached levels above summer 2019. In August 2023, the largest number of utility terminations (19,228) occurred in a single month over the past five years. Comparatively, total utility terminations in August 2023 were approximately 52% higher than in August 2022 and 40% higher than in August 2019.

Exhibit 5
Service Terminations for Select Utilities
Calendar 2019-2023



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PEPCO: Potomac Electric Power Company
SMECO: Southern Maryland Electric Cooperative, Inc.
WGL: Washington Gas Light

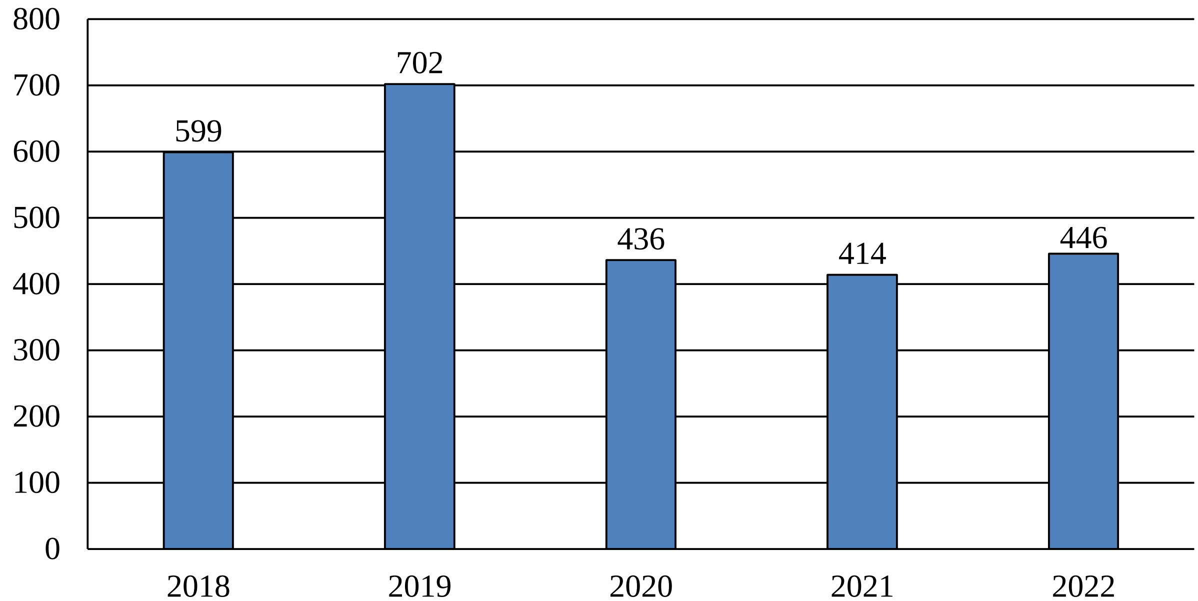
Source: Public Service Commission

2. Complaints and Enforcement Against Third-party Energy Suppliers

The PSC Consumer Affairs Division (CAD) is responsible for investigating and resolving complaints made by Maryland ratepayers against utilities and third-party retail energy suppliers and tracking data regarding complaints that were filed to identify potential patterns of regulatory noncompliance. Maryland utility customers may file a complaint against PSC-regulated companies through the PSC website or by mail.

Due to ongoing concern by the General Assembly related to the number of complaints against third-party retail energy suppliers for engaging in prohibited marketing practices, committee narrative in the 2023 *Joint Chairmen's Report* (JCR) requested that PSC submit complaint data, including the main reasons for complaints filed against third-party suppliers and the zip codes with the highest number of complaints filed. PSC was also asked to report on its investigations into these complaints and the enforcement actions that it has taken in cases in which suppliers were found to have engaged in prohibited marketing practices. As reported by PSC, the total number of complaints filed against third-party retail energy suppliers by year since calendar 2018 is shown in **Exhibit 6**. The fiscal 2022 total of 446 complaints is roughly consistent with totals from fiscal 2020 and 2021, following elevated totals in fiscal 2018 and 2019.

