

HOUSE BILL 35

C5

(4lr1011)

ENROLLED BILL

— *Economic Matters/Finance* —

Introduced by **Delegate W. Miller**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Electric Reliability – Priorities and Funding**

3 FOR the purpose of requiring the Public Service Commission and certain electric
4 companies to establish certain priorities for *targeting* certain remediation
5 projects; establishing an Electric Reliability Remediation Fund in the
6 Commission; providing for the purpose, administration, investment, sources,
7 and permissible uses of the Fund; requiring that certain electric companies
8 maintain the reliability of their distribution systems in accordance with certain
9 standards; providing that certain civil penalties shall be paid into the Fund;
10 defining certain terms; and generally relating to priorities and the reliability of
11 the electric distribution system.

12 BY repealing and reenacting, with amendments,

13 Article – Public Utilities

14 Section 7–213, 7–506, and 13–201(e)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 Annotated Code of Maryland
2 (2010 Replacement Volume and 2013 Supplement)

3 BY repealing and reenacting, without amendments,
4 Article – Public Utilities
5 Section 13–201(a)
6 Annotated Code of Maryland
7 (2010 Replacement Volume and 2013 Supplement)

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

10 **Article – Public Utilities**

11 7–213.

12 (a) (1) In this section the following words have the meanings indicated.

13 (2) (I) **“ELIGIBLE RELIABILITY MEASURE” MEANS A**
14 **REPLACEMENT OF OR AN IMPROVEMENT IN EXISTING INFRASTRUCTURE OF AN**
15 **ELECTRIC COMPANY THAT:**

16 1. **IS MADE ON OR AFTER JUNE 1, 2014;**

17 2. **IS DESIGNED TO IMPROVE PUBLIC SAFETY OR**
18 **INFRASTRUCTURE RELIABILITY;**

19 3. **DOES NOT INCREASE THE REVENUE OF AN**
20 **ELECTRIC COMPANY BY CONNECTING AN IMPROVEMENT DIRECTLY TO NEW**
21 **CUSTOMERS; AND**

22 4. **IS NOT INCLUDED IN THE CURRENT RATE BASE OF**
23 **THE ELECTRIC COMPANY AS DETERMINED IN THE ELECTRIC COMPANY’S MOST**
24 **RECENT BASE RATE PROCEEDING.**

25 (II) **“ELIGIBLE RELIABILITY MEASURE” INCLUDES**
26 **VEGETATION MANAGEMENT MEASURES THAT ARE NECESSARY TO MEET**
27 **APPLICABLE SERVICE QUALITY AND RELIABILITY STANDARDS UNDER THIS**
28 **SECTION.**

29 (3) **“FUND” MEANS THE ELECTRIC RELIABILITY REMEDIATION**
30 **FUND ESTABLISHED UNDER SUBSECTION (J) OF THIS SECTION.**

1 ~~[(2)]~~ (4) “System–average interruption duration index” or “SAIDI”
2 means the sum of the customer interruption hours divided by the total number of
3 customers served.

4 ~~[(3)]~~ (5) “System–average interruption frequency index” or “SAIFI”
5 means the sum of the number of customer interruptions divided by the total number of
6 customers served.

7 (b) It is the goal of the State that each electric company provide its
8 customers with high levels of service quality and reliability in a cost–effective manner,
9 as measured by objective and verifiable standards, and that each electric company be
10 held accountable if it fails to deliver reliable service according to those standards.

11 (c) This section does not apply to small rural electric cooperatives or
12 municipal electric companies.

13 (d) On or before July 1, 2012, the Commission shall adopt regulations that
14 implement service quality and reliability standards relating to the delivery of
15 electricity to retail customers by electric companies through their distribution
16 systems, using:

17 (1) SAIFI;

18 (2) SAIDI; and

19 (3) any other performance measurement that the Commission
20 determines to be reasonable.

21 (e) (1) The regulations adopted under subsection (d) of this section shall:

22 (i) include service quality and reliability standards, including
23 standards relating to:

24 1. service interruption;

25 2. downed wire response;

26 3. customer communications;

27 4. vegetation management;

28 5. periodic equipment inspections;

29 6. annual reliability reporting; and

30 7. any other standards established by the Commission;

1 (ii) account for major outages caused by events outside the
2 control of an electric company; and

3 (iii) for an electric company that fails to meet the applicable
4 service quality and reliability standards, require the electric company to file a
5 corrective action plan that details specific actions the company will take to meet the
6 standards.

