

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 710
 Finance

(Senator Madaleno, *et al.*)

Public Service Commission - Membership

This bill expands the membership of the Public Service Commission (PSC) from five commissioners to nine.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: Special fund expenditures from the Public Utility Regulation Fund increase by \$2.1 million in FY 2014 for staff and renovation expenses. Expenditures increase by approximately \$1.2 million annually beginning in FY 2015 which reflects inflation and ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. Even though the bill takes effect June 1, 2013, it is assumed that State finances are not materially affected until FY 2014.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$2.1	\$1.2	\$1.2	\$1.3	\$1.3
SF Expenditure	\$2.1	\$1.2	\$1.2	\$1.3	\$1.3
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Current Law: PSC consists of five commissioners appointed by the Governor with the advice and consent of the Senate. The commission must be (1) broadly representative of the geographic and demographic diversity of the State and of the public and (2) composed of individuals with diverse training and experience. Terms of commissioners last five years and are staggered.

PSC regulates gas, electric, telephone, water, sewage disposal, and certain passenger transportation companies doing business in Maryland. PSC is authorized to hear and decide matters relating to (1) rate adjustments; (2) applications to exercise or abandon franchises; (3) approval of issuance of securities; (4) promulgation of new rules and regulations; and (5) quality of utility and common carrier service. PSC sets utility rates, collects and maintains records and reports of public service companies, reviews plans for service, inspects equipment, audits financial records, handles consumer complaints, and promulgates and enforces rules and regulations.

Background: As shown below in **Exhibit 1**, many surrounding states have public service commissions (or their equivalent) of approximately the same membership as the current PSC.

Exhibit 1 Public Service Commission Membership – Selected States

<u>Commission</u>	<u>Membership</u>
Delaware Public Service Commission	5
New Jersey Board of Public Utilities	5
New York Public Service Commission	5
Pennsylvania Public Utility Commission	5
Virginia State Corporate Commission	3
West Virginia Public Service Commission	3

Source: Department of Legislative Services

State Fiscal Effect: Special fund expenditures from the Public Utilities Regulation Fund increase by \$2.1 million in fiscal 2014, which accounts for a 30-day start-up delay from the bill's June 1, 2013 effective date. This estimate reflects the cost of hiring four commissioners, four management associates, and two commissioner advisors. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	10
Salaries and Fringe Benefits	\$1,108,111
Renovations	697,040
Temporary Rent	211,030
Equipment/Other Operating Expenses	<u>68,340</u>
Total FY 2014 State Expenditures	\$2,084,521

PSC advises that there are no available offices or additional floor space in its building, and that its main hearing room cannot accommodate four additional commissioners without renovations. Therefore, PSC must renovate its main hearing room to accommodate an expanded commission at hearings and must also renovate its existing location to create additional office space for the commissioners and associated staff hired under the bill. PSC must rent a hearing room large enough to accommodate the expanded commission and must also rent office space for the commissioners and staff until the renovations are complete.

Future year expenditures reflect annual increases in salaries and employee turnover as well as annual increases in ongoing operating expenses.

Special fund revenues increase correspondingly in each year from assessments imposed on public service companies to recoup costs incurred by PSC as authorized under current law.

Additional Information

Prior Introductions: SB 22 of the 2012 second special session was referred to the Senate Rules Committee. No further action was taken.

Cross File: None.

Information Source(s): Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2013
mc/lgc

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