Exhibit 6
Total Annual Complaints Filed Against Suppliers
Calendar 2018-2022

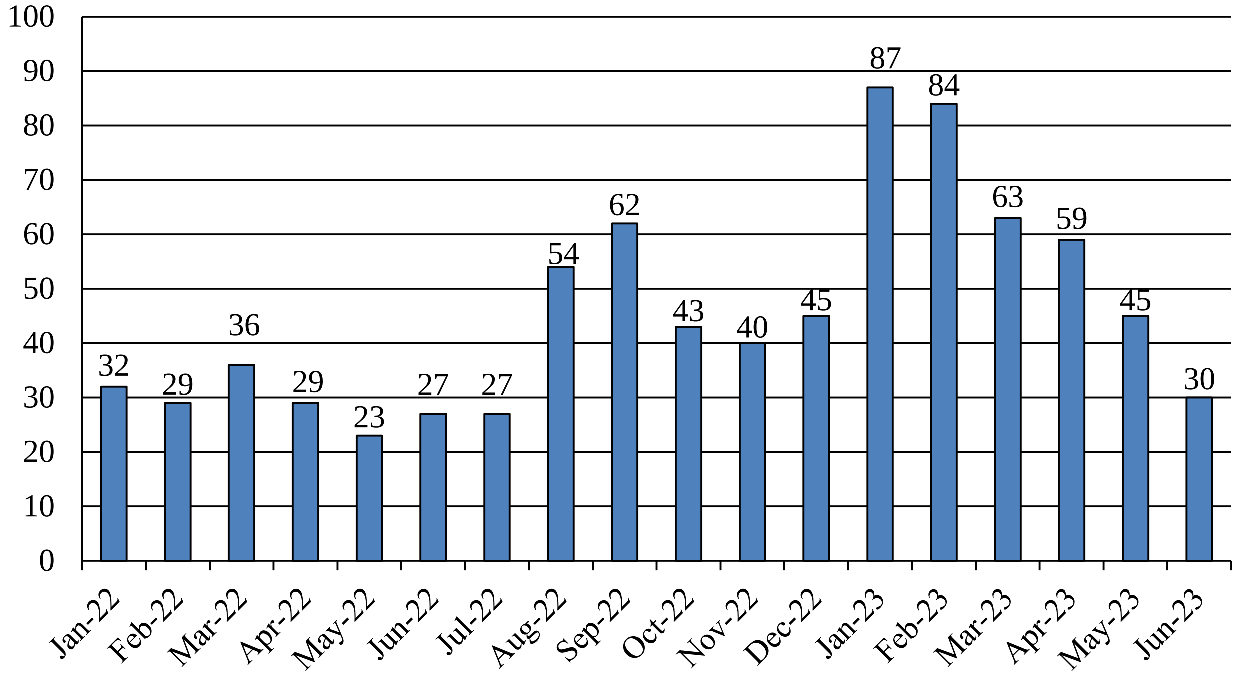


Source: Public Service Commission

During fiscal 2022, CAD worked with a contractor to develop and launch a new online customer complaint portal, which launched publicly in February 2022 in addition to a new cloud-based complaint data management system. PSC has reported data on its website for complaints against third-party retail energy suppliers since December 2019 and in fiscal 2023 began posting quarterly data on complaints against utilities. Quarterly reports for complaints received by CAD against third-party suppliers are currently available for all four quarters of fiscal 2023, while quarterly reports for complaints against utilities are available for the first two quarters of fiscal 2023. **PSC should comment on the length of time after each quarter ends before the reports are available to be published on PSC's website.**

As shown in **Exhibit 7**, from the monthly data posted on its website, PSC reported 446 complaints filed against third-party suppliers in calendar 2022 and 368 complaints filed during the first six months of calendar 2023. Monthly complaint totals during this time period ranged from a low of 23 in May 2022 to a high of 87 in January 2023. Due to a spike in complaints filed during January and February 2023, PSC launched its Maximum Enforcement initiative on February 1, 2023, a multidivision collaborative effort to place increased focus on investigating complaints and, if necessary, pursuing enforcement actions.

