

STATE OF MARYLAND
PUBLIC SERVICE COMMISSION

ORDER NO. 88628

IN THE MATTER OF THE APPLICATION OF *
THE TOWN OF THURMONT, MARYLAND FOR *
AUTHORITY TO INCREASE ITS RATES FOR *
ELECTRIC SERVICE. *

BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

CASE NO. 9458

March 1, 2018

PROPOSED ORDER OF PUBLIC UTILITY LAW JUDGE

Appearances:

Thomas L. Rudebusch, Esquire, on behalf of the Town of
Thurmont, Maryland.

Theresa V. Czarski, Esquire, on behalf of the Maryland
Office of People's Counsel.

Annette B. Garofalo, Esquire, on behalf of the Technical
Staff of the Maryland Public Service Commission.

Procedural History

On September 8, 2017, the Town of Thurmont, Maryland
("Applicant" or "Town") filed an application for authority to
increase its rates for electric service ("Application")¹ with the
Maryland Public Service Commission ("Commission"). Accompanying
the Application was supporting testimony and related exhibits of
the following witnesses: James C. Humerick Jr., Chief

¹ Town Exhibit ("Ex.") 1.

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Administrative Officer of the Town;² David V. Downes, P.E., principal in the engineering firm of Downes Associates, Inc.;³ Christopher S. Simms, an employee of Downes Associates, Inc.⁴ The Application also included the Town's proposed revised rates effective on October 1, 2017 ("Revised Tariff Rates").

By Order No. 88380 issued on September 12, 2017, the Commission initiated a new docket, Case No. 9458, to consider the Application, suspended the Revised Tariff Rates for 150 days from the October 1 effective date, and delegated the matter to the Public Utility Law Judge Division.

On October 17, 2017, a pre-hearing conference was held and a procedural schedule was adopted. No petitions to intervene were filed.

On October 18, 2017, by Order No. 88430, the Commission suspended the Revised Tariff Rates an additional 30 days in light of the procedural schedule adopted.

On November 14, 2017, OPC filed the direct testimony of David E. Peterson, a Senior Consultant with Chesapeake Regulatory Consultants, Inc.;⁵ and Staff filed the direct testimony of the following witnesses: Drew M. McAuliffe, a Regulatory Economist in the Commission's Electricity Division;⁶ Dr. Huilan Li, a Regulatory

² Town Ex. 2 ("Humerick Direct").

³ Town Ex. 3 ("Downes Direct").

⁴ Town Ex. 4 ("Simms Direct").

⁵ OPC Ex. 1 (Peterson Direct).

⁶ Staff Ex. 1 ("McAuliffe Direct").

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Research Analyst in the Commission's Office of the Executive Director;⁷ Mark R. Ashland, a Public Utility Auditor in the Commission's Accounting Investigations Division;⁸ and Philip E. VanderHeyden, the Director of the Commission's Electricity Division.⁹

On December 6, 2017, an evening hearing for public comment was held in the Thurmont City Hall. No member of the public made a comment at the hearing. No written comments were received in the matter.

On December 12, 2017, the Town filed the rebuttal testimony of Mr. Humerick,¹⁰ Mr. Downes,¹¹ and Mr. Simms,¹² and Staff filed rebuttal testimony of Mr. McAuliffe.¹³

On December 22, 2017, Staff filed the surrebuttal testimony of Mr. Ashland¹⁴ and of Dr. Li.¹⁵

On January 4, 2018, the parties advised that a settlement in principle had been reached.

On January 31, 2018, the parties filed a Joint Motion for Approval of Agreement of Unanimous Stipulation and Settlement.¹⁶

⁷ Staff Ex. 5 ("Li Direct").

⁸ Staff Ex. 3 ("Ashland Direct").

⁹ Staff Ex. 7 ("VanderHeyden Direct").

¹⁰ Town Ex. 5 ("Humerick Rebuttal").

¹¹ Town Ex. 6 ("Downes Rebuttal").

¹² Town Ex. 7 ("Simms Rebuttal").

¹³ Staff Ex. 2 ("McAuliffe Rebuttal").

¹⁴ Staff Ex. 4 ("Ashland Surrebuttal").

¹⁵ Staff Ex. 5 ("Li Surrebuttal").

¹⁶ Joint Ex. 1.

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On February 13, 2018, Staff filed testimony in support of approval of the Settlement of Mr. Ashland¹⁷ and Dr. Li.¹⁸

On February 20, 2018, the Town and OPC each filed a letter in lieu of testimony in support of approval the Settlement.¹⁹

On February 23, 2018, an evidentiary hearing to consider the settlement and to admit all the pre-filed testimony of the parties into the record by stipulation was held.

Summary of Parties' Pre-Settlement Positions

Direct Testimony

Town

In its Application, the Town requested a revenue increase of \$168,150, or a 2.67% increase. Mr. Humerick, the Town's Chief Administrative Officer, explained that the Town is requesting the increase primarily to recover the costs associated with its performing system improvements and its other operating expenses that have increased since the Town's last rate case filed in December 2010. He also noted that a Cost of Service Study with rate maintenance had not been conducted in nearly 20 years. Mr. Humerick asserted that even with the rate increase, the expected reduction in the Town's power supply cost collection would result in a net reduction of 3.30% revenues to the Town. According

¹⁷ Staff Ex. 8 ("Ashland Settlement Testimony").

¹⁸ Staff Ex. 9 ("Li Settlement Testimony").

¹⁹ The Town's letter was admitted as Town Ex. 8, and OPC's letter was admitted as OPC Ex. 2.

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to Mr. Humerick, on September 5, 2017, Thurmont's Commissioners unanimously approved the Application and directed it be filed with the Commission.

According to Mr. Downes, after the Town made its adjustment to its test period, the Town calculated a net revenue requirement of \$5,462,367 based on a Time Interest Earned Ratio ("TIER") Coverage of 2.50 and a reduction for revenue from sources other than rates.²⁰ The Town calculated the total of adjusted retail revenues, at present rates with a forecasted Perfect PCA and determined a revenue shortfall in the amount of \$168,150.²¹ The Town used the TIER of 2.50, as it was the TIER approved by the Commission in the Town's last rate case.²² According to Mr. Downes, the 2.5 Tier is reasonable because it results in a rate of return of only 3.3%, which is less than the rate of return recently approved for another municipally owned Maryland electric utility in a recent rate case and less than the 3.5% rate of return suggested by OPC in that rate case.²³ Mr. Downes noted that the Town has reduced its debt service by \$24,473 since its last rate case, which results in a \$61,183 reduction in revenue deficiency and revenue requirement.²⁴

²⁰ Downes Direct at 2.

²¹ *Id.*

²² *Id.*

²³ *Id.* at 3.

²⁴ *Id.* at 2.

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Mr. Downes described the following proposed revenue changes by rate class: (1) the base rate increases for the Outdoor Lighting ("OL") and Street Lighting ("SL") classes follows the results of the cost of service study ("COSS"); (2) rather than significantly decrease the base rates for the Medium General Service ("MGS") and Large General Service ("LGS"), the revenue excesses for these classes were utilized to offset a portion of the revenue deficiencies for the Small General Service ("SGS"), Residential ("R"), and Residential-All Electric ("R-AE") classes.²⁵ Mr. Downes also explained that the proposed base rate increase for the SGS class was limited to a rate increase, net of the PCA reduction, of no greater than 5%.²⁶ According to Mr. Downes, the Customer Related Costs far exceed the current customer charges for the R, R-AE, SGS, and MGS rate classes. The Town therefore has proposed to increase each of these classes' customer charge as well as demand charge for the MGS customers.²⁷

For the R and R-AE classes, the Town proposes to increase the customer charge by \$2.00 per month and to create a two-block declining volumetric rate, with the first 45 kilowatt hours ("kWh") of usage billed at a rate of \$0.050000/kWh and the remaining energy usage billed at \$0.04657/kWh.²⁸ Mr. Downes explained that the crossover point of impact to customers due to

²⁵ *Id.* at 3.

²⁶ *Id.*

²⁷ *Id.* at 4.

²⁸ *Id.*

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the increase in the customer charge occurs at the usage point of 700 kWh/month: customers above the 700 kWh/month usage will have a decrease in electric costs, while those below will have an increase in electric costs.²⁹ According to Mr. Downes, the Town's low usage customers (below 200 kWh/month) are generally not low-income customers.³⁰ Primarily, these accounts are for garages, pools, tennis courts, sheds, on/off readings, and property not currently occupied.³¹ He asserted that the Maryland Energy Assistance Program ("MEAP") identified its customers' usage on average as 1,046 kWh/month.³² For customers using 200 kWh/month or less, the net impact of the increase, net of the Power Cost Adjustment reduction, is \$1.55.³³ Mr. Downes represented that the average MEAP customers would experience a reduction of \$1.03 per month to their bill.³⁴ For those currently identified 40 low-income customers that use between 200 kWh and 700 kWh/month, they will have bill impacts of less than \$1.55 per month (\$1.55 for those customers below 200 kWh/month and then decreasing to \$0.00/month at 700 kWh/month).³⁵

For the Small General Service class, the Town proposes to increase the customer charge by \$3.00 per month and increase the

²⁹ *Id.* at 5.

³⁰ *Ids.* At 5-6.

³¹ *Id.* at 6.

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.* at 7.

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second energy block volumetric rate by \$0.01274/kWh.³⁶ For the Medium General Service class, the Town proposed to increase the customer charge by \$2.00 per month, an increase in the first energy block rate of \$0.00018/kWh, a decrease in the second energy block rate of \$0.00245/kWh, and an increase in the demand charge by \$0.25/kW per month.³⁷ The Town proposes no changes in the current base rates for the Large General Service classes.³⁸ For Street Lighting, the Town proposes an increase to the energy rates of \$0.00663; for Outdoor Lighting the fixed charges were increased by \$0.10027/kWh multiplied by the kWh/Unit for each bulb type.³⁹

Mr. Downes testified that the Town was required to update its COSS, including a minimum system analysis, when it filed this rate case pursuant to the terms of the Settlement Stipulation in the Town's prior rate case (Case No. 9247).⁴⁰ He represented the only difference between the methodology used to develop the COSS for this case and the COSS performed in 1998 (Case No. 8811), is the development of the Demand Related Allocation Percentages.⁴¹ Mr. Downes explained how each of the expenses were functionalized and classified. He then described the concept of the minimum system analysis and how a minimum system relates to Thurmont's distribution system. Mr. Downes provided the results of the

³⁶ *Id.*

³⁷ *Id.* at 7-8.

