

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1159
 Economic Matters

(Delegate Kramer, *et al.*)

Finance

Electric Companies - Service Restoration - Special Medical Needs Facilities

This bill requires the Secretary of Health and Mental Hygiene, by January 1 of each year, to (1) establish and provide a list of “special medical needs facilities,” including the licensed capacity of each facility, to each electric company for its service territory; (2) post the list on the Department of Health and Mental Hygiene’s (DHMH) website; and (3) establish a procedure to allow a special medical needs facility to remove its information from the list. The bill also requires each electric company to submit specified information related to special medical needs facilities in its annual performance report to the Public Service Commission (PSC). Finally, the scope of an existing PSC workgroup is expanded, and PSC must report to the General Assembly by December 1, 2013, on specified findings and recommendations related to electric service to special medical needs facilities.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: Special fund expenditures from the Public Utility Regulation Fund increase by \$25,100 in FY 2014 to hire a part-time staff to review the information contained in the annual reports submitted to PSC by electric companies under the bill. Future year expenditures reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. DHMH can meet the bill’s requirements with existing budgeted resources.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$25,100	\$42,200	\$44,100	\$46,100	\$48,200
SF Expenditure	\$25,100	\$42,200	\$44,100	\$46,100	\$48,200
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: The stated purpose of the bill is to further the service quality and reliability goals in current law as they relate to special medical needs facilities and encourage the reliable delivery of service to these facilities.

A “special medical needs facility” includes:

- an assisted living facility, hospice facility, hospital, or nursing home as defined in the Health-General Article;
- a congregate housing services program as defined in the Human Services Article; or
- any other type of facility that PSC designates in regulation as a special medical needs facility.

By April 1 of each year, as part of each electric company’s annual performance report to PSC, each electric company must submit:

- a list of special medical needs facilities that are served by protective devices that activated five or more times during the reporting period, resulting in a power outage;
- a list of special medical needs facilities that experienced service interruption that exceeded four consecutive hours during the reporting period and was reported to or was otherwise known to the electric company;
- a list of special medical needs facilities that are served by the 3% of feeders assigned to an electric company’s service territory in the State that are identified by the electric company as having the poorest reliability during the reporting period; and
- a description of the electric company’s performance in assessing and acting to remediate, and future plans and proposals to improve, the reliability of feeders and protective devices identified under the bill.

In addition, the scope of the workgroup ordered by PSC in Case No. 9298 to investigate ways to improve communications associated with special medical needs customers is broadened to include recommendations on (1) how to more effectively respond to electricity outages that affect special medical needs facilities and individuals with special medical needs; (2) requiring annual performance reports by electric companies to include

specified service interruption data and actions; and (3) how DHMH could address problems caused by outages at its regulated facilities that are not addressed through the use of backup generators. The workgroup must also identify other types of facilities, if any, that should be included as special medical needs facilities.

The bill does not prohibit PSC from taking corrective action against an electric company that fails to meet any or all applicable service quality and reliability standards.

Current Law: Chapters 167 and 168 of 2011 (SB 692/HB 391) required PSC, by July 1, 2012, to adopt regulations implementing service quality and reliability standards using System-Average Interruption Duration Index, System-Average Interruption Frequency Index, and any other standard PSC determines to be reasonable for the delivery of electricity to retail customers by electric companies. The resulting regulations set minimum reliability standards for each electric company based on past performance, establish a mandatory annual performance reporting system, and mandate vegetation management, among others requirements.

PSC must determine annually if each electric company has met the service quality and reliability standards and take appropriate corrective action against an electric company that fails to meet any or all of the applicable standards, including appropriate civil penalties for noncompliance. Electric companies may not recover the cost of any civil penalty from ratepayers.

Electric company annual reports are due to PSC by April 1 of each year.

Background: PSC initiated Case No. 9298 in response to the June 2012 “derecho” storm which interrupted electric service to hundreds of thousands of Maryland residents. In Order No. 85385 issued under the case, the commission found that following the derecho, “communication associated with special medical needs customers was inadequate, especially given the duration of the outages and the dearth of accurate estimated times of restoration.”