Exhibit 7
Monthly Complaints Filed Against Suppliers
January 2022-June 2023



Source: Public Service Commission

Exhibit 8 shows data reported by PSC on the most commonly identified primary complaint issue for all complaints filed between calendar 2018 and 2022, separated by complaints filed against electric and natural gas suppliers. The two most commonly identified complaint issues for both electric and natural gas suppliers were slamming and misrepresentation. Slamming is defined by PSC as the illegal practice of switching a customer's electricity or gas supply service without their permission. Misrepresentation refers to any use of false or deceptive statements in an effort to enroll customers.

Exhibit 8
Primary Complaint Issue for Supplier Complaints
Calendar 2018-2022

Electric Suppliers – Primary Complaint Issue	Complaints
Slamming	808
Misrepresentation	461
Stop/Start Service Issue	201
Billing Dispute	175
Sudden Price Increase	120
Gas Suppliers – Primary Complaint Issue	**Complaints**
Slamming	236
Misrepresentation	113
Stop/Start Services	75
Billing Dispute	50
Sudden Price Increase	21

Source: Public Service Commission

Exhibit 9 shows, for all complaints filed between calendar 2018 and 2022, data reported by PSC on the zip codes with the highest number of complaints. The zip code with the highest number of complaints filed between calendar 2018 and 2022 (71) is 21218, which is located in central Baltimore City, north of downtown. Of the top 10 zip codes, 8 were located in Baltimore City or primarily Baltimore City and portions of Baltimore County, 1 was located primarily in Baltimore County (Dundalk), and 1 was located in northern Anne Arundel County (Glen Burnie).

Exhibit 9
Zip Codes with the Highest Number of Supplier Complaints
Calendar 2018-2022

Zip Code	Complaints
21218	71
21229	66
21215	64
21222	62
21234	55
21061	54
21213	53
21216	48
21212	47
21217	47

Source: Public Service Commission

CAD investigates each complaint filed with PSC and renders a decision based on the findings of its investigation. In cases in which a company demonstrates a pattern of regulatory noncompliance through the complaints investigated by CAD, a recommendation is made to initiate an enforcement action, and a docketed proceeding before the commission is initiated. Suppliers that are found to be in violation of State laws and regulations are subject to enforcement measures, including assessment of civil penalties, customer re-rates, cease and desist notices, license suspensions, and/or license revocations. PSC notes that due to the right to appeal a commission decision for judicial review at the circuit and appellate court level, some enforcement proceedings may take extended time to close.

PSC reports that, since calendar 2010, it has taken enforcement action 19 times against 16 different suppliers, including 3 suppliers with 2 enforcement actions taken against them during this time. In all currently closed cases except one, civil penalties were assessed, totaling over $2.5 million, and in many cases, suppliers were also ordered to provide refunds to customers. Enforcement actions against 4 suppliers are currently ongoing, 1 of which was initiated in calendar 2023 and 3 of which were initiated in calendar 2019.