³⁸ *Id.* at 8.

³⁹ *Id.*

⁴⁰ *Id.* at 9.

⁴¹ *Id.*

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minimum system analysis and classification percentage for Thurmont's distribution system.

Mr. Simms testified on the development of the adjusted retail and wholesale determinants. He said the test period was the period ending June 30, 2016, and was selected to coincide with the Town's fiscal year and its most recent audited financial statements.⁴² He explained the method by which he adjusted the audited revenues from retail electric sales, included weather, load growth/loss, and the reclassification of customers. He calculated the total revenue for the adjusted test period to be \$6,321,676 with \$6,294,219 of revenue from retail electric sales and \$27,457 as revenue from other sources.⁴³

Mr. Simms also described the adjustments that he made to the Town's operating expenses, depreciation, and cash working capital. According to Mr. Simms, the adjustments to the expenses were based on known changes since the audited amounts for fiscal year 2016 and were made to match the fiscal year ending 2017 unaudited values for known changes that occurred in either fiscal year 2017 or 2018 for a stated reason.⁴⁴ Mr. Simms testified that salary and related expenses were adjusted to reflect the 2.5% raise implemented for the Town's employees in July 2017, and the employee benefits starting with the unaudited fiscal year ending 2017 expenses were normalized by estimating the net pension liability

⁴² Simms Direct at 2.

⁴³ *Id.* at 6.

⁴⁴ *Id.* at 7.

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expense and increasing the healthcare insurance component by 10% to account for a known increase in premiums beginning July 1, 2017, for fiscal year ending 2018.⁴⁵ The depreciation expense adjustment is an estimate of the fiscal year ending 2017 depreciation expense, and the adjusted amortization expense includes a three-year amortization of the costs of filing the current rate case. Mr. Simms determined the cash working capital requirement based on a lead-lag analysis that he conducted.

Finally, in his testimony, Mr. Simms described the method he used to determine the allocation of demand for each class. He explained that he used the class contribution method determined by assessing each class's contribution to the Town's 12 monthly system peak demands.⁴⁶ He sponsored an exhibit showing the resulting Demand Allocation Factors by class.⁴⁷

OPC

OPC witness Peterson opined that the Town's rate case filing is "unsupported by the evidence and unnecessary."⁴⁸ Mr. Peterson expressed his concern that the Town had not demonstrated any significant revenue deficiencies in its current base rates and included in its \$168,150 revenue increase recovery of rate case expenses for this proceeding of \$150,000 (amortized

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*, Exhibit CSS-35.

⁴⁸ Peterson Direct at 6.

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over three years).⁴⁹ He also submitted that the Town, in response to an OPC discovery request, stated that the Town "will require a '... significant increase in the total debt service coverage in the very near future.'"⁵⁰ Mr. Peterson concluded, "the cost to the Town of this rate filing will exceed any benefit received by the Town in terms of a rate award from the Commission."⁵¹ After his analysis, Mr. Peterson determined an \$86,886 revenue deficiency, of which \$50,000 is caused by amortizing the Town's rate case expenses over three years.⁵²

Mr. Peterson also criticized the Town's revenue requirement, including the time and effort the consultants took in calculating the "'perfect'" PCA."⁵³ He also critiqued Mr. Simms's claimed use of the test period ending June 30, 2016, because financial statements for this period were audited, and then his adjustments to expenses were based on unaudited financial statements.

Mr. Peterson testified on how he determined an \$86,886 revenue deficiency. In his analysis, Mr. Peterson restated Mr. Simms's claimed expenses to their FY 2016 test year level, adjusted for known and measurable changes.⁵⁴ Additionally, Mr. Peterson made the following other adjustments to the FY2016 per

⁴⁹ *Id.* at 7.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.* at 11.

⁵³ *Id.* at 8.

⁵⁴ See Peterson Direct, Exhibit DEP-1.

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books amounts: reversed Mr. Simms's year-end customer annualization, declined to reflect the FY2017 wage and salary increase because it was effective a year after the end of the test year, re-allocated the employee benefits, removed the charitable contributions made during the test year, and calculated the FY2017 and FY2016 interest expense by 2.5 to determine the revenue requirement impact.

In his testimony, Mr. Peterson discussed the purpose and steps involved in preparing a COSS. After his review of the COSS prepared by Mr. Downes and Mr. Simms, Mr. Peterson found two significant deficiencies in the COSS. His primary concerns were the use of each class's contribution to the Town's coincident peak ("CP") demand to allocate portions of the distribution plant and expenses that are classified to the demand component and the use of a minimum system approach to classify a portion of the Town's poles, overhead and underground conductors, and line transformers as customer related.⁵⁵ Mr. Peterson explained his disagreement with the use of the CP demand allocation and the minimum system approach. Mr. Peterson recommended that the Commission reject the Town's COSS results.⁵⁶ He explained that the effects of the minimum system approach could be eliminated by "simply reclassifying those costs to the demand cost classification and re-running Thurmont's cost study model."⁵⁷ He, however, noted the inability for the Town

⁵⁵ *Id.* at 19-20.

⁵⁶ *Id.* at 23.

⁵⁷ *Id.* at 27.

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to provide its class non-coincident peak ("NCP") data for the test year makes the remedy impossible.⁵⁸ As an alternative, Mr. Peterson recommended a 1.38% revenue increase for each rate class.⁵⁹

Mr. Peterson also took exception to the Town's proposed rate design change for the residential classes. Mr. Peterson found no specific support for the 66.7% increase in the residential classes' fixed charge. Relying upon the Commission's decision in recent rate case denying the utility's request for an increase in residential customer charges, Mr. Peterson recommended no change in the fixed monthly customer charge for residential classes.⁶⁰ Mr. Peterson also considered the declining block rate structure for the residential class to be unreasonable and recommended the declining block rate structure be rejected.⁶¹

Staff

Staff witness Ashland presented his analysis and recommendations as to the Town's revenue requirement. Mr. Ashland noted that the Town provides electric service to approximately 2,840 customers over approximately 35.8 miles of distribution line with 19.2 miles of overhead line and 16.6 of underground line. Mr. Ashland explained his operating income adjustments to the Town's recommended level of operating income, which included an

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* at 32.

⁶¹ *Id.* at 33.

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adjustment to the Town's rate case expenses and the amortization period proposed, and removal of charitable contributions claimed by the Town. After making his adjustments, Mr. Ashland recommended the Town be authorized to recover an additional \$120,860 in annual base rate revenues.⁶²

Mr. VanderHeyden analyzed the appropriate rate of return to be used to determine the distribution rates in this proceeding. Mr. VanderHeyden explained his reason for basing his recommended rate of return on U.S. 30-year Treasury bonds and the other analyses he conducted to determine the appropriate rate of return. After conducting his analysis, he recommended a 3.0% rate of return based on a TIER of 2.5.⁶³

In his testimony, Mr. McAuliffe discussed the COSS testimony of Mr. Downes and Mr. Simms. He expressed his concerns with the Town's use of the minimum system study and how it was conducted. He accepted the COSS as guide for setting rates, but not for the purpose of rate design. He said Staff would revise the COSS to include only costs related to the distribution system and not the purchasing of power.⁶⁴

Dr. Li presented Staff's rate design proposal based on the Town's COSS. In her rate design analysis, Dr. Li concluded that a two-step revenue allocation method improves the unitized rate of return of the R, R-AE, SGS, SL, and OL classes, which are

⁶² Ashland Direct at 9.

⁶³ VanderHeyden Direct at 2.

⁶⁴ McAuliffe at 2, 18.

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currently underearning.⁶⁵ Dr. Li recommended that the volumetric rates for each residential class be distinct and a \$1.00 increase in customer charges be authorized for both residential classes and for the SGS class.⁶⁶ She recommended the Commission reject the Town's proposed declining block design for the residential class.⁶⁷

Rebuttal

Town

In his rebuttal testimony, Mr. Humerick commented on Staff witness Ashland's adjustment to the rate case expenses. Mr. Humerick also addressed Mr. Ashland's and OPC witness Peterson's recommendation to remove the Town's contributions made to the Guardian Fire Hose Company and the Thurmont Community Ambulance from the expenses included in determining the Town's revenue requirement in this matter.

In regard to the rate case expenses, Mr. Humerick explained that the Town has no staff or anyone in the local area with the expertise to provide the specialized legal and consulting services necessary to advise the Town on rate case matters and on other regulated subjects, such as the annual change to the Town's Power Adjustment Clause ("PCA") in Case No. 9506.⁶⁸ Mr. Humerick asserted that both the law firm and the consulting firm involved in

⁶⁵ Li at 2.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ Humerick Rebuttal at 2.

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the matter have represented the Town on the utility issues for decades.⁶⁹ Further, Mr. Humerick said that he is actively involved with the two firms through regular communications and supervises the work provided by each of the firms in this rate case.⁷⁰ He noted that he reviews the detailed invoices submitted to the Town by each firm and reports on the firms' activities to the Mayor and the Commissioners.⁷¹ He considered the "expenses [to] reflect actual and prudently incurred costs."⁷²

Mr. Humerick stated that he disagreed with Mr. Ashland's recommendation that recovery of rate case expenses stop at the start of the hearing because he knows that actual and prudently incurred rate case expenses will accrue after the start of the hearing, including appearance of counsel and the consultants at the hearing, submission of post-hearing briefs, and the preparation of revised tariff leaves based upon the final order of the Commission.⁷³ Mr. Humerick committed to supervising all of the hearing and post-hearing work and requiring detailed invoices subject to review and audit.

