

## Chapter 581

### (House Bill 35)

AN ACT concerning

#### Electric Reliability – Priorities and Funding

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

BY repealing and reenacting, with amendments,  
 Article – Public Utilities  
 Section 7–213, 7–506, and 13–201(e)  
 Annotated Code of Maryland  
 (2010 Replacement Volume and 2013 Supplement)

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

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

#### Article – Public Utilities

7–213.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) SAIFI;

(2) SAIDI; and

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

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

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

1. service interruption;
2. downed wire response;
3. customer communications;
4. vegetation management;
5. periodic equipment inspections;
6. annual reliability reporting; and
7. any other standards established by the Commission;

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

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

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

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

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

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

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

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

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

2. customer acceptance of vegetation management initiatives.

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

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

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

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

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

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

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

(2) The annual performance report shall include:

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

(ii) actual year-end performance measure results;

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

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

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

2. the number of outages by outage type;

3. the number of outages by outage cause;

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

5. the total customer minutes of outage time; and

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

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

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

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

**(J) (1) THERE IS AN ELECTRIC RELIABILITY REMEDIATION FUND IN THE COMMISSION.**

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

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

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

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

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

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

**(II) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND**

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

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

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

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

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

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

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

7-506.

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

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

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

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

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

13-201.

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

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

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

**(2) A CIVIL PENALTY ASSESSED FOR A VIOLATION OF A SERVICE QUALITY AND RELIABILITY STANDARD UNDER § 7-213 OF THIS ARTICLE SHALL**

**BE PAID INTO THE ELECTRIC RELIABILITY REMEDIATION FUND UNDER § 7-213(J) OF THIS ARTICLE.**

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

**Approved by the Governor, May 15, 2014.**