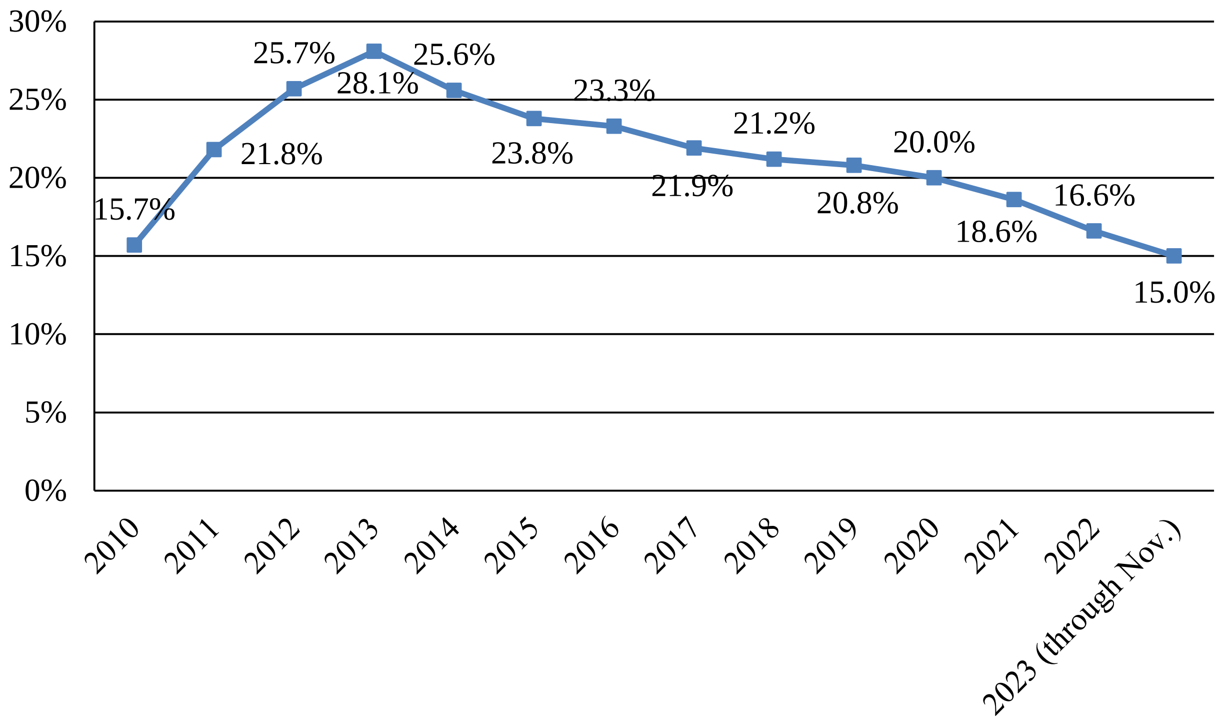
Two settlements have been reached and enforcement action has been taken by PSC against suppliers in the past year. On April 16, 2023, PSC announced a civil penalty of $40,000 against Greenlight Energy, Inc. and ordered that customer refunds be provided to certain customers. On January 11, 2024, PSC announced that it had reached a settlement with SFE Energy Maryland to resolve allegations that the electricity and natural gas supplier engaged in deceptive marketing practices and failed to comply with PSC customer protection regulations. A civil penalty of

$150,000 was assessed in addition to a requirement to provide $400,000 in customer refunds to certain customers that were enrolled by door-to-door marketing, paid early termination fees, or received State energy assistance benefits but paid more than their utilities' standard offer service rate.

Customers Enrolled with a Third-party Retail Electric Supplier

PSC reports monthly data on its website on the number of utility customers that are enrolled with third-party retail electric suppliers, including the number of customers in each utility service territory and the percentage of accounts in each utility service territory that are served by a third-party supplier. **Exhibit 10** shows the total percentage of all eligible Maryland utility customer accounts that are enrolled with third-party retail electric suppliers as of December 31 of each calendar year. Calendar 2023 data reflects data from November 2023, the most recent month for which data is available. Supplier utilization reached its highest point in calendar 2013, when 28.1% of eligible utility customer accounts were enrolled with a supplier. Since calendar 2013, supplier enrollment has declined each year and as of November 2023 was 15.0%.

Exhibit 10
Third-party Retail Electric Supplier Enrollment
Calendar 2010-2023



Source: Public Service Commission

3. Infrastructure Investment and Jobs Act Competitive Grant Funding Applications Submitted by Utilities

The federal IIJA contains historic investments in the nation's utility infrastructure, including funding for projects supporting grid resiliency and reliability, electric generation and transmission, electric transportation, and improved cybersecurity protections. Programs authorized by the IIJA include a combination of formula grant funding allocated directly to the states and competitive grant programs, such as those supporting investments in electric grid infrastructure and resiliency that are available directly to Maryland utilities.

The fiscal 2025 allowance for MEA includes the first portion of Maryland's formula allocation of IIJA funds for electric grid resiliency, an $8.8 million grant under the Preventing Outages and Enhancing Resilience of the Electric Grid Grants program. These funds may be used to fund improvements to the utility grid that improve resiliency to strengthen the power grid against extreme weather, natural disasters, and other impacts of climate change, such as upgrades to utility transformers and power lines, the incorporation of energy storage technologies, and similar improvements.