According to Mr. Humerick, Mr. Ashland did not take issue with the level of actual rate case expenses incurred to date. Mr. Humerick said that Mr. Ashland adjusted the hourly rate for

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.* at 2-3.

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outside counsel (reducing the \$350 per hour rate to \$300 per hour) and concluded that there is no current engagement letter or contract listing the compensation level for outside counsel.⁷⁴ Contrary to Mr. Ashland's statement, Mr. Humerick said that the Town entered into a valid legal services agreement with the law firm in 1996, which included compensation levels in 1996 dollars for the service to be provided and a termination provision that neither party has exercised since 1996.⁷⁵ Mr. Humerick took exception to Mr. Ashland's statement that the current hourly rate of \$350 for partner-level service is "'excessive.'" ⁷⁶ Mr. Humerick argued that Mr. Ashland's reliance on decisions from 2013 limiting recovery of rates to \$300 per hour for outside legal counsel "is flawed and out dated."⁷⁷

Mr. Humerick provided the history of the hourly rate charges for the top partner-level charged to the Town. According to Mr. Humerick, prior to March 2013, the hourly rate was \$300 and the hourly rate increased to \$325 in March 2013; in 2017, the hourly rate increased to \$350.⁷⁸ Further, Mr. Humerick provided the total legal fees per annum charged by the firm to the Town for each of the last five years, with the highest being \$12,375.00 in 2014. Mr. Humerick asserted that the amount of each of the annual legal

⁷⁴ *Id.* at 3.

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.* at 4.

⁷⁸ *Id.*

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expenses in the past five years "compared to an annual operating expense budget in excess of \$6.0 million" is "insignificant."⁷⁹ Mr. Humerick detailed the services provided by the firm.

Additionally, Mr. Humerick argued that Mr. Ashland's assertion that the hourly rate for outside counsel is excessive "relative to a base of approximately 2,840 customers" does not take in to account that the Town and its residents should be entitled to the "same level of legal representation as other entities in Maryland - municipal or corporate,"⁸⁰ such as the Towns' current and historic power supplier who is a subsidiary of the First Energy Corporation. He explained that the firm is nationally recognized as specializing in representing consumer-owned electric utilities like Thurmont.⁸¹ Consequently, Mr. Humerick said the firm "bring[s] efficiencies and expertise that other 'lower-priced' firms cannot."⁸²

In response to each of Mr. Ashland's and Mr. Peterson's recommendations to disallow \$15,000 of charitable contribution expenses, Mr. Humerick described each of the contributions made and why the Town does not consider these contributions to be "charitable contributions." According to Mr. Humerick, the Town contributed \$7,500 to each of the Guardian Fire Hose Company, which provides fire fighting services to Thurmont, and to the Thurmont

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.* at 5.

⁸² *Id.*

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Community Ambulance, Inc.⁸³ He explained that the Town does not have a hospital or major medical facility, and should a serious medical emergency situation arise to the Town's linemen or other employees, the ambulance service is available to take the individual to the closest hospital, approximately 16 miles away.⁸⁴ Mr. Humerick asserted that the Town's utility property is protected by having adequate fire fighting capability available.⁸⁵ He concluded that each of the contributions were necessary for employee and ratepayer safety and each is in the public interest.⁸⁶

Mr. Downes addressed the testimony filed by Staff and OPC; specifically, he responded to the rate design changes and the use of the rate of return as justification for a 2.5 TIER in Staff's Direct Testimony.⁸⁷ Mr. Downes disagreed with Staff's allocation of 20% of the Revenue Deficiency to the three most under-earning rate classes and then the remaining 80% to all other classes, excluding the MGS and LGS classes.⁸⁸ He explained the Town has employed its rate design "to limit the impact to the Town's residential customers as they are the most sensitive customer class to retail rate increases."⁸⁹ He pointed out that if Staff had allocated the revenue using the Town's methodology, the

⁸³ *Id.* at 6.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.* at 6, 7.

⁸⁷ Downes Rebuttal at 1.

⁸⁸ *Id.* at 2.

⁸⁹ *Id.*

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Residential and Residential-All Electric Rate classes combined would have seen a collective increase of \$98,482.87 rather than the \$105,335 increase proposed by Staff.⁹⁰

Mr. Downes also took exception to Mr. Peterson's disregard of the results of the Town's COSS for allocating the revenue deficiency among the rate classes.⁹¹ Mr. Downes explained why the Town's use of CP demands rather than NCP demands to allocate demand-related distribution costs was not a "flaw," as characterized by Mr. Peterson. Mr. Downes described the Town's distribution system, which consists of two substations, with the main substation having six feeders that serve all 2,800 plus electric customers in the Town.⁹² According to Mr. Downes, because of the structure of the system, "the NCP for the entire substation (i.e., the entire Town) is likely be similar to the collective NCP for all the feeders combined (which is consistent with the CP methodology utilized in the Towns' Cost of Service Study).⁹³ He asserted the Town's COSS is valid and requested the Commission reject Mr. Peterson's proposed "across the board" rate increase.⁹⁴

Next, Mr. Downes discussed Staff's recommendation to limit the Residential and Small Commercial Customer Charges increase to \$1.00. Mr. Downes rebutted Staff witness Li's argument

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² *Id.* at 3.

⁹³ *Id.*

⁹⁴ *Id.*

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for limiting the residential customer charge increase relying upon the Commission's decision in the Southern Maryland Electric Cooperative, Inc.'s base rate case (Case No. 9234), Choptank's base rate case (Case No. 9368), Potomac Electric Power Company's base rate case (Case No. 9418), and Delmarva Power & Light Company's base rate case (Case No. 9424); primarily, pointing out that each of these electric utilities had significantly larger customer charges than the \$5.00 residential customer charge proposed by Thurmont in this case.⁹⁵ He also found no merit in Dr. Li's reliance on the principle of rate shock.

According to Mr. Downes, a customer that uses exactly an average amount of kWh for the applicable rate class would experience no impact by the increase in the customer charge because the volumetric charge per kWh would decrease for the class.⁹⁶ He noted that customers using less than the average kWh would see a higher percent increase in their bill.⁹⁷ Mr. Downes explained that the Town conducted its analysis to identify the residential customers who use the lowest amounts of electricity to determine any impact on energy assistance customers (more likely low-income customers). Based on the analysis, the Town concluded that the proposed increase in the residential customer charge would not have an adverse effect on low-income customers' ability to pay their bills. Mr. Downes identified the type of accounts with low usage,

⁹⁵ *Id.* at 3-4.

⁹⁶ *Id.* at 5.

⁹⁷ *Id.*

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such as pools, garages, sheds, idle houses, and buildings in transition, that may have a "rate shock" because the decrease in the volumetric rate is not sufficient to offset the increase in the customer charge.⁹⁸

Similarly, Mr. Downes did not agree with Mr. Peterson's proposal to reject any increase in the residential customer charge. Mr. Downes considered Mr. Peterson's proposal to be inconsistent with Mr. Peterson's recommended "across the board increase" and relies upon Mr. Peterson's perceived "fatal flaw" in the COSS.⁹⁹ Mr. Downes inferred from Mr. Peterson's testimony that the residential customer cost would be would be closer to \$16.00 per customer per month.¹⁰⁰ Mr. Downes noted that this amount is significantly higher than the \$5.00 customer charge proposed by the Town.¹⁰¹

Mr. Downes also disagreed with Staff's and OPC's removal of the first 45 kWh block creation for the residential rate classes. He explained that the non-residential customer classes have declining rate blocks, and creating a declining rate block for the residential customer classes is consistent with the Town's overall rate design.¹⁰² Additionally, Mr. Downes asserted that

⁹⁸ *Id.* at 5-6.

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.* at 6-7.

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implementing the "small first energy block helps to supplement the fixed cost collection at lower kWh consumption levels."¹⁰³

He next addressed Staff's proposal to differentiate the rates between the Residential and Residential-All Electric rate classes. He asserted that lowering the base energy rate of the Residential-All Electric customers relative to the Residential customers, especially as the Town is a winter peaking utility, would send inappropriate price signals to the residential customers.¹⁰⁴ Mr. Downes expressed his concern that Staff's proposal to increase the Residential customers' distribution revenues by 17.4%, more than twice the proposed increase to the Residential-All Electric customer, may cause Residential customers to consider switching to Residential-All Electric as well as possibly create an incentive to Residential-All Electric customers to increase their consumption relative to Residential customers.¹⁰⁵ He also noted that tracking two different sets of retail rates for residential customers creates an administrative burden.¹⁰⁶

Finally, Mr. Downes clarified that the Town did not request a rate of return of 3.0%, but rather it requested the use of a 2.5 TIER. Mr. Downes said that he does not support the use of a rate of return because the Town funds significant capital

¹⁰³ *Id.* at 7.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.* at 8.

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improvement projects via bond financing, and the use of TIER is important to the Town to be able to have sufficient revenue to cover the debt service requirement and to maintain financial health.¹⁰⁷

In his rebuttal testimony, Mr. Simms addressed the incorrect calculation of the Town's revenue deficiency calculated by OPC and the five-year amortization period and exclusion of rate filing consulting fees recommended by Staff. First, Mr. Simms pointed out that in Mr. Peterson's restatement of the Town's claimed expenses to their FY2016 test year level (adjusted for known and measurable changes), Mr. Peterson failed to adjust the Professional Service expenses using the starting point of FY2016 expenses as he used for all the other restated expenses. Mr. Simms said that the restatement of the Professional Services expenses would increase OPC's revenue deficiency from \$86,886 to \$152,118.¹⁰⁸ Mr. Simms disagreed with Mr. Peterson's disallowance of the wage and salary increase that became effective July 1, 2017, and noted that approval of the annual budget occurs in the May/June timeframe and any wage and salary increase is known prior to the start of the next fiscal year.¹⁰⁹ Mr. Simms clarified that the Town is not endorsing the use of FY2016 as suggested by OPC.¹¹⁰

¹⁰⁷ *Id.*

¹⁰⁸ Simms Rebuttal at 2.

