

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 697
Finance

(Senator Klausmeier)

Gas and Electric Companies - Use of Trade Name or Trademark

This bill prohibits a person who is an affiliate of a gas and electric company to use, as part of that person's own trade name or trademark, the trade name or trademark of a gas and electric company unless the person remits, in return for the privilege of using the gas and electric company's trade name or trademark, royalties of at least 10% of the person's gross receipts to the gas and electric company. Royalties received by a gas and electric company from the use of its trade name or trademark must be used for the direct benefit of its ratepayers. The bill applies to a person that is an affiliate of a gas and electric company and provides heating, ventilation, air-conditioning (HVAC), or refrigeration services.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. Under the resulting market structure, electric companies may have unregulated affiliates that offer competitive services, including competitive electricity supply and HVAC services.

State law currently requires each electric company to adopt a code of conduct to prevent its regulated customers from subsidizing the service provided by an unregulated business

or affiliate of the electric company. Current regulations, among other things, require utilities with unregulated affiliates to file a cost allocation manual with the Public Service Commission (PSC) identifying a corporate organizational chart with a complete description of the types of all costs shared with an affiliate and the methodology to allocate those costs. Unregulated affiliates may use the trade name, trademark, and logo of a regulated utility as long as a disclaimer indicating that the unregulated affiliate “is not the same company as (utility name), a regulated utility” is included in the advertisement.

Background: PSC has been investigating the issue of customers of regulated utilities subsidizing the operations of an affiliate (cross-subsidization) through docketed cases since 1999. PSC is currently investigating the practices of BGE Home Products and Services, Inc., an unregulated affiliate of Baltimore Gas & Electric Company (BGE) (Case Number 9235). Through the investigation PSC will determine if utility ratepayers are subsidizing unregulated utility affiliates and if sufficient procedures for the competitive selection of HVAC and refrigeration services were followed in connection with the company’s energy conservation and energy efficiency programs. A hearing in this case is scheduled for March 21, 2011.

Other regulated utilities with unregulated affiliates include Potomac Electric Power Company (unregulated affiliate: Pepco Energy Services) and Washington Gas Light Company (unregulated affiliate: Washington Gas Energy Services).

Small Business Effect: Some small businesses that provide HVAC or refrigeration services and compete with businesses that use a trade name or trademark of a regulated utility may benefit to the extent that the bill increases costs for some competing businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/lgc

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