

# HOUSE BILL 1055

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By: **Delegates Braveboy, B. Robinson, and Carter**

Introduced and read first time: February 8, 2013

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Public Service Commission – Contracts for Electricity Supply – Applicability**  
3 **of Minority Business Enterprise Participation Goals**

4 FOR the purpose of requiring the Public Service Commission to require that certain  
5 contracts for electricity supply include a provision that requires the electricity  
6 supplier to comply with certain minority business enterprise participation goals  
7 and subgoals established by the Special Secretary of Minority Affairs; providing  
8 that existing obligations or contract rights may not be impaired by this Act; and  
9 generally relating to the applicability of minority business enterprise  
10 participation goals to contracts for electricity supply.

11 BY repealing and reenacting, with amendments,  
12 Article – Public Utilities  
13 Section 7–510(c)  
14 Annotated Code of Maryland  
15 (2010 Replacement Volume and 2012 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article – Public Utilities**

19 7–510.

20 (c) (1) Beginning on the initial implementation date, an electric  
21 company's obligation to provide electricity supply and electricity supply service is  
22 stated by this subsection.

23 (2) Electricity supply purchased from a customer's electric company is  
24 known as standard offer service. A customer is considered to have chosen the standard  
25 offer service if the customer:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) is not allowed to choose an electricity supplier under the  
2 phase in of customer choice in subsection (a) of this section;

3 (ii) contracts for electricity with an electricity supplier and it is  
4 not delivered;

5 (iii) cannot arrange for electricity from an electricity supplier;

6 (iv) does not choose an electricity supplier;

7 (v) chooses the standard offer service; or

8 (vi) has been denied service or referred to the standard offer  
9 service by an electricity supplier in accordance with § 7-507(e)(6) of this subtitle.

10 (3) (i) Except as provided under subparagraph (ii) of this  
11 paragraph, any obligation of an electric company to provide standard offer service  
12 shall cease on July 1, 2003.

13 (ii) 1. Electric cooperatives and municipal electric utilities  
14 may choose to continue providing standard offer service in their respective distribution  
15 territories and may cease offering that service after notifying the Commission at least  
16 12 months in advance.

17 2. On and after July 1, 2003, an electric company  
18 continues to have the obligation to provide standard offer service to residential and  
19 small commercial customers at a market price that permits recovery of the verifiable,  
20 prudently incurred costs to procure or produce the electricity plus a reasonable return.

21 (iii) 1. On or before December 31, 2008, and every 5 years  
22 thereafter, the Commission shall report to the Governor and, in accordance with §  
23 2-1246 of the State Government Article, to the General Assembly on the status of the  
24 standard offer service, the development of competition, and the transition of standard  
25 offer service to a default service.

26 2. The Commission shall establish, by order or  
27 regulation, the definition of "default service".

28 (4) (i) On or before July 1, 2001, the Commission shall adopt  
29 regulations or issue orders to establish procedures for the competitive selection of  
30 wholesale electricity suppliers, including an affiliate of an electric company, to provide  
31 electricity for standard offer service to customers of electric companies under  
32 paragraph (2) of this subsection, except for customers of electric cooperatives and  
33 municipal electric utilities. Unless delayed by the Commission, the competitive  
34 selection shall take effect no later than July 1, 2003.

1 (ii) 1. Under the obligation to provide standard offer service  
2 in accordance with paragraph (3)(ii) of this subsection, the Commission, by regulation  
3 or order, and in a manner that is designed to obtain the best price for residential and  
4 small commercial customers in light of market conditions at the time of procurement  
5 and the need to protect these customers from excessive price increases:

6 A. shall require each investor-owned electric company to  
7 obtain its electricity supply for residential and small commercial customers  
8 participating in standard offer service through a competitive process in accordance  
9 with this paragraph; and

10 B. may require or allow an investor-owned electric  
11 company to procure electricity for these customers directly from an electricity supplier  
12 through one or more bilateral contracts outside the competitive process.

13 2. A. As the Commission directs, the competitive  
14 process shall include a series of competitive wholesale bids in which the  
15 investor-owned electric company solicits bids to supply anticipated standard offer  
16 service load for residential and small commercial customers as part of a portfolio of  
17 blended wholesale supply contracts of short, medium, or long terms, and other  
18 appropriate electricity products and strategies, as needed to meet demand in a  
19 cost-effective manner.

20 B. The competitive process may include different bidding  
21 structures and mechanisms for base load, peak load, and very short-term  
22 procurement.

23 C. By regulation or order, as a part of the competitive  
24 process, the Commission shall require or allow the procurement of cost-effective  
25 energy efficiency and conservation measures and services with projected and verifiable  
26 energy savings to offset anticipated demand to be served by standard offer service, and  
27 the imposition of other cost-effective demand-side management programs.