¹⁰⁹ *Id.*

¹¹⁰ *Id.* at 3.

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Additionally, Mr. Simms explained why Mr. Peterson's assertion that the residential customers will have a 142% increase in their monthly service charge is incorrect. Mr. Simms pointed out that Mr. Peterson did not consider that the customers currently are billed \$0.04464/kWh for their first 45 kWh of usage and failed to calculate the incremental cost using the proposed rate of \$0.05000/kWh for the first 45 kWh.¹¹¹ Using the incremental cost, Mr. Simms asserted that the Town's requested increase is \$2.24 in the first 45 kWh, when the \$2.00 increase in the customer charge is included.¹¹²

Mr. Simms also found Mr. Peterson's remark on the "absurdity" of the Town's rate request did not take into account that the revenue deficiency supported by OPC is \$152,118, which is 8.8% of the Town's current distribution revenue.¹¹³ He addressed Mr. Peterson's testimony on the Perfect PCA and explained the reason that the calculation of the Perfect PCA is necessary and not "wasteful."¹¹⁴

Mr. Simms discussed his disagreement with Staff's recommendation to remove \$9,799 of rate case expenses incurred by the Town during the Test Year. Mr. Simms defended the expenses inclusion even though they were incurred prior to FY2017 and described the work performed that directly related to preparation

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.* at 4.

¹¹⁴ *Id.*

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of the Town's base rate filing.¹¹⁵ He also disagreed with Staff's recommendation to amortize the rate expenses over five years. He explained why the Town's recommended three-year amortization period is supported by its filings.

Staff

In his rebuttal testimony, Mr. McAuliffe explained his disagreement with Mr. Peterson's suggestion that Thurmont must use a NCP instead of CP to allocate the demand-related distribution plant in its COSS. Mr. McAuliffe characterized the Town's distribution system as "unique"; therefore, he said the Town has "limited capabilities that make CP the more reasonable measure."¹¹⁶ He described the distribution system to support his characterization of the system and his determination that the CP is a more reasonable method. He said, "Thurmont's system is built to meet the maximum demand on that one substation. Therefore, the CP is an adequate measure because the system is built to serve the CP."¹¹⁷

Mr. Ashland addressed several issues raised by Thurmont witnesses in their rebuttal testimony. Mr. Ashland did not consider Mr. Simms's testimony supporting a three-year amortization period as opposed to Staff's five-year amortization period to be persuasive. Mr. Ashland pointed to several prior cases in which the Commission ordered that the expense be spread over the time

¹¹⁵ *Id.* at 5.

¹¹⁶ McAuliffe Rebuttal at 1.

¹¹⁷ *Id.* at 4.

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that the rates are likely to be in effect.¹¹⁸ He said that Staff continued to recommend a five-year amortization period for rate case expenses.

Mr. Ashland also addressed Mr. Simms's testimony on the appropriateness of allowing consulting fees for preparation of the new Cost of Service Study that occurred prior to FY2017. Mr. Ashland asserted that the work identified by Mr. Simms was "a typical rate case preparation type of work and not tasks that are so complex that they would have to be started far in advance."¹¹⁹ Consequently, Staff maintained the consulting fees prior to FY2017 should be disallowed.

Mr. Ashland further explained why a cut-off for rate case expenses recovery should be at the start of the hearing despite Mr. Humerick's testimony to the contrary. Mr. Ashland also defended Staff's position that \$300 is the maximum recoverable rate for outside counsel in rate cases. Mr. Ashland stated that Staff's position on disallowing the \$15,000 of charitable contributions had not changed. Finally, Mr. Ashland commented on OPC's adjustments and expressed Staff's belief that the more recent unaudited FY2017 expenses should be used as Thurmont and Staff each did in its adjustments.

Dr. Li defended her use of the two-step revenue allocation method and described her use of the 15 iterations

¹¹⁸ Ashland Surrebuttal at 2.

¹¹⁹ *Id.* at 3.

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ranging from 5% to 40% revenue increase "to strike a balance and achieve gradualism among all rate classes except for medium and large general service classes."¹²⁰ She disagreed with Mr. Downes' statement that the Commission precedent on the use of the two-step revenue allocation method is inappropriate as it relates to Thurmont's rate design.

Dr. Li explained the reason that she recommended a \$1.00 increase in the residential monthly fixed charge rather than the Town's proposed \$2.00 charge. She said her proposed increase was a 33.3% increase in the charge, which is a greater percentage than the maximum of 25% allowed by the Commission in prior cases.¹²¹ She also explained why she disagreed with Mr. Downes's rate shock explanation or that his characterization of the increase as revenue neutral is not correct. Further, Dr. Li described her disagreement with Mr. Downes's two-block design for the residential class. She also stated that if the Town wished to have one rate for both of the two residential classes, it should provide the Commission the one-class data to support the proposal.

Summary of Settlement Agreement

In the Joint Motion, the parties requested that the Commission approve the Unanimous Stipulation and Settlement ("Settlement") and waive any provisions of the Commission's rules

¹²⁰ Li Surrebuttal at 3.

¹²¹ *Id.* at 4.

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and regulations as may be necessary to permit the relief requested in the Joint Motion.

The parties agreed to the following specific terms and conditions to settle the issues raised in the matter:

1. All issues identified by the parties through testimony or schedules in the proceedings are intended to be settled through the Settlement.
2. The Town is authorized to increase its electric rates to produce a projected increase in annual operating revenue of \$131,849, with the increase based in part on a TIER of 2.5.
3. The new rates will become effective with the Town's billing cycle beginning June 1, 2018, or as soon thereafter as may be practical. The revised rates are determined by removing the portion of the purchase power costs contained in the current rates (i.e., \$0.01937/kWh). The Town is authorized to implement a revised Power Cost Adjustment, including the \$0.01937/kWh, on June 1, 2018.
4. The rate design will be a Two-Step Allocation Method, whereby in the first step 3.0 percent of the overall revenue requirement is allocated to two classes that are currently the most underearning: Small General Service and Outdoor Lighting. In the second step, the remaining revenue requirement is allocated to five underearning classes: Residential R and Residential All-Electric (with the data combined for these two classes and a single rate established for them), Small General Service, Street Lighting, and Outdoor Lighting. The two underearning classes – Medium General Service and Large General Service – are not allocated any revenue increase.

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5. Application of the revenue increases for Schedules Residential R, Residential-All Electric, and Small General Service Rate classes will include an increase in the Customer Charge of \$0.25 per customer per month.

The Settlement also includes general terms and conditions agreed to by the parties. Of particular note is the agreement that the Settlement is conditioned upon the Commission's acceptance of all of the terms of the Settlement, without any modification to any term or condition. Should the Commission modify, condition, or reject any portion of the Settlement, the Settlement will be considered null and void. Further, the Settling Parties agreed to waive their rights as parties set forth in Public Utilities Article ("PUA") § 3-113(d) and their right to appeal this Proposed Order or seek rehearing of the final order or seek judicial review of the final order.

Summary of Testimony/Letters In Lieu of Testimony in Support of the Settlement

Town

On February 20, 2018, the Town filed a letter in lieu of testimony in support of the approval of the Stipulation and Settlement Agreement. The letter asserted that the Settlement resolves the issues raised by OPC and Staff, and the settlement is a "compromise among sophisticated parties" and the parties support the Settlement Agreement as being "in the public interest."¹²²

¹²² Town Ex. 8.

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Further, the Town explained why the resolutions of issues result in just and reasonable rates.

OPC

On February 20, 2018, OPC filed a letter in lieu of testimony and supported the approval the Stipulation and Settlement Agreement. OPC asserted that the Settlement is a "just resolution of a number of issues raised by OPC."¹²³ Further, it noted that the Settlement represents a compromise of the divergent positions of the Parties to resolve the rate case "while limiting the effect of the increase in rates on Residential customers to what, in OPC's opinion, is a reasonable amount."¹²⁴ OPC also noted that the Settlement avoids the costs and use of valuable time associated with continued litigation in the matter.

Staff

On February 13, 2018, Staff filed the Settlement Testimony of Mr. Ashland and Dr. Li. Staff witness Ashland summarized Staff's position prior to the settlement and provided an overview of the terms of the settlement. He presented each Party's pre-filed positions with regard to the distribution revenue increase. He explained that the settlement is a compromise among the Parties, and Staff believes the annual increase settled upon by the Parties is fair and within the zone of reasonableness for

¹²³ OPC Ex. 2.

¹²⁴ *Id.*

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ratepayers, consumers, the general public, and the utility.¹²⁵ He noted that the settlement also results in reduced litigation costs as well as the uncertainty and delay associated with litigation.¹²⁶ Finally, he asserted that Staff considers the increase of \$131,849 in annual revenues to result in just and reasonable rates.¹²⁷

Dr. Li explained that the agreed-upon revenue increase results in the Town's total distribution revenue of \$1,851,028, an approximate 8% increase to the Town's current annual distribution revenue of \$1,719,179.¹²⁸ She summarized the agreed-upon allocation of the revenue increase by a modified two-step allocation method.¹²⁹ She noted that the agreed-upon increase in the monthly charge for residential classes is \$0.25, which is less than Staff proposed in its pre-settlement position.¹³⁰ She said Staff supports the \$0.25 increase of the monthly charge.¹³¹

Dr. Li presented the distribution rates for each customer class.¹³² Dr. Li summarized the percentage increase to the various customer classes as follows: the residential classes' distribution rate will increase approximately 11.5%, the SGS class will have an overall increase of 17% based on the increase in

¹²⁵ Ashland Settlement Testimony at 3.

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ Li Settlement Testimony at 1.

¹²⁹ See Exhibits HL Settlement-1.

¹³⁰ *Id.* at 2.

¹³¹ *Id.*

¹³² See Exhibits HL Settlement-2.

