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PUBLIC SERVICE COMMISSION

David Littell, Regulatory Assistance Project
Co-leader, Public Conference 44 Rate Design Workgroup
William Donald Schaefer Tower
6 Saint Paul Street
Baltimore, MD 21202

RE: Public Conference 44 – Rate Design Workgroup

Dear Mr. Littell:

Background

On January 31, 2017, the Maryland Public Service Commission (“the Commission”) issued a Notice in Public Conference 44 (“PC 44”) which, *inter alia*, set forth 8 guiding principles and established the Rate Design Workgroup.¹ In the Commission’s November 28, 2017 Letter Order, the Commission directed the workgroup to further refine the design of two pilot programs in each service territory – one for customers who wish to receive Standard Offer Service, and another pilot for customers who wish to receive service from a retail supplier – and deliver more detailed pilot proposals for Commission consideration. On February 9, 2018, the Workgroup leaders filed their second workgroup report (“the Report”) as a “near-consensus document” in which they listed six requested Commission Decision Points, together with the workgroup position on each, as well as a suggested timeline for the suggested pilot programs.² In this Letter Order the Commission addresses each of the six Decision Points and the suggested timeline.

Decisions

The Commission is very disappointed that the retail supplier stakeholders did not generally participate in the second phase of the workgroup discussions.³ It is reasonable to believe that retail electric supply customers may be more price sensitive than SOS customers. It would be very important for the retail supply pilot to go forward and capture data to enable comparisons of the pilot results. The Commission strongly encourages retail suppliers to bid on the retail supply pilot offerings.

¹ PC 44, Dkt. No. 64, pp. 6 – 7.

² *Id.*, Dkt. No. 101, Report.

³ Report, p. 2.

Regarding the size of the pilot programs, the Commission agrees that the impact of TOU rates on low to moderate income (“LMI”) customers is important data to collect in the pilots. The pilots should be designed with a sufficient separate LMI sample to collect statistically-significant results, approximately 1,608 LMI customers in the sample group per service territory, and a total of approximately 4,020 SOS pilot program participants per service territory.⁴

The Commission agrees with the workgroup that the pilots should be based on a cost-based time-of-use SOS supply rate that includes all capacity and transmission costs in the on-peak period. Consequently, the Commission approves the pricing recommended by the workgroup:

BGE	Current (Flat)	On-Peak	Off-Peak	Ratio
Delivery Service Charges	\$ 0.03147	\$ 0.10571	\$ 0.02051	5.2
Supply Charges	\$ 0.08255	\$ 0.23874	\$ 0.05948	4.0
Total	\$ 0.11402	\$ 0.34445	\$ 0.07999	4.3

Pepco	Current (Flat)	On-Peak	Off-Peak	Ratio
Delivery Service Charges	\$ 0.04051	\$ 0.16165	\$ 0.01989	8.1
Supply Charges	\$ 0.08258	\$ 0.17706	\$ 0.06650	2.7
Total	\$ 0.12309	\$ 0.33871	\$ 0.08639	3.9

Delmarva	Current (Flat)	On-Peak	Off-Peak	Ratio
Delivery Service Charges	\$ 0.05402	\$ 0.20785	\$ 0.02404	8.6
Supply Charges	\$ 0.08143	\$ 0.16669	\$ 0.06481	2.6
Total	\$ 0.13545	\$ 0.37454	\$ 0.08885	4.2

This pricing will allow the Commission to compare whether the response to a 4.3/1 ratio is more pronounced than a 3.9/1 ratio.⁵

The Commission acknowledges that adding home technology to the LMI group would require too many additional pilot program participants to obtain statistically significant results. Therefore, the Commission agrees with the workgroup recommendation not to form a separate “LMI plus technology” subset in the pilots.

As noted, the Commission remains hopeful that electricity suppliers will respond to the utility bids for supplier pilots. Each participating utility is directed to issue a supplier RFP for two supplier pilots consistent with the criteria contained in Attachment A to the workgroup Report. Upon receiving bids in response to the RFP, the utilities are directed to rank the bids by a load-weighted average price as specified in Attachment A and provide a list to Commission

⁴ Report, Option A, pp. 4 – 5.

⁵ The Commission approves the workgroup proposal that the SOS supply ratio adjust seasonally and realizes that these price ratios are approximate and may change slightly throughout the course of the pilot.

Staff for selection and Commission approval. The Commission looks forward to robust supplier participation in response to the RFP.

Sufficient participation to obtain enough data to ensure statistically significant results is vital to being able to make future policy decisions regarding rate design. The Commission approves the workgroup recommendation that the utilities use a targeted acquisition approach and select a sample recruitment pool of SOS customers that mirrors the utility's overall customer base, without first attempting to recruit current TOU customers.⁶

Regarding net metered customers, the Commission directs that net metered customers are eligible for participation in the pilots limited to 10% of overall pilot program participants, but with the two exceptions recommended by the workgroup: virtual net metering customers and community solar pilot program participants are not eligible. A separate statistically-valid group of net metered customers is not required. The workgroups recommendation on the method by which to calculate a NEM customer's bill amount in the pilot program is adopted.⁷

The Commission approves the workgroup's recommendations regarding participating retail supplier costs for participating in the pilot program.⁸

Due to widespread installation of AMI metering technology, the rate design pilots should be able to take advantage of the more advanced EM&V 2.0. After considering both the Office of People's Counsel and the workgroup leaders' recommendations, the Commission directs that the Joint Utilities select and jointly contract with an evaluation contractor capable of employing EM&V 2.0. The selected contractor shall apply at least the EM&V criteria set forth in Attachment A to the workgroup leaders August 23, 2017 initial report.⁹ Data collected in the supplier pilots shall be included in the evaluation performed by the selected evaluation contractor and included in the costs for the pilots borne by ratepayers.

The Commission approves the timeline of key events proposed by the workgroup, as modified by the issue date of this Letter Order.

Finally, the Commission does not approve the range of budget estimates provided by the Joint Utilities. In particular, the Commission has serious concerns about the estimated Marketing, Research, and Customer Education costs. The Commission hopes that the directions included in this Letter Order will enable to Joint Utilities to refine their proposed budgets, particularly regarding the Marketing, Research, and Customer Education category, which the Commission will scrutinize carefully when the utilities submit their updated Budget and Cost Estimates in accordance with the approved timeline.

⁶ To that extent, the utilities may deviate from that portion of the Commission's Interim Order.

⁷ Report, p. 14.

⁸ Report, p. 16.

⁹ Dkt.No. 66, pp. 9 – 11.

Subject to the two guiding principles set forth in the January 31, 2017 Notice, the directives set forth in the November 28, 2017 Letter Order¹⁰ as further refined by this Letter Order, the Joint Utilities shall proceed with the rate design pilots, including preparation of refined budgets, marketing/outreach and EM&V plans and other items required for submission to the Commission and Stakeholders in accordance with the approved timeline.

By Direction of the Commission

/s/ David J. Collins

David J. Collins
Executive Secretary

¹⁰ Dkt. No. 80.