28 3. A. In order to prevent an excessive amount of load  
29 being exposed to upward price risks and volatility, the Commission may stagger the  
30 dates for the competitive wholesale auctions.

31 B. By regulation or order, the Commission may allow a  
32 date on which a competitive wholesale auction takes place to be altered based on  
33 current market conditions.

34 4. By regulation or order, the Commission may allow an  
35 investor-owned electric company to refuse to accept some or all of the bids made in a  
36 competitive wholesale auction in accordance with standards adopted by the  
37 Commission.

1                   5.     The investor–owned electric company shall publicly  
2 disclose the names of all bidders and the names and load allocation of all successful  
3 bidders 90 days after all contracts for supply are executed.

4                   **(III) THE COMMISSION SHALL REQUIRE THAT EACH**  
5 **CONTRACT FOR SUPPLY ENTERED INTO UNDER THIS PARAGRAPH INCLUDE A**  
6 **PROVISION THAT REQUIRES THE ELECTRICITY SUPPLIER TO COMPLY WITH THE**  
7 **MINORITY BUSINESS ENTERPRISE PARTICIPATION GOALS AND SUBGOALS**  
8 **ESTABLISHED BY THE SPECIAL SECRETARY OF MINORITY AFFAIRS UNDER §**  
9 **14–302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

10                   (5)     An electric company may procure the electricity needed to meet its  
11 standard offer service electricity supply obligation from any electricity supplier,  
12 including an affiliate of the electric company.

13                   (6)     In order to meet long–term, anticipated demand in the State for  
14 standard offer service and other electricity supply, the Commission may require or  
15 allow an investor–owned electric company to construct, acquire, or lease, and operate,  
16 its own generating facilities, and transmission facilities necessary to interconnect the  
17 generating facilities with the electric grid, subject to appropriate cost recovery.

18                   (7)     (i)     To determine whether an appropriate phased  
19 implementation of electricity rates that is necessary to protect residential customers  
20 from the impact of sudden and significant increases in electricity rates, the  
21 Commission in the case of an increase of 20% or more over the previous year’s total  
22 electricity rates, shall conduct evidentiary proceedings, including public hearings.

23                   (ii)    1.     A deferral of costs as part of a phased implementation  
24 of electricity rates by an investor–owned electric company shall be treated as a  
25 regulatory asset to be recovered in accordance with a rate stabilization plan under  
26 Part III of this subtitle or any other plan for phased implementation approved by the  
27 Commission.

28                                 2.     A deferral of costs under this paragraph must be just,  
29 reasonable, and in the public interest.

30                   (iii)   The Commission shall approve the recovery of deferred costs  
31 under subparagraph (ii) of this paragraph as:

32                                 1.     long–term recovery in accordance with a rate  
33 stabilization plan under Part III of this subtitle; or

34                                 2.     short–term recovery through a rate proceeding  
35 mechanism approved by the Commission.

1 (iv) The Commission may approve a phasing in of increased  
2 costs by:

3 1. placing a cap on rates and allowing recovery over  
4 time; or

5 2. allowing rates to increase and providing for a rebate  
6 to customers of any excess costs paid.

7 (8) (i) An electric cooperative that as of July 1, 2006, supplied its  
8 standard offer service load through a portfolio of blended wholesale supply contracts of  
9 short, medium, and long terms, and other appropriate electricity products and  
10 strategies, as needed to meet demand in a cost-effective manner, may choose to  
11 continue to use a blended portfolio:

12 1. as approved and modified by the electric cooperative's  
13 board of directors; and

14 2. with appropriate review for prudent cost recovery as  
15 determined by the Commission.

16 (ii) The Commission may not set or enforce a termination date  
17 for the procurement of supply through a managed portfolio previously approved by the  
18 Commission.

19 (9) (i) The Commission, on request by an electric cooperative or on  
20 its own initiative, shall initiate a proceeding to investigate options for a rate  
21 stabilization plan to assist residential electric customers to gradually adjust to market  
22 rates over an extended period of time.

23 (ii) If an electric cooperative determines that total electric rates  
24 for residential customers are anticipated to increase by more than 20% in a 12-month  
25 period resulting from an increase in the cost of generation, the electric cooperative  
26 shall survey its membership to determine whether to make a request to the  
27 Commission to initiate a proceeding under subsection (a) of this section.

28 (iii) Notwithstanding subparagraphs (i) and (ii) of this  
29 paragraph, as approved by the Commission, an electric cooperative may receive a  
30 modification in distribution and transmission rates.

31 SECTION 2. AND BE IT FURTHER ENACTED, That a presently existing  
32 obligation or contract right may not be impaired in any way by this Act.

33 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
34 October 1, 2013.