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Block One rates and the Block Two rates, and the OL and SL classes have been allocated approximately a 17% and an 11% increase, respectively.¹³³ She noted that the two overearning classes, MGS and LGS, have no change to demand charges, monthly charges, and distribution charges.¹³⁴

Dr. Li described the increase in the residential monthly charge and distribution rates as approximately 8% and 12%, respectively.¹³⁵ She indicated that a residential customer with a 1,000 kWh consumption per month will see an approximate 11% increase over the customer's current bill.¹³⁶

For future rate cases, Dr. Li suggested two options regarding the Town's residential customer classes for the Town's rate design. She notes that the Town had two residential classes: Residential R (not use electricity for heating) and Residential-All Electric (use electricity for heating).¹³⁷ She explained that the two classes display different energy usages, costs, and proxy marginal rates of return, but have a single rate for both classes.¹³⁸ She therefore suggested, for rate design purposes, that the Town either combine data applicable to both classes if one single rate is desired for all residential customers or develop a

¹³³ *Id.* at 3.

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *Id.*; See Exhibits HL Settlement-3.

¹³⁷ Li Settlement Testimony at 3.

¹³⁸ *Id.*

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seasonal distribution rate for winter since the Town is a winter peaking system.¹³⁹

Analysis and Findings

Historically, the Commission has found a unanimous settlement agreement to be reasonable when it has been submitted "by parties who normally have adverse interests."¹⁴⁰

The purpose of litigating various adjustments or expense and rate base items is to challenge the reasonableness of the overall rate increase requested by a company ... In a settlement, in contrast, adverse parties settle on an overall revenue requirement taking into account the position they would have advanced in further litigation and assessing the likelihood of prevailing on any particular issue."¹⁴¹

Even upon a finding that a settlement is reasonable, the resulting rates also must be found to be "just and reasonable"¹⁴² and not an undue burden to one customer class more than another.¹⁴³

Prior to the agreement among the parties, Thurmont had submitted its case-in-chief, which included its support for its requested revenue increase, as well as its rebuttal to OPC's and

¹³⁹ *Id.* at 4.

¹⁴⁰ See *Re Delmarva Power and Light Company*, 102 MD PSC 236, 240 (2011); *Re Potomac Electric Power Company*, 90 Md. P.S.C. 329, 339 (1999).

¹⁴¹ *Re Washington Gas Light Company*, Case No. 8545, 84 Md. P.S.C. 274, 277 (1993).

¹⁴² See Md. Ann. Code Publ. Util. Art., § 4-102; See also *Re Delmarva Power and Light Company*, 102 Md. P.S.C. at 240.

¹⁴³ See *Re Potomac Electric Power Co.*, 80 Md. P.S.C. 61, 64 (1986).

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Staff's pre-filed testimony. OPC and Staff each conducted its own independent review and analysis of the application and accompanying testimony and exhibits as well as conducted extensive discovery to investigate the reasonableness of the Town's requested revenue increase. OPC and Staff each recommended adjustments to Thurmont's test year margin resulting in a reduction of Thurmont's requested revenue requirement increase. OPC challenged the cost of service study results, and both Staff and OPC opposed the \$2.00 increase to the residential customer charge as well as the Town's proposal to implement a declining block rate for residential customers. Staff also proposed a rate design using a Two-Step Method, which the Town opposed. Despite the initial disparate positions taken by each of the parties, the parties were able to negotiate a settlement. In reaching the settlement, the record reflects that the parties were fully aware of each of the other parties' positions while negotiating the settlement.

I conclude that, had the matter been fully litigated, there is sufficient evidence in the record to support the Town's request to increase its revenue requirement. As a final position after submission of all scheduled testimony, Thurmont sought a revenue requirement of \$168,150; Staff, \$120,860; and OPC, \$86,886. After review of each of the parties' testimony on the appropriate revenue requirement, I find that an increase in the Town's revenue requirement of \$131,849 is well within a reasonable range of a revenue requirement that I may have authorized if the matter were

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fully litigated. Accordingly, I will approve the agreed-upon revenue increase of \$131,849.

As part of the Settlement in Case No. 9247,¹⁴⁴ the Town was directed to remove the portion of the purchased power costs contained in the base rates. Included in the Settlement is agreed-upon revised base rates that remove that portion of the purchased power costs currently contained in the base rates. The Settlement also permits the Town to revise its Power Cost Adjustment concurrently with the effective date of the revised base rates and thereby avoid any lapse in collection of the purchased power costs currently included in base rates. I find that the concurrent effective date to implement the revised base rates and the revised Power Cost Adjustment is reasonable.

After review of the rate design using the Two-Step Method and the parties' agreement not to allocate any revenue increase to the two overearning classes, I find the rate design is consistent with rate designs and allocations of revenue increases used by the Commission in other recent rate cases.¹⁴⁵ The table below reflects the change in the affected customer class rates from the current base rate (without the power purchase cost) and the agreed-upon base rate (without the power purchase cost):

¹⁴⁴ *In the Matter of the Application of the Town of Thurmont, Maryland for Authority to Increase its Rates for Electric Service*, Order No. 84073, Slip Op. at 3-4, Appendix I at 4.

¹⁴⁵ *E.g., In the Matter of the Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy*, 333 P.U.R.4th 33 (Nov. 15, 2016); *In the Matter of the Application of Baltimore Gas and Electric Company for Adjustments to its Electric and Gas Base Rates*, 330 P.U.R.4th 30 (June 3, 2016).

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Changes in Class Settlement Energy Charge¹⁴⁶

Rate Class	Energy Charge (each without Power Purchase Cost)	
	Current (per kWh)	Agreed Upon (per kWh)
Residential-R	\$0.02527	\$0.02818
Residential All-Electric	\$0.02527	\$0.02818
Small General Service		
1 st Block (<700 kWh)	\$0.04010	\$0.04683
2 nd Block (>700 kWh)	\$0.01798	\$0.02220
Outdoor Lighting		
7,000 Lumen Mercury	\$6.17	\$7.39
11,000 Lumen Mercury Vapor	\$7.55	\$9.07
20,000 Lumen Mercury Vapor	\$10.78	\$13.21
400 Watt High Press. Dischrg.	\$17.25	\$19.68
Street Lighting	\$0.02197	\$0.02444

The Town also sought an increase in the Customer Charge for the residential and general service classes of \$2.00 per customer per month. Because each of these customer classes' monthly fixed charges currently are fairly low, \$3.00 and \$4.00 per month, respectively, the \$2.00 increase represented a significant percentage increase to each of the classes' monthly fixed charge. Staff's proposed Customer Charge for these classes was a \$1.00 increase per customer per month, which still represented an

¹⁴⁶ The table does not contain the Medium General Service and Large General Service as the rates without Power Purchase Costs do not change. See also Settlement Agreement, Exhibit 1.

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approximate 33% increase in the residential customer monthly charge. In its pre-settlement position, OPC opposed any increase in the residential customer charge.

The record demonstrates that an increase in the residential and general service classes' monthly customer charges is warranted. Thurmont's last base rate case was filed in 2010, and the revised base rates went into effect for all bills rendered June 1, 2011; consequently, the customer monthly charges have been in effect for more than six years. The agreed-upon increase is an approximate 8% increase in the residential classes' customer monthly charge and an approximate 6.25% increase in the general service class's customer monthly charge. Although the percentage increase in the customer charge is slightly higher than percentage increases authorized by the Commission in several recent base rate cases,¹⁴⁷ I agree with the Town that "Thurmont's situation is unique relative to its recent electric utility counterparts," because the Town's customer charges are substantially lower than these other utilities,¹⁴⁸ plus there have been no recent increases in these customer charges. I conclude that the \$0.25 per month increase in the residential and general service classes is within the range of the increase I would have authorized if the matter had been litigated. I therefore find the increase to be just and reasonable, and I accept this term of the Settlement.

¹⁴⁷ Downes Rebuttal at 3-4.

¹⁴⁸ *Id.* at 4.

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Accordingly, I find the Settlement Agreement results in just and reasonable rates for the Town's ratepayers. I therefore accept and approve the Settlement Agreement without modification. The Town is encouraged to consider the Staff's suggestion regarding the residential classes for Thurmont's rate design prior to filing a future rate case.

IT IS THEREFORE, this 1st day of March, in the Year Two Thousand Eighteen,

ORDERED (1) That the application of the Town of Thurmont, Maryland, is hereby denied and the Joint Motion for Approval of the Unanimous Stipulation and Settlement is hereby granted.


(2) That the Stipulation and Settlement set forth within the Joint Motion for Approval of Unanimous Stipulation and Settlement, a copy of which is attached hereto and incorporated herein by reference, is hereby approved.

(3) That the Town of Thurmont, Maryland, is hereby authorized to file the tariffs accompanying the Joint Motion for Approval of Unanimous Stipulation and Settlement with the Commission with an effective date of June 1, 2018.

(4) That this Proposed Order will become a final order of the Commission on April 3, 2018, unless before that date an appeal is noted with the Commission by any party to this proceeding as provided in Section 3-113(d)(2) of the Public Utilities Article, or the Commission modifies or reverses the

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Proposed Order or initiates further proceedings in this matter as provided in Section 3-114(c)(2) of the Public Utilities Article.



Terry J. Romine
Chief Public Utility Law Judge
Public Service Commission of Maryland

Attachment

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND**

**IN THE MATTER OF)
THE APPLICATION OF THE TOWN OF)
THURMONT, MARYLAND FOR)
AUTHORITY TO INCREASE ITS RATES)
FOR ELECTRIC SERVICE)**

CASE NO. 9458

**JOINT MOTION FOR APPROVAL OF AGREEMENT
OF UNANIMOUS STIPULATION AND SETTLEMENT**

The Town of Thurmont, Maryland ("Town" or "Thurmont"), the Staff of the Public Service Commission of Maryland ("Staff"), and the Office of People's Counsel ("OPC") (collectively, the "Parties"), by their undersigned counsel, hereby respectfully move the Public Service Commission of Maryland ("Commission") to: (1) approve the Unanimous Stipulation and Settlement set forth in this document ("Stipulation") in full settlement of the above-captioned proceeding; and (2) waive such provisions of the Commission's Rules and Regulations as may be necessary to permit the relief requested herein.