Other IIJA funding for electric grid resiliency is available through three main competitive grant programs that are available to state entities, tribes, utilities, and industry and together make up the Grid Resilience and Innovation Partnerships (GRIP) Program administrated by the U.S. Department of Energy Grid Deployment Office (GDO). The GRIP Program includes $10.5 billion in total federal grants to enhance grid flexibility and improve the resilience of the power system against growing threats of extreme weather and climate change. The GRIP programs include:

- ***Grid Resilience Utility and Industry Grants:*** Funding will support projects that modernize the electric grid to reduce the impacts of extreme weather, natural disasters, and other events that can cause disruptions to the power system, including transmission upgrades and distribution technology solutions.

- ***Smart Grid Grants:*** Funding will support projects that increase the flexibility, efficiency, and reliability of the electric power system with a focus on increasing the capacity of the transmission system, preventing faults that may lead to system disturbances, integrating renewable energy at the transmission and distribution levels, and facilitating the integration of increasingly electrified buildings, vehicles, and other devices.

- ***Grid Innovation Program:*** Funding will support projects that use innovate approaches to transmission, storage, and distribution infrastructure to enhance grid resilience and reliability.

Public Conference 56 Initiated to Oversee Infrastructure Investment and Jobs Act Funding for Utilities

In June 2022, PSC ordered the initiation of Public Conference (PC 56) and required that each electric and natural gas public service company subject to the jurisdiction of PSC file a monthly report containing a description of all projects for which federal IIJA funding has been sought to date. PC 56 was also initiated to serve as a forum for stakeholders and interested parties to file written comments related to potential programs or funding that was authorized under the IIJA and is available to Maryland utilities or advance the State's policy goals. While initiated to focus solely on IIJA funding opportunities, PC 56 has also included funding opportunities available through the federal IRA.

In August 2022, the first monthly filings were made by Maryland utilities as directed by PC 56. Monthly reports have been filed each month since by Potomac Electric Power Company, Delmarva Power and Light, and Baltimore Gas and Electric collectively as the Exelon Joint Utilities and by Potomac Edison (PE) and Southern Maryland Electric Cooperative (SMECO) individually. According to monthly reporting, all five utilities submitted concept papers and subsequently full applications to GDO for funding available through the first round of the GRIP Program.

In November 2022, the first round of GRIP program funding was announced, with the total availability of $3.46 billion. Awards from this opportunity were announced on October 18, 2023. The Exelon Joint Utilities and PE were informed that their applications were not selected to receive awards under the first round of GRIP Program grants. Funding supports 58 projects across 44 states, including an award of $33.6 million to SMECO to fund the SMECO Transmission, Distribution, and Communications Resiliency Initiative. To date, SMECO is the only Maryland utility that has been awarded a federal grant through GRIP.

The award includes a $15.6 million cost share from SMECO. A funding contract between GDO and SMECO for this award is currently pending. As outlined by GDO, the SMECO Transmission, Distribution, and Communications Resiliency Initiative includes several projects to improve the resilience and reliability of its distribution system in order to prevent power outages caused by severe weather events. These projects include the replacement and hardening of transmission lines with new steel structures, strategic undergrounding, and the installing of high-capacity fiber optical wire for communications.

On November 14, 2023, the availability of $3.9 billion through the second round of GRIP Program funding was announced, with concept papers due on January 12, 2024, as a first step in the application process.

4. Status of Planned Offshore Wind Projects

PSC previously approved two rounds of Offshore Wind Renewable Energy Credits (OREC) in calendar 2017 and 2021 to two developers of offshore wind projects planned off the coast of Maryland and southern Delaware, U.S. Wind, Inc. and Skipjack Offshore Energy, LLC. In approving the second round of ORECs to both developers in calendar 2021, PSC noted that the proposed projects would total approximately 2,000 megawatts in combined generation capacity, which would allow the State to meet the target set in Chapter 757 of 2019 (The Clean Energy Jobs Act) of a minimum of 1,200 megawatts of offshore wind generating capacity constructed and operational by calendar 2030. Recently, Chapter 95 (the POWER Act) increased this goal to a minimum of 8,500 megawatts of generating capacity by calendar 2031.