7 (2) The regulations adopted under subsection (d) of this section may
8 include a separate reliability standard for each electric company in order to account
9 for system reliability differentiating factors, including:

- 10 (i) system design;
- 11 (ii) existing infrastructure;
- 12 (iii) customer density; and
- 13 (iv) geography.

14 (3) In adopting the regulations required under subsection (d) of this
15 section, the Commission shall:

16 (i) consider applicable standards of the Institute of Electrical
17 and Electronics Engineers;

18 (ii) ensure that the service quality and reliability standards are
19 cost-effective; and

20 (iii) with respect to standards relating to vegetation
21 management, consider:

22 1. limitations on an electric company's right to access
23 private property; and

24 2. customer acceptance of vegetation management
25 initiatives.

26 (4) A county or municipal corporation may not adopt or enforce a local
27 law, rule, or regulation or take any other action that interferes with, or materially
28 increases the cost of the work of an electric company toward, compliance with the
29 vegetation management standards adopted under subsection (d) of this section.

30 (f) (1) On or before September 1 of each year, the Commission shall
31 determine whether each electric company has met the service quality and reliability
32 standards adopted by the Commission for that electric company under subsection (d)
33 of this section and under § 7-213.1(e) of this subtitle.

1 (2) (i) This paragraph does not apply to electric cooperatives.

2 (ii) The Commission shall take appropriate corrective action
3 against an electric company that fails to meet any or all of the applicable service
4 quality and reliability standards, including the imposition of appropriate civil
5 penalties for noncompliance as provided in § 13–201 of this article.

6 **(III) A CIVIL PENALTY ASSESSED UNDER § 13–201 OF THIS**
7 **ARTICLE FOR A VIOLATION OF THE SERVICE QUALITY AND RELIABILITY**
8 **STANDARDS UNDER THIS SECTION SHALL BE PAID INTO THE FUND.**

9 ~~[(iii)]~~ **(IV)** An electric company may not recover the cost of any
10 civil penalty paid under this section from ratepayers.

11 (g) (1) On or before April 1 of each year, each electric company shall
12 submit to the Commission an annual performance report that summarizes the actual
13 electric service reliability results for the preceding year.

14 (2) The annual performance report shall include:

15 (i) the electric company's average 3–year performance results;

16 (ii) actual year–end performance measure results;

17 (iii) an assessment of the results and effectiveness of the
18 reliability objectives, planned actions and projects, programs, and load studies in
19 achieving an acceptable reliability level; and

20 (iv) annual information that the Commission determines
21 necessary to assess the electric company's efforts to maintain reliable electric service
22 to all customers in the electric company's service territory, including:

23 1. current year expenditures, labor resource hours, and
24 progress measures for each capital and maintenance program designed to support the
25 maintenance of reliable electric service;

26 2. the number of outages by outage type;

27 3. the number of outages by outage cause;

28 4. the total number of customers that experienced an
29 outage;

30 5. the total customer minutes of outage time; and

1 6. to the extent practicable, a breakdown, by the number
2 of days each customer was without electric service, of the number of customers that
3 experienced an outage.

4 (3) At the request of an electric company, the Commission shall hold a
5 hearing to discuss the annual performance report of the electric company.

6 (h) This section may not be construed to limit the Commission's authority to
7 adopt and enforce engineering and safety standards for electric companies.

8 **(i) THE COMMISSION AND EACH ELECTRIC COMPANY ASSESSED A**
9 **PENALTY FOR A VIOLATION OF SERVICE QUALITY AND RELIABILITY STANDARDS**
10 **UNDER THIS SECTION SHALL ESTABLISH PRIORITIES FOR TARGETING**
11 **REMEDICATION ~~OF POORLY~~ EFFORTS TO IMPROVE ELECTRIC SERVICE QUALITY**
12 **AND RELIABILITY FOR THE WORST PERFORMING FEEDER LINES AND OTHER**
13 **DISTRIBUTION LINES ~~THAT MAY BE PARTLY PAID FOR~~ AND EQUIPMENT THAT**
14 **SHALL BE PAID FOR, IN WHOLE OR IN PART, USING THE FUND ~~UNDER, AS~~**
15 **AVAILABLE AND IN ACCORDANCE WITH SUBSECTION (J) OF THIS SECTION.**