Background

On September 8, 2017, Thurmont filed an Application, together with supporting testimony and exhibits, for authority to increase its rates for providing electric services to its customers in Maryland by \$168,150, which represents a 2.66 percent increase in total revenue. By Order No. 88380 issued September 12, 2017, the Commission suspended the proposed rates for an initial period of not more than 150 days from October 8, 2017, and delegated the matter to the Public Utility Law Judge Division. A pre-hearing conference was held on October 17, 2017,

following which the Chief Public Utility Judge issued a Notice of Procedural Schedule on October 18, 2017. Also on October 18, 2017, the Commission extended the suspension period to 180 days from October 8, 2017 (Order No. 88430).

After conducting discovery, Staff and OPC filed direct testimony on November 14, 2017. On December 12, 2017, the Town filed its rebuttal testimony, and the Staff filed rebuttal testimony to OPC. On December 22, 2017, surrebuttal testimony was filed by Staff. A local public hearing was held in this matter on December 6, 2017. The Parties have engaged in settlement discussions with respect to Thurmont's Application. As a result of those discussions, the Parties have agreed to the Unanimous Stipulation and Settlement Agreement set forth below.

Unanimous Stipulation and Settlement Agreement

The Parties agree as follows:

1. **Issues Settled.** The Parties intend for this Stipulation to settle all issues previously identified by the Parties through testimony and/or schedules in Case No. 9458. The Parties agree that the resolution of the issues herein, taken as a whole, results in just and reasonable rates and is in the public interest.
2. **Revenue Requirement.** The Town is authorized to increase its electric rates to produce a projected increase in annual operating revenue of \$131,849. The increase is based in part on a Times Earned Interest Ratio of 2.5.
3. **New Rates.** New rates will become effective with the Town's billing cycle beginning June 1, 2018, or as soon thereafter as may be practical. The revised rates shall remove the portion of the purchased power costs contained therein (\$0.01937 /kWh) and implement a revised Power Cost Adjustment, including the \$0.01937/kWh, on June 1, 2018.

4. **Rate Design.** The Parties have agreed to an allocation of the base rate revenue requirement following the Two-Step Method where Step One allocates 3.0 percent of the overall revenue requirement to the two classes that are currently the most underearning: Small General Service, and Outdoor Lighting. In Step Two, the remaining revenue requirement is allocated to five underearning classes: Residential R and Residential All-Electric,¹ Small General Service, Street Lighting and Outdoor Lighting. The Parties have also agreed that the two overearning classes - Medium General Service and Large General Service - are not to be allocated any revenue increase. The resulting revenue allocation and rate design are shown in Exhibit 1, subject to verification by Staff.

5. **Customer Charge.** Application of the revenue increases for Schedules Residential R, Residential All-Electric, and Small General Service Rate classes will include an increase in the Customer Charge of \$0.25 per customer per month.

6. **Competent and Substantial Evidence.** The Parties agree to the admission of all prefiled testimony, exhibits, and any attachments thereto as competent and substantial evidence supporting Commission approval of this Stipulation.

General Provisions

7. This Stipulation is being entered into for the purpose of disposing of the issues that are specifically addressed in this Stipulation. In presenting this Stipulation, none of the Parties shall be deemed to have approved, accepted, agreed, consented, or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost or revenue determination or cost allocation or revenue related methodology, and none of the Parties

¹ For the purpose of the revenue allocation, Schedules Residential R and Residential All-Electric, the data were combined and a single rate established for the two residential classes.

shall be prejudiced or bound in any manner by the terms of this Stipulation (whether it is approved or not) in this or any other proceeding, other than a proceeding limited to enforcement of the terms of this Stipulation.

8. This Stipulation has resulted from extensive negotiations and the terms hereof are interdependent. If the Commission does not approve this Stipulation without modification, then the Stipulation shall be void, and no signatory shall be bound by any of the agreements or provisions contained herein.

9. If the Commission does not unconditionally approve this Stipulation without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has for a decision in this matter. The Parties shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

10. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the Parties waive, with respect to the issues raised in this proceeding their respective rights to: (1) call, examine, and cross-examine witnesses; (2) present oral argument and/or written briefs; (3) seek rehearing and (4) seek judicial review. These waivers apply only to a Commission order respecting this Stipulation issued in the above-captioned proceeding and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation. This Stipulation contains the entire

agreement of the Parties concerning the issues addressed herein.


11. This Stipulation does not constitute a contract with the Commission. Acceptance of this Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative, or other power which the Commission presently has. Thus, nothing in this Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

12. If the Commission has questions for the Parties' witnesses or Parties, the Parties will make available, at any on-the-record session, their witnesses and attorneys on the issues resolved by this Stipulation, so long as all Parties have had adequate notice of that session. The Parties agree to cooperate in presenting this Stipulation to the Commission for approval and, if requested by the Commission, shall provide testimony that supports approval of the Stipulation and confirms that the resulting rates are just and reasonable.

WHEREFORE, for the foregoing reasons, the undersigned parties respectfully request that the Public Service Commission of Maryland enter an order granting this request and approving the Unanimous Stipulation and Settlement Agreement contained herein.


STAFF OF THE PUBLIC SERVICE
COMMISSION

By:


Annette B. Garofalo
Assistant Staff Counsel

OFFICE OF PEOPLE'S COUNSEL

By:


Theresa V. Czarski
Deputy People's Counsel

TOWN OF THURMONT

By:


Thomas L. Rudebusch, Esq.

Dated: January 31, 2018

EXHIBIT 1

Revenue Requirement Allocation under Two-Step Allocation Method

	Total	All Residential*	Small Gen. Serv.	Med. Gen. Serv.	Large Gen. Serv.	Street Lighting	Outdoor Lighting
	All Classes	Schedule Combined R	Schedule SGS	Schedule MGS	Schedule LGS	Schedule SL	Schedule OL
COS total distribution costs	\$1,691,868	\$1,270,344	\$96,148	\$144,406	\$147,555	\$18,647	\$14,767
Current distribution revenue	\$1,719,179	\$1,048,741	\$63,910	\$275,306	\$305,076	\$15,445	\$10,702
Other Revenue	\$27,849	\$15,951	\$897	\$4,257	\$6,395	\$260.57	\$88
Difference	\$55,160	(\$205,652)	(\$31,340)	\$135,156	\$163,916	(\$2,942)	(\$3,977)
ROR (margin/rate base)	0.85%	-5.13%	-13.46%	15.32%	14.12%	-1.42%	-15.55%
Proxy UROR	1	-6.06	-15.91	18.1	16.69	-1.68	-18.37
Revenue Increase	\$131,849	\$117,780	\$10,566			\$1,735	\$1,769
Revenue Increase (%)	8%	11%	17%			11%	17%

- The All Residential category is used here only for purposes of revenue allocation and rate calculation in the Case No. 9458 Settlement.

The Customer Rates Comparison Table

	Demand Charge (\$/kW)		Monthly Charge		Energy Rate (\$/kWh)			Monthly Rate (per lamp per month)		
	Current	New	Current	New	Current with Power Purchase Cost	Current without Power Purchase Cost	New	Current with Power Purchase Cost	Current without Power Purchase Cost	New
Residential R			\$3.00	\$3.25	\$0.04464	\$0.02527	\$0.02818			
Residential All-Electric			\$3.00	\$3.25	\$0.04464	\$0.02527	\$0.02818			
Small General Service			\$4.00	\$4.25						
1st block (≤700 kWh)					\$0.05947	\$0.04010	\$0.04683			
2nd block (>700 kWh)					\$0.03735	\$0.01798	\$0.02220			
Outdoor Lighting										
7,000 Lumen Mercury								\$7.35	\$6.17	\$7.39
11,000 Lumen Mercury Vapor								\$9.02	\$7.55	\$9.07
20,000 Lumen Mercury Vapor								\$13.14	\$10.78	\$13.21
400 Watt High Press. Dischg.								\$19.61	\$17.25	\$19.68
Street Lighting					\$0.04134	\$0.02197	\$0.02444			
Medium General Service	\$4	\$4	\$8.00	\$8.00						
1st block (≤10,000 kWh)					\$0.02682	\$0.00745	\$0.00745			
2nd block (>10,000 kWh)					\$0.02442	\$0.00505	\$0.00505			
Large General Service-Primary	\$4	\$4	\$50	\$50						
1st block (≤100,000 kWh)					\$0.02238	\$0.00301	\$0.00301			
2nd block (>100,000 kWh)					\$0.01993	\$0.00056	\$0.00056			
Large General Service-Secondary	\$4	\$4	\$50	\$50						
1st block (≤100,000 kWh)					\$0.02333	\$0.00396	\$0.00396			
2nd block (>100,000 kWh)					\$0.02088	\$0.00151	\$0.00151			

RESIDENTIAL SERVICE
Schedule R

Availability of Schedule

Service under this schedule is available throughout the territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to residential service for general household use.

Character of Service Delivered Under this Schedule

Alternating current service having the following characteristics: 60 Hertz, single phase, 120/240 volts. Each residence served under this schedule shall be metered and billed separately.

Charges Under This Schedule

Customers served under this schedule will be rendered a monthly bill covering electric energy furnished by the Company for the Customer's use as follows:

Energy	All kilowatt hours used:	4.4642.818 cents per kWh
Customer Charge	For each monthly bill:	\$3.003.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchased power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Late Payment Charge

~~Charges based on this schedule are not if paid in full within 20 days of the date of the bill and all previous bills against the account are paid. On all accounts not so paid, a late payment fee of 2% of the current bill, less any applicable taxes and surcharges, will be charged to the account.~~

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

Term of Contract

Service is sold under this schedule on a month to month basis.

Uniform Payment Plan

Customers may elect to pay bills under the Company's uniform payment plan. Uniform monthly payments will be established by the Company as 1/12 of the total estimated revenue for the 12 months. All adjustments will be made by June 1 of each uniform payment year.