Proposed offshore wind projects located in federal waters are subject to review and permitting by the U.S. Department of the Interior Bureau of Ocean Energy Management (BOEM). Both U.S. Wind, Inc. and Skipjack Offshore Energy, LLC were previously awarded offshore wind lease areas by BOEM, and planned projects by both developers are currently in separate stages of the federal permitting process. The projects under development by U.S. Wind, Inc. are the closest to reaching conclusion of the federal permitting process and receiving federal approval for construction and operation. In September 2023, BOEM announced the release of a draft Environmental Impact Statement (EIS) for the U.S. Wind, Inc. offshore wind lease area, which is located off the coast of Ocean City, Maryland. A 45-day public comment period began on October 6, 2023, and ended on November 20, 2023. During October 2023, two in-person and two virtual public meetings were hosted by BOEM as part of the public comment process. Input received during these meetings will inform the preparation of the final EIS for the U.S. Wind, Inc. projects.

The final stage of federal review and permitting by BOEM following the approval of a final EIS is the approval of a Construction and Operations Plan (COP). U.S. Wind, Inc. submitted its COP for review in calendar 2020 and most recently submitted an updated version in July 2023. Once BOEM has approved the COP for proposed projects, along with accompanying authorizations by other agencies, construction is authorized and may proceed. Officials at U.S. Wind, Inc. anticipate that the federal permitting process will conclude during calendar 2024 and that construction on the company's planned projects will begin shortly thereafter, with initial electricity generation beginning in calendar 2025.

Skipjack Offshore Energy, LLC received approval of an initial Site Assessment Plan for its offshore wind lease area by BOEM in December 2019, and the federal review process of the Skipjack Offshore Energy, LLC projects is currently ongoing. On January 25, 2024, Orsted, a Danish renewable energy company of which Skipjack Offshore Energy, LLC is a subsidiary, announced that it would be withdrawing from its agreement with the State of Maryland to fund the Skipjack Offshore Energy, LLC projects through ORECs previously approved by PSC. They attributed this decision to a lack of financial viability of the current funding structure due to supply chain issues in the offshore wind industry, high inflation, and heightened interest rates. Orsted reemphasized its commitment to advancing the development of the Skipjack Offshore Energy, LLC projects in federal waters and pursuing federal permitting for the projects as it determines how to best proceed with the project under alternative funding arrangements.

Prior to its announcement regarding the Skipjack Offshore Energy, LLC projects, Orsted announced on October 31, 2023, that it would cease its development of two planned projects off the coast of southern New Jersey. Orsted cited similar ongoing funding issues with those projects related to supply chain issues, inflation, and heightened interest rates.

Despite the industry challenges outlined by Orsted, other planned projects in other areas of the Atlantic Ocean, including the U.S. Wind, Inc. projects and projects off the coasts of several other Mid-Atlantic and New England states, continue to advance in the planning and federal permitting process. Notably, on October 31, 2023, BOEM announced its approval through a Record of Decision of the construction and operation of the Coastal Virginia Offshore Wind commercial project, a 2,600 megawatt, 176 turbine project located off the coast of Virginia Beach, Virgina. Dominion Energy, which owns the project, anticipates that the project is on track to begin construction in mid-calendar 2024 and will be complete in calendar 2026. Previously, the initial pilot phase of this project became the second operational offshore wind farm in the United States. in calendar 2020 following the Block Island Wind Farm off the coast of Rhode Island in calendar 2016.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- ***Building Electrification Grid Impact Study:*** In December 2023, PSC submitted to the General Assembly an electrification study to assess the capacity of Maryland's gas and electric utilities to serve customers under a managed transition to a highly electrified building sector as directed by Chapter 38 of 2022 (The Climate Solutions Now Act). The study, titled *An Assessment of Electrification Impacts on the Maryland Electric Grid*, was prepared by the Brattle Group and followed an extensive stakeholder process through PSC's Electrification Study Workgroup. The results of the report indicate that under high electrification scenarios, with utility energy efficiency plans consistent with Chapter 38 and existing demand response plans, in the aggregate, Maryland electric systems would see a 2.1% maximum growth rate in the demand for electricity per year through calendar 2031. Additional energy efficiency and load flexibility measures could result in significant mitigation of load growth by 0.2% to 1.2% per year.