The commission directed specified electric companies to participate in workgroup sessions with commission staff to (1) gather from the appropriate State and local officials and emergency responders the information they need, and the method and format in which the information should be transmitted during emergencies and (2) address legitimate concerns about customer privacy. PSC staff is required to prepare and submit a report containing its findings and recommendations from the workgroup sessions to the commission by September 30, 2013.

The commission further indicated that upon review and consideration of the staff report, it will direct the electric companies further with regard to the sharing of customer

information with emergency management agencies and government agency responders during major outage events.

See the **Appendix – Major Outage Events** for additional information related to outages.

State Fiscal Effect: PSC special fund expenditures increase by \$25,105 in fiscal 2014, which accounts for a 180-day start-up delay. This estimate reflects the cost of hiring one distribution engineer *half time* to review the information related to special medical needs facilities contained in the annual reports submitted to PSC by electric companies. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$99,599
Other Operating Expenses	<u>5,506</u>
Total FY 2014 PSC Expenditures	\$25,105

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Department of Health and Mental Hygiene, Office of People’s Counsel, Department of Legislative Services

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ns/lgc Revised - House Third Reader - March 28, 2013
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Appendix – Major Outage Events

Several major outage events have occurred in the State in recent years. For example, several violent thunderstorms hit the Pepco service territory on July 25, August 5, and August 12, 2010, causing power outages to 297,000, 75,000, and 98,000 customers, respectively. The Public Service Commission (PSC) received many complaints about the outages. On January 26, 2011, a winter storm caused 126,000 peak customer outages in the Baltimore Gas and Electric (BGE) service territory and 190,000 peak customer outages in the Pepco service territory.

Recently, a “derecho” storm on June 29, 2012, severely impacted electrical service to a large portion of the State, especially in the BGE and Pepco service territories. High sustained wind speeds with gusts in excess of 65 miles per hour (mph) resulted in downed trees, broken telephone poles, and damaged electric distribution infrastructure. Based on the definition of “major outage event,” most electric companies in the State were required to file a written report on the outage and subsequent repair services. The reports indicate that BGE and Pepco each experienced over 750,000 total customer outages, with maximum concurrent interruptions of over 400,000 customers each – significantly higher than any other recent major outage event. **Exhibit 1** below contains information related to customer outages and service restoration for each electric company that filed a report. Full copies of each of the reports can be found on PSC’s website under Case No. 9298.

Exhibit 1 Summary Statistics – Utility Major Outage Event Reports June 29, 2012 Derecho Storm

	<u>Total Maryland Customers</u>	<u>Total Customer Outages</u>	<u>Maximum Concurrent Interruptions</u>	<u>Customer Interruption Hours</u>	<u>Average Duration per Customer (Hours)</u>	<u>Duration of Major Outage Event</u>
BGE	1,240,173	762,781	429,841	28,643,177	37.6	8 Days, 15 Hours
Delmarva	194,945	50,476	28,059	436,823	8.7	3 Days, 19 Hours
Pepco	534,601	786,766	410,679	20,465,930	26.0	8 Days, 6 Hours
SMECO	151,800	83,250	56,424	1,203,860	14.5	3 Days, 19 Hours

SMECO: Southern Maryland Electric Cooperative
Source: Major Outage Reports Filed in PSC Case No. 9298

Finally, hurricane Sandy made landfall near Atlantic City, New Jersey, on October 28, 2012. Much of Maryland experienced sustained wind speeds in excess of 35 mph, with gusts ranging from 55 to 65 mph. Many areas in the State experienced between four and six inches of rain, and some areas on the Eastern Shore experienced double that, while some areas in Western Maryland received approximately two feet of snow. Despite these totals, customer outages were fewer and of shorter duration, on average, than those related to the June 2012 storm. Customer outages in each service territory were approximately:

- 350,000 in BGE;
- 110,600 in Potomac Edison;
- 83,600 in Delmarva;
- 81,400 in Pepco; and
- 35,800 in SMECO.

Additional outage information for each electric company can be found in the major storm reports posted on PSC's website under Case No. 9308.