SB 9

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 9 (Senator McFadden)
Finance

Gas and Electricity - Smart Meters - Customer Rights and Required Reports

---

This bill requires an electric, gas, or gas and electric company ("utility company") to give prior written notice of the deployment of "smart meters" to each customer in the affected portion of its service territory. A utility company is prohibited from imposing any additional fee or charge on a utility customer who refuses installation of a smart meter or requests removal of a smart meter under the bill. The bill contains two related reporting requirements for the Public Service Commission (PSC) and the Department of Health and Mental Hygiene (DHMH).

Fiscal Summary

State Effect: Special fund expenditures increase by $500,000 total over two fiscal years (FY 2016 and 2017) for PSC to retain an independent expert to prepare the required joint report. The precise timing of the expenditures across the two fiscal years cannot be reliably estimated at this time. Special fund revenues for PSC increase correspondingly from assessments imposed on public service companies to recoup costs incurred by PSC as authorized under current law. PSC can report on the savings and cybersecurity issues associated with smart meters with existing budgeted resources. DHMH can handle the bill's reporting requirement with existing budgeted resources.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SF Revenue	$500,000	-	$0	$0	$0
SF Expenditure	$500,000	-	$0	$0	$0
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: "Smart meter" means a digital meter that allows two-way communications between a utility customer's premises and a utility company through a wireless network as a component of advanced metering infrastructure.

A notice of a smart meter installation from a utility company must conspicuously state that (1) the smart meter will use radio or other wireless means of two-way communication to transmit information between the customer's premises and the utility company; (2) the customer may refuse the installation of a smart meter; and (3) the customer may, for any reason, require the utility company to remove a smart meter that previously was installed at the customer's premises and to replace it with an analog meter at a mutually agreed-upon time and at no additional cost to the customer.

Reporting Requirements

DHMH and PSC, by January 1, 2017, must jointly report to the Senate Finance Committee and the House Economic Matters Committee on the public health impact of smart meter deployment in the State. The report must include (1) a summary of DHMH's activities assessing the health effects of smart meters in the State; (2) a representative sample of radio-frequency levels measured at premises where smart meters have been installed; and (3) evidence-based recommendations relating to the potential health effects of smart meters. PSC, in consultation with DHMH, must select and retain an independent expert to prepare the report.

PSC must also, by January 1, 2016 and again by January 1, 2017, report to the Senate Finance Committee and the House Economic Matters Committee on (1) any savings realized through the use of smart meters by utility companies or utility customers in the State and (2) any breaches to a utility company's cybersecurity infrastructure, significant consequences of the breaches, and corrective actions taken.

Current Law: In general, a person may not furnish or put in use for revenue billing purposes a gas or electric meter unless PSC has authorized the meter's use. By written request, a customer may compel PSC to inspect and test the customer's electric or gas meter. PSC regulations pertaining to the metering of electricity specify that all electricity sold by an electric company must be on the basis of meter measurement, except for installations where the usage is constant and the consumption may be readily computed, or as otherwise provided for in its filed tariff rates.

A meter may not be installed if it is mechanically or electrically defective, has incorrect constants, or has not met testing requirements. Meters must be read approximately monthly unless otherwise authorized by PSC. The meter reading records used to prepare bills must show customer and meter identifying information, meter readings, the date of the meter reading, if the reading has been estimated, and any applicable multiplier or constant.

Background: The State is in the process of transitioning to smart meters as the major electric companies continue to replace traditional analog meters with smart meters under plans authorized by PSC. In May 2012, PSC issued an interim order (No. 84926) allowing customers to decline smart meter installation until PSC made a final ruling. PSC issued a final order (No. 86200) in February 2014, which preserved the ability of customers to opt out of smart meter installations, established an opt-out fee schedule for each electric company, and addressed an issue with inaccessible meters. For customers of each of the four electric companies, there is a one-time fee of $75 and an ongoing monthly charge, which ranges from $11 to $17. For more information related to smart meters and their installation in the State, including more details related to customer opt-outs, see the **Appendix – Smart Meter Deployment**.

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

Fiscal Note History: First Reader - January 16, 2015
mm/

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Smart Meter Deployment

Advanced metering infrastructure (AMI), which includes "smart meters" replacing traditional analog meters at customer residences, is seen as a key component for enabling smart grid technology. The deployment of AMI enables customers to see and respond to market-based pricing. Smart grid technology incorporating AMI can assist in increasing grid reliability, reducing blackout probabilities, reducing forced outage rates, and can help to restore power in shorter time periods.

The Public Service Commission (PSC) authorized Baltimore Gas and Electric Company (BGE) to deploy smart meters in August 2010, authorized Potomac Electric Power Company (Pepco) in September 2010, and authorized Delmarva Power and Light (DPL) in May 2012. The Southern Maryland Electric Cooperative (SMECO) also has a PSC-approved pilot program in part of its service territory. Combined, PSC has authorized the installation of more than 2.6 million smart meters. As of November 2014, BGE, Pepco, and DPL had completed approximately 1.4 million (68%), 560,000 (99%) and 210,000 (96%) of their planned installations, respectively. BGE's opt-out rate is less than 2%, while Pepco and DPL each report opt-out rates of less than 1%. Many of the remaining installations involve meters located inside of residences, an inherent challenge due to the need to schedule an appointment with customers.

Among the public and the General Assembly, there remains some concern about the widespread deployment of smart meters, particularly in relation to customer privacy and safety. HB 878 of 2012 (failed) would have required electric companies to offer an "opt-out" option from smart meter installations. Similar legislation (failed) was also introduced in 2013. However, in May 2012 PSC issued an interim order (No. 84926) allowing customers to decline smart meter installations until PSC made a final ruling. In January 2013 PSC issued another order (No. 85294) that preserved the interim opt-out and required BGE, Pepco, and DPL to submit, by July 1, 2013, their proposals regarding the overall additional costs associated with allowing customers to retain their current analog meter, cost-recovery proposals, and proposals related to offering either radio frequency (RF)-free or RF-minimizing meter options.

PSC issued a final order (No. 86200) in February 2014, which preserved the ability of customers to opt out of smart meter installations and also established an opt-out fee schedule for each electric company. For customers of each of the four electric companies, there is a one-time fee of $75 and an ongoing monthly charge, which is $11 for BGE, $14 for Pepco, and $17 for DPL and SMECO. This is consistent with opt-out fees in other states. In California, for example, most customers of Pacific Gas and Electric Company must pay a one-time fee of $75 and a monthly charge of $10 to opt out of the program (low-income customers pay less). The order also addressed the issue of nonresponsive customers by authorizing the utilities to transition nonresponsive customers into the opt-out program. Opt-out fees are waived following the transition of a nonresponsive customer into the opt-out program if that customer contacts the utility within 30 calendar days to schedule the installation of a smart meter.