Issued: April 15, 2011 January 31, 2018 Issued By: ~~Martin A. Burns~~ John A. Kinnaird
Effective: For all bills rendered on or after June 1, 2014 Title: Mayor

THURMONT MUNICIPAL LIGHT COMPANY
Electric P.S.C. Md. No. 6

~~Second-Third Revised Sheet No. 20~~
~~Canceling~~
~~First-Second Revised Sheet No. 20~~

RESIDENTIAL SERVICE - ALL ELECTRIC
Schedule R-AE

Availability of Schedule

Service under this schedule is available throughout the territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to residential service for general household use and as the sole method of space heating.

Character of Service Delivered Under this Schedule

Alternating current service having the following characteristics: 60 Hertz, single phase, 120/240 volts. Each electric space heating installation served under this rate schedule shall be at 240 volts. Each residence served under this schedule shall be metered and billed separately.

Charges Under This Schedule

Customers served under this schedule will be rendered a monthly bill covering electric energy furnished by the Company for the Customer's use as follows:

Energy	All kilowatt hours used:	4.4642.818 cents per kWh
Customer Charge	For each monthly bill:	\$3.003.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchased power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Late Payment Charge

~~Charges based on this schedule are not if paid in full within 20 days of the date of the bill and all previous bills against the account are paid. On all accounts not so paid, a late payment fee of 2% of the current bill, less any applicable taxes and surcharges, will be charged to the account.~~

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

Term of Contract

Service is sold under this schedule on a month to month basis.

Uniform Payment Plan

Customers may elect to pay bills under the Company's uniform payment plan. Uniform monthly payments will be established by the Company as 1/12 of the total estimated revenue for the 12 months. All adjustments will be made by June 1 of each uniform payment year.

Issued: ~~April 15, 2011~~ January 31, 2018 Issued By: ~~Martin A. Burns~~ John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2014

Title: Mayor

SMALL GENERAL SERVICE
Schedule SGS

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

For new customers, this schedule applies to any non-residential customer whose monthly consumption is not expected by the Company to exceed 3,500 kWh. This rate will also be implemented when an established MGS customer's energy usage fails to equal or exceed 3,500 kWh in eleven months of the twelve month period prior to the billing period. This rate will cease to be applicable, when the energy usage is determined to have equaled or exceeded 3,500 kWh for any two months in the twelve month period prior to the billing period. In such case, the customer will be changed to an MGS customer, (see Schedule MGS).

Character of Service Delivered Under This Schedule

Alternating current having the following characteristics: single phase, 120/240 volts; single and three phase, 120/208, 120/240 or 277/480 volts; three phase 240, 480, 2400, 4160 or 12,470 volts, all at 60 Hertz. The voltages available depend on the location, character and size of the Customer's load. This information will be furnished by the Company upon request.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill covering electric energy furnished by the Company for the Customer's use at the following monthly rate:

Energy	First 700 kilowatt hours used:	5.9474.683 cents per kWh
	Remaining kilowatt hours used:	3.7352.220 cents per kWh
Customer Charge	For each monthly bill:	\$4.00 \$4.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Late Payment Charge

~~Charges based on this schedule are not if paid in full within 20 days of the date of the bill and all previous bills against the account are paid. On all accounts not so paid, a late payment fee of 2% of the current bill, less any applicable taxes and surcharges, will be charged to the account.~~

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

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Effective: For all bills rendered on or after
June 1, 2011

Title: Mayor

MEDIUM GENERAL SERVICE
Schedule MGS

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

For new customers, this schedule applies to any non-residential customer whose monthly consumption is expected to exceed 3,500 kWh, but whose monthly demand is expected to be less than 200 kW. This rate will also be implemented when an established SGS customer's energy usage exceeds 3,500 kWh for any two months in the twelve month period prior to the billing period. This rate will cease to be applicable when the energy usage is determined not to have exceeded 3,500 kWh in eleven months of the twelve month period prior to the billing period. In such case, the customer will be changed to an SGS customer, (see SGS).

This rate will also be implemented when an established LGS customer's billing demand fails to equal or exceed 200 kW for at least eleven months in the twelve month period prior to the billing period. This rate will cease to be applicable when the billing demand exceeds 200 kW in any two months in the twelve month period prior to the billing period. In such case, the customer will be changed to an LGS customer, (see Schedule LGS).

Character of Service Delivered Under This Schedule

Alternating current having the following characteristics: single phase, 120/240 volts; single and three phase, 120/208, 120/240 or 277/480 volts; three phase 240, 480, 2400, 4160 or 12,470 volts; all at 60 Hertz. The voltages available depend on the location, character and size of the Customer's load. This information will be furnished by the Company upon request.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill covering electric energy furnished by the Company for the Customer's use at the following monthly rate:

Energy	First 10,000 kilowatt hours used:	2-6820.745 cents per kWh
	Remaining kilowatt hours used:	2-4420.505 cents per kWh
Demand	Billing demand:	\$4.00 per kW
Customer Charge	For each monthly bill:	\$8.00 per month

Minimum Bill

The minimum bill shall be the customer charge.

Billing Demand

The billing demand shall be the highest demand, rounded to the nearest whole kilowatt, as measured in any thirty minute clock half-hour of the customer's billing month by an integrating demand meter.

Fuel and Purchase Power Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

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Effective: For all bills rendered on or after
June 1, 201~~8~~

Title: _____ Mayor

LARGE GENERAL SERVICE
Schedule LGS

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

For new customers, this schedule applies to any non-residential customer whose monthly billing demand is expected to exceed 200 kW. This rate will also be implemented when an established MGS customer's billing demand equals or exceeds 200 kW for any two months in the twelve month period prior to the billing period. This rate will cease to be applicable when the billing demand is determined not to have equaled or exceeded 200 kW in eleven months in the twelve month period prior to the billing period. In such case, the customer will be changed to an MGS customer, (see Schedule MGS). Customers with an average monthly demand of 1000 kW or more who own their own transformers are eligible for the Primary Voltage rate.

Character of Service Delivered Under This Schedule

Alternating current having the following characteristics. Secondary Voltages: single phase, 120/240 volts; single and three phase, 120/208, 120/240 or 277/480 volts; three phase 240, 480, 2400, or 4160 volts. Primary Voltage: 12,470 volts. All power is delivered at 60 Hertz. The voltages available depend on the location, character and size of the Customer's load. This information will be furnished by the Company upon request.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill covering electric energy furnished by the Company for the Customer's use at the following monthly rates:

		<u>Secondary Voltage</u>	<u>Primary Voltage</u>	
Energy	First 100,000 kilowatt hours used:	2-3330.396	2-2380.301	cents per kWh
	Remaining kilowatt hours used:	2-0880.151	1-9930.056	cents per kWh
Demand	Demand billing	\$4.00 per kW of billing demand		
Customer Charge	For each monthly bill:	\$50.00 per month		

Minimum Bill

The minimum bill shall be the customer charge.

Billing Demand

The billing demand shall be the highest demand, rounded to the nearest whole kilowatt, as measured in any thirty minute clock half-hour of the customer's billing month by an integrating demand meter.

Power Factor

If the power factor at the time of maximum demand falls below 85%, then the Company reserves the right to bill the customer for 85% of the maximum KVA.

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Effective: For all bills rendered on or after June 1, 2018 Title: Mayor

THURMONT MUNICIPAL LIGHT COMPANY
Electric P.S.C. Md. No. 6

~~Second-Third~~ Revised Sheet No. 27
Canceling
~~First-Second~~ Revised Sheet No. 27

OUTDOOR LIGHTING SERVICE
Schedule "OL"

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to electric service sold for outdoor area lighting supplied from the existing overhead distribution system of the Company.

Character of Service Delivered Under This Schedule

For each lighting installation provided, the Company will provide the lamp, photo electric relay control equipment, luminaire, and upsweep arm not over six feet in length. Except upon special request by the Customer, the Company will mount the required equipment on an existing company owned secondary circuit utility pole.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill for outdoor lighting service which includes a combined charge for the use of the equipment and for the electric energy furnished by the Company. The following monthly rates shall be charged:

- | | | | |
|----|-----------------------------------|---|--|
| A. | 7,000 lumen mercury vapor lamp | - | \$7.35 <u>\$7.39</u> per lamp per month |
| B. | 11,000 lumen mercury vapor lamp | - | \$9.02 <u>\$9.07</u> per lamp per month |
| C. | 20,000 lumen mercury vapor lamp | - | \$13.14 <u>\$13.21</u> per lamp per month |
| D. | 400w high pressure discharge lamp | - | \$19.61 <u>\$19.68</u> per lamp per month |

Additional Charges

When lighting installations requested by the Customer require equipment or other facilities in addition to those specified above, the Customer will pay in advance the cost of installing all additional equipment and facilities, except the Company will at the Customer's request, install poles and spans of wire, which can be connected to an existing secondary circuit. The Customer shall agree to pay the Company a monthly rental for each standard wooden distribution pole required and for each span of additional wire as required according to the following rates.

For each additional wooden distribution pole: \$0.9800 per month

For each span of additional wire: \$0.0057 per foot per month

Fuel and Purchased Power Cost Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Issued: ~~April 15, 2011~~ January 31, 2018 Issued By: ~~Martin A. Burns~~ John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2014~~8~~

Title: Mayor

THURMONT MUNICIPAL LIGHT COMPANY
Electric P.S.C. Md. No. 6

~~Second-Third~~ Revised Sheet No. 29
Canceling
~~First-Second~~ Revised Sheet No. 29

STREET LIGHTING SERVICE
Schedule "SL"

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to departments or divisions of state, county, and municipal governments that are charged with providing lighting for streets, alley ways and other such public areas.