Appendix 1
2023 *Joint Chairmen's Report* Responses from Agency

The 2023 JCR requested that PSC prepare five reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Procedures Related to Court Filings on Behalf of PSC in Court Proceedings:*** A report was submitted providing information on the review process in place by PSC's Office of General Counsel (OGC) to ensure that the correct versions of legal filings are submitted on behalf of PSC in circuit court and appellate court proceedings. Specifically, OGC requires that before answering memoranda or briefs are filed in circuit court or appellate court, all drafts must be submitted for internal review one to two weeks prior to the filing date, and final versions must be subsequently reviewed and approved prior to filing.

- ***Outcomes of Appeals of the PSC Decisions:*** A report was submitted providing data on the outcomes of PSC orders that were subsequently appealed to the circuit court and appellate court levels for judicial review, including the number of orders reversed or remanded for additional findings. PSC reported that between fiscal 2013 and 2023, a total of 88 decisions were rendered by courts relating to PSC orders appealed for judicial review, and that of these decisions, a total of 9 judicial reversals or remands were issued. Most recently, 1 judicial reversal or remand was issued during fiscal 2022 and 3 were issued during fiscal 2021. During the 10-year reporting period, 36 appeals of utility rate cases occurred, of which only 2 were not upheld on judicial review. These 2 appeals were remanded by the courts for more particular written findings.

- ***Enforcement Actions Against Third-party Energy Suppliers:*** A report was submitted providing data on complaints received by PSC against third-party retail energy suppliers and a discussion of enforcement actions taken by PSC against third-party retail energy suppliers that are found to have engaged in prohibited marketing practices. Additional discussion of this data can be found in Key Observation 2 of this analysis.

- ***Availability of Reporting of Complaints Filed Against Utilities:*** A report was submitted on the availability of quarterly reporting summaries for complaints filed with PSC against utilities on the PSC website. Reporting of complaint data against utilities in addition to the ongoing reporting of complaints against third-party retail energy suppliers began in fiscal 2023.

- ***Cybersecurity Protections for Utilities:*** A report is required to be submitted by July 1, 2024, on planning efforts related to cybersecurity protections for public utilities, including national best practices for implementing an ongoing and iterative cybersecurity regulatory structure for electric, gas, and water utilities.

Appendix 2
Object/Fund Difference Report
Public Service Commission

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	141.00	147.00	155.00	8.00	5.4%
02 Contractual	5.60	12.00	9.00	-3.00	-25.0%
Total Positions	**146.60**	**159.00**	**164.00**	**5.00**	**3.1%**
Objects					
01 Salaries and Wages	$ 18,185,670	$ 19,826,203	$ 21,154,359	$ 1,328,156	6.7%
02 Technical and Special Fees	304,271	554,322	449,852	-104,470	-18.8%
03 Communication	41,481	81,952	71,979	-9,973	-12.2%
04 Travel	145,677	146,759	153,537	6,778	4.6%
07 Motor Vehicles	205,257	211,844	271,538	59,694	28.2%
08 Contractual Services	2,215,897	3,246,155	3,686,133	439,978	13.6%
09 Supplies and Materials	77,065	79,604	91,912	12,308	15.5%
10 Equipment – Replacement	70,174	89,280	99,327	10,047	11.3%
11 Equipment – Additional	20,421	22,428	20,119	-2,309	-10.3%
12 Grants, Subsidies, and Contributions	270,062	509,357	531,176	21,819	4.3%
13 Fixed Charges	1,268,492	1,341,863	1,393,039	51,176	3.8%
Total Objects	**$ 22,804,467**	**$ 26,109,767**	**$ 27,922,971**	**$ 1,813,204**	**6.9%**
Funds					
03 Special Fund	$ 21,955,956	$ 25,250,222	$ 26,967,109	$ 1,716,887	6.8%
05 Federal Fund	848,511	859,545	955,862	96,317	11.2%
Total Funds	**$ 22,804,467**	**$ 26,109,767**	**$ 27,922,971**	**$ 1,813,204**	**6.9%**

Note: The fiscal 2025 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.