16 **(j) (1) THERE IS AN ELECTRIC RELIABILITY REMEDIATION FUND IN**
17 **THE COMMISSION.**

18 **(2) THE PURPOSE OF THE FUND IS TO PROVIDE RESOURCES TO**
19 **TARGET REMEDIATION EFFORTS TO IMPROVE ELECTRIC SERVICE QUALITY AND**
20 **RELIABILITY FOR THE WORST PERFORMING ELECTRIC DISTRIBUTION LINES IN**
21 **THE STATE.**

22 **(3) THE COMMISSION SHALL ADMINISTER THE FUND.**

23 **(4) (i) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS**
24 **NOT SUBJECT TO REVERSION UNDER § 7-302 OF THE STATE FINANCE AND**
25 **PROCUREMENT ARTICLE.**

26 **(ii) THE STATE TREASURER SHALL HOLD THE FUND**
27 **SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.**

28 **(5) THE FUND CONSISTS OF:**

29 **(i) REVENUE DISTRIBUTED TO THE FUND UNDER §**
30 **13-201(E)(2) OF THIS ARTICLE FOR A VIOLATION OF THIS SECTION;**

31 **(ii) MONEY APPROPRIATED IN THE STATE BUDGET TO THE**
32 **FUND; AND**

1 **(III) ANY OTHER MONEY FROM ANY OTHER SOURCE**
2 **ACCEPTED FOR THE BENEFIT OF THE FUND.**

3 **(6) (I) THE FUND MAY BE USED ONLY FOR ELIGIBLE**
4 **RELIABILITY MEASURES.**

5 **(II) THE CIVIL PENALTIES COLLECTED FROM AN ELECTRIC**
6 **COMPANY:**

7 **1. MAY BE USED ONLY FOR ELIGIBLE RELIABILITY**
8 **MEASURES AND PROJECTS IN THE SERVICE TERRITORY OF THAT ELECTRIC**
9 **COMPANY; BUT**

10 **2. MAY NOT REPLACE OR SUBSTITUTE FOR MONEY**
11 **ALREADY BUDGETED FOR OR SPENT ON ANY PROJECT, INCLUDING AN**
12 **OTHERWISE ELIGIBLE RELIABILITY MEASURE, THAT THE ELECTRIC COMPANY IS**
13 **REQUIRED TO IMPLEMENT UNDER THIS SECTION OR ANY OTHER LAW.**

14 **(7) (I) THE STATE TREASURER SHALL INVEST THE MONEY OF**
15 **THE FUND IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

16 **(II) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE**
17 **CREDITED TO THE GENERAL FUND OF THE STATE.**

18 7-506.

19 (a) The electric company in a distribution territory shall provide and be
20 responsible for distribution services in the territory.

21 (b) The electric company shall provide distribution services in its distribution
22 territory to all customers and electricity suppliers on rates, terms of access, and
23 conditions that are comparable to the electric company's own use of its distribution
24 system.

25 (c) Each electric company shall maintain the reliability of its distribution
26 system in accordance with **§ 7-213 OF THIS TITLE AND** applicable orders, tariffs, and
27 regulations of the Commission.

28 (d) The electric company shall connect customers and deliver electricity on
29 behalf of electricity suppliers consistent with the provisions of this division.

30 (e) The electric company shall provide standard offer service under §
31 7-510(c) of this subtitle.

32 13-201.

1 (a) This section does not apply to a violation of the following provisions of
2 this article:

- 3 (1) Title 5, Subtitle 4;
- 4 (2) Title 7, Subtitle 1;
- 5 (3) § 7–213 as it applies to electric cooperatives;
- 6 (4) Title 8, Subtitles 1 and 3;
- 7 (5) Title 9, Subtitle 3; and
- 8 (6) Title 8, Subtitle 4.

9 (e) **(1) [A] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
10 **SUBSECTION, A civil penalty collected under this section shall be paid into the**
11 **General Fund of the State.**

12 **(2) A CIVIL PENALTY ASSESSED FOR A VIOLATION OF A SERVICE**
13 **QUALITY AND RELIABILITY STANDARD UNDER § 7–213 OF THIS ARTICLE SHALL**
14 **BE PAID INTO THE ELECTRIC RELIABILITY REMEDIATION FUND UNDER §**
15 **7–213(J) OF THIS ARTICLE.**

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 July 1, 2014.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.