Character of Service Delivered Under This Schedule

For each lighting installation provided, the Company will provide the lamp, photo electric relay control equipment, luminaire, and upsweep arm.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill for street lighting service based on the sum of the estimated kilowatt-hour usage per day of all installations covered by this schedule times the number of days in the billing period. The following flat rate shall be charged:

4-1342.444 cents per kWh

Fuel and Purchased Power Cost Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

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Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

Power Cost Adjustment (PCA)

The power cost adjustment is an amount per KWH to be added to or subtracted from the customer's billing each month so that increases or decreases in purchased power costs can be offset.

The same PCA charge or credit shall be used for each month of a continuous twelve month forecasted period unless a "relevelization" is required. A relevelization will be required if:

- (1) The Town's wholesale supplier(s) of purchased power has a rate change that goes into effect during the period; or
- (2) The recovery of purchased power on an actual basis (i.e. as each month of actual costs replaces that month's forecasted costs and a new month of forecasted costs and retail sales is added) is not in the range of +3% of the total twelve month forecasted amount; or
- (3) The forecast should need to be updated for unforeseen circumstances such as dramatic increases or decreases in the number of customers, sales, or other variables which will have a material impact on the forecast or if a mistake was made in computing the forecast.

If the calculation of the levelized PCA should be changed for any reason, then the Town of Thurmont will send the revised PCA to the Maryland Public Service Commission prior to implementation.

Whenever a relevelization is required, the Town will incorporate any over- or under-collection of costs in the estimated costs for the new forecasted twelve month period.

The Town will monitor the PCA collection of revenues on a monthly basis. The Town will book the over- or under-collections (as compared to forecasted amounts) on a monthly basis in a deferral account.

Calculation: The PCA stated to the nearest \$0.00001 cent per KWH will be determined by utilizing the following formula:

$$\frac{PP}{S} - \text{Base} = \text{PCA}$$

Definitions

PP = The total forecasted purchased power costs for the year including any over or under-collection from the prior period, wholesale fuel costs and any transmission charges, fees, or surcharges that apply.

S = Forecasted KWH sold

~~Base = The total purchased power cost per KWH included in the current retail base rates.~~

Base

~~Current Base = \$0.01937~~

~~Issued: April 15, 2011~~ January 31, 2018

Issued By: ~~Martin A. Burns~~ John A. Kinnaird

For all bills rendered on or after

Effective: June 1, 2018

Title: Mayor

RESIDENTIAL SERVICE
Schedule R

Availability of Schedule

Service under this schedule is available throughout the territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to residential service for general household use.

Character of Service Delivered Under this Schedule

Alternating current service having the following characteristics: 60 Hertz, single phase, 120/240 volts. Each residence served under this schedule shall be metered and billed separately.

Charges Under This Schedule

Customers served under this schedule will be rendered a monthly bill covering electric energy furnished by the Company for the Customer's use as follows:

Energy	All kilowatt hours used:	2.818 cents per kWh
Customer Charge	For each monthly bill:	\$3.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchased power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

Term of Contract

Service is sold under this schedule on a month to month basis.

Uniform Payment Plan

Customers may elect to pay bills under the Company's uniform payment plan. Uniform monthly payments will be established by the Company as 1/12 of the total estimated revenue for the 12 months. All adjustments will be made by June 1 of each uniform payment year.

Issued: January 31, 2018

Issued By: John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

RESIDENTIAL SERVICE - ALL ELECTRIC
Schedule R-AE

Availability of Schedule

Service under this schedule is available throughout the territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to residential service for general household use and as the sole method of space heating.

Character of Service Delivered Under this Schedule

Alternating current service having the following characteristics: 60 Hertz, single phase, 120/240 volts. Each electric space heating installation served under this rate schedule shall be at 240 volts. Each residence served under this schedule shall be metered and billed separately.

Charges Under This Schedule

Customers served under this schedule will be rendered a monthly bill covering electric energy furnished by the Company for the Customer's use as follows:

Energy	All kilowatt hours used:	2.818 cents per kWh
Customer Charge	For each monthly bill:	\$3.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchased power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

Term of Contract

Service is sold under this schedule on a month to month basis.

Uniform Payment Plan

Customers may elect to pay bills under the Company's uniform payment plan. Uniform monthly payments will be established by the Company as 1/12 of the total estimated revenue for the 12 months. All adjustments will be made by June 1 of each uniform payment year.

Issued: January 31, 2018

Issued By: John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

SMALL GENERAL SERVICE
Schedule SGS

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

For new customers, this schedule applies to any non-residential customer whose monthly consumption is not expected by the Company to exceed 3,500 kWh. This rate will also be implemented when an established MGS customer's energy usage fails to equal or exceed 3,500 kWh in eleven months of the twelve month period prior to the billing period. This rate will cease to be applicable, when the energy usage is determined to have equaled or exceeded 3,500 kWh for any two months in the twelve month period prior to the billing period. In such case, the customer will be changed to an MGS customer, (see Schedule MGS).

Character of Service Delivered Under This Schedule

Alternating current having the following characteristics: single phase, 120/240 volts; single and three phase, 120/208, 120/240 or 277/480 volts; three phase 240, 480, 2400, 4160 or 12,470 volts, all at 60 Hertz. The voltages available depend on the location, character and size of the Customer's load. This information will be furnished by the Company upon request.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill covering electric energy furnished by the Company for the Customer's use at the following monthly rate:

Energy	First 700 kilowatt hours used:	4.683 cents per kWh
	Remaining kilowatt hours used:	2.220 cents per kWh
Customer Charge	For each monthly bill:	\$4.25 per month

Minimum Bill

The minimum bill shall be the customer charge.

Fuel and Purchase Power Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Rules and Regulations Applying to this Schedule

Service supplied is subject to the rules and regulations covering the supply of electric service, and rules and regulations for meter and service installations of the Company as filed with the Maryland Public Service Commission.

Issued: January 31, 2018

Issued By: John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

OUTDOOR LIGHTING SERVICE
Schedule "OL"

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to electric service sold for outdoor area lighting supplied from the existing overhead distribution system of the Company.

Character of Service Delivered Under This Schedule

For each lighting installation provided, the Company will provide the lamp, photo electric relay control equipment, luminaire, and upsweep arm not over six feet in length. Except upon special request by the Customer, the Company will mount the required equipment on an existing company owned secondary circuit utility pole.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill for outdoor lighting service which includes a combined charge for the use of the equipment and for the electric energy furnished by the Company. The following monthly rates shall be charged:

- A. 7,000 lumen mercury vapor lamp - \$7.39 per lamp per month
- B. 11,000 lumen mercury vapor lamp - \$9.07 per lamp per month
- C. 20,000 lumen mercury vapor lamp - \$13.21 per lamp per month
- D. 400w high pressure discharge lamp - \$19.68 per lamp per month

Additional Charges

When lighting installations requested by the Customer require equipment or other facilities in addition to those specified above, the Customer will pay in advance the cost of installing all additional equipment and facilities, except the Company will at the Customer's request, install poles and spans of wire, which can be connected to an existing secondary circuit. The Customer shall agree to pay the Company a monthly rental for each standard wooden distribution pole required and for each span of additional wire as required according to the following rates.

For each additional wooden distribution pole: \$0.9800 per month

For each span of additional wire: \$0.0057 per foot per month

Fuel and Purchased Power Cost Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Issued: January 31, 2018

Issued By: John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

STREET LIGHTING SERVICE
Schedule "SL"

Availability of Schedule

Service under this schedule is available throughout the entire territory served by the Thurmont Municipal Light Company.

Application of Schedule

This schedule applies to departments or divisions of state, county, and municipal governments that are charged with providing lighting for streets, alley ways and other such public areas.

Character of Service Delivered Under This Schedule

For each lighting installation provided, the Company will provide the lamp, photo electric relay control equipment, luminaire, and upsweep arm.

Charges Under This Schedule

Customers served under this schedule will be rendered a bill for street lighting service based on the sum of the estimated kilowatt-hour usage per day of all installations covered by this schedule times the number of days in the billing period. The following flat rate shall be charged:

2.444 cents per kWh

Fuel and Purchased Power Cost Adjustment

The fuel and purchase power cost adjustment (PCA) will apply.

Miscellaneous Taxes/Surcharges

All Maryland Public Service Commission approved billing factors will apply.

Issued: January 31, 2018

Issued By: John A. Kinnaird

Effective: For all bills rendered on or after
June 1, 2018

Title: Mayor

Power Cost Adjustment (PCA)

The power cost adjustment is an amount per KWH to be added to or subtracted from the customer's billing each month so that increases or decreases in purchased power costs can be offset.

The same PCA charge or credit shall be used for each month of a continuous twelve month forecasted period unless a "relevelization" is required. A relevelization will be required if:

- (1) The Town's wholesale supplier(s) of purchased power has a rate change that goes into effect during the period; or
- (2) The recovery of purchased power on an actual basis (i.e. as each month of actual costs replaces that month's forecasted costs and a new month of forecasted costs and retail sales is added) is not in the range of $\pm 3\%$ of the total twelve month forecasted amount; or
- (3) The forecast should need to be updated for unforeseen circumstances such as dramatic increases or decreases in the number of customers, sales, or other variables which will have a material impact on the forecast or if a mistake was made in computing the forecast.

If the calculation of the levelized PCA should be changed for any reason, then the Town of Thurmont will send the revised PCA to the Maryland Public Service Commission prior to implementation.

Whenever a relevelization is required, the Town will incorporate any over- or under-collection of costs in the estimated costs for the new forecasted twelve month period.

The Town will monitor the PCA collection of revenues on a monthly basis. The Town will book the over- or under-collections (as compared to forecasted amounts) on a monthly basis in a deferral account.

Calculation: The PCA stated to the nearest \$0.00001 cent per KWH will be determined by utilizing the following formula:

$$\frac{PP}{S} = PCA$$

Definitions

PP = The total forecasted purchased power costs for the year including any over or under-collection from the prior period, wholesale fuel costs and any transmission charges, fees, or surcharges that apply.

S = Forecasted KWH sold

Issued: January 31, 2018

Issued By: John A. Kinnaird

For all bills rendered on or after
Effective: June 1, 2018

Title: Mayor