

SENATE BILL 218

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By: **Senators Middleton and Hershey**

Introduced and read first time: January 19, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Public Utilities – Water Companies and Sewage Disposal Companies – Rate**
3 **Cases and Proceedings**

4 FOR the purpose of authorizing the technical staff of the Public Service Commission to
5 assist a water company or a sewage disposal company in establishing a proposed just
6 and reasonable rate; authorizing the technical staff to seek information from certain
7 companies under certain circumstances; requiring the Commission to restrict the
8 availability of certain staff–assisted rate cases based on a certain threshold;
9 requiring the Commission to adopt certain regulations; providing that a section of
10 law that requires the institution of certain proceedings under certain circumstances
11 to determine if certain revenues are required to allow a company to earn a certain
12 fair rate of return applies to a water company or a sewage disposal company; and
13 generally relating to rate cases and proceedings for water companies and sewage
14 disposal companies.

15 BY repealing and reenacting, with amendments,
16 Article – Public Utilities
17 Section 4–203 and 4–207
18 Annotated Code of Maryland
19 (2010 Replacement Volume and 2016 Supplement)

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

22 **Article – Public Utilities**

23 4–203.

24 (a) Unless otherwise ordered by the Commission, a public service company may
25 not establish a new rate or change in rate unless the public service company:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (1) provides to the Commission notice of the new rate or change in rate at
2 least 30 days before the new rate is established or current rate is changed; and

3 (2) publishes the new rate or change in rate in accordance with § 4-202 of
4 this subtitle during the entire 30 day notice period in new schedules or plainly indicated
5 amendments to existing schedules.

6 (b) The public service company shall plainly set forth in the notice and
7 publication:

8 (1) the changes that it proposes to the rate schedules currently in force;
9 and

10 (2) the effective date of the changes.

11 **(c) (1) THE TECHNICAL STAFF OF THE COMMISSION MAY ASSIST A**
12 **WATER COMPANY OR A SEWAGE DISPOSAL COMPANY IN ESTABLISHING A PROPOSED**
13 **JUST AND REASONABLE RATE.**

14 **(2) IN ASSISTING A WATER COMPANY OR A SEWAGE DISPOSAL**
15 **COMPANY UNDER THIS SUBSECTION, THE TECHNICAL STAFF MAY SEEK**
16 **INFORMATION FROM THE WATER COMPANY OR THE SEWAGE DISPOSAL COMPANY.**

17 **(3) THE COMMISSION SHALL RESTRICT THE AVAILABILITY OF**
18 **STAFF-ASSISTED RATE CASES AUTHORIZED UNDER THIS SUBSECTION TO WATER**
19 **COMPANIES OR SEWAGE DISPOSAL COMPANIES WHOSE GROSS ANNUAL REVENUES,**
20 **FOR THE MOST RECENT CALENDAR YEAR FOR WHICH DATA ARE AVAILABLE, ARE**
21 **BELOW AN AMOUNT DETERMINED BY THE COMMISSION, NOT TO EXCEED \$1,000,000.**

22 **(4) THE COMMISSION SHALL ADOPT REGULATIONS TO ESTABLISH**
23 **FORMAL RULES FOR STAFF-ASSISTED RATE CASES AUTHORIZED UNDER THIS**
24 **SUBSECTION.**

25 4-207.

26 (a) This section applies only to a gas company, electric company, [or] telephone
27 company, **WATER COMPANY, OR SEWAGE DISPOSAL COMPANY** whose gross annual
28 revenues, for the most recent calendar year for which data are available, are less than 3%
29 of the total gross annual revenues of all public service companies in the State during the
30 same calendar year.

31 (b) (1) When the Commission suspends a proposed new rate for a company
32 subject to this section that is based on the existing authorized fair rate of return, the
33 Commission promptly shall institute proceedings to determine if additional revenues are

1 required to allow the company to earn the existing fair rate of return authorized in the
2 previous base rate proceeding.

3 (2) The Commission shall:

4 (i) serve each of the parties to the previous base rate proceeding of
5 that company with a copy of the suspension order; and

6 (ii) order the company to publish a display advertisement about the
7 proposal in newspapers of general circulation in its service area.

8 (3) Proceedings under this section shall:

9 (i) account for revenues, expenses, and rate base in the same
10 manner that the Commission employed in determining a just and reasonable rate in the
11 previous base rate proceeding; and

12 (ii) exclude consideration of any increase in the rate of return, any
13 change in rate structure, or any change in an accounting approach to any item pertaining
14 to revenues, expenses, or rate base inconsistent with that used by the Commission in
15 determining a just and reasonable rate in the previous base rate proceeding on the
16 company.

17 (4) In proceedings under this section, the Commission may use a more
18 recent past test period than that used in the previous base rate proceeding for the company.

19 (5) The Commission shall enter a final order as to the revenue requirement
20 determined under this section within 90 days after the proposed new rate is filed.

21 (6) The final order shall:

22 (i) authorize a new rate distributing any change in the revenue
23 requirement proportionally among the ratepayers without change in the rate structure;
24 and

25 (ii) state whether further proceedings shall be held.

26 (7) If, in the final order, the Commission decides to conduct further
27 proceedings under subsection (c) of this section, the final order may provide for refund,
28 consistent with the provisions of § 4-204(c) of this subtitle, of any difference between the
29 new rate authorized under this subsection and the rate the Commission sets under
30 subsection (c) of this section.

31 (c) (1) If the Commission decides to conduct further proceedings under
32 subsection (b) of this section, the Commission, after a hearing, may:

33 (i) modify the rate structure;

- 1 (ii) lower the authorized fair rate of return; or
- 2 (iii) modify the accounting approach to an item that pertains to
3 revenues, expenses, or rate base.
- 4 (2) The Commission shall take any action under this subsection within 120
5 days after entry of a final order under subsection (b) of this section.
- 6 (d) (1) This section does not apply to a proposed new rate that is filed:
- 7 (i) less than 1 year after a previously proposed new rate under this
8 section is filed; or
- 9 (ii) with a request for temporary rates under § 4–205 of this subtitle.
- 10 (2) (i) A company may not file a proposed new rate under this subtitle
11 if any proposed new rate filed by the company under this section is pending, or a new rate
12 filed by the company under this section has been in effect fewer than 90 days.
- 13 (ii) This paragraph does not preclude a company from filing a
14 proposed new rate for a new service if the proposal does not affect the authorized rate of
15 return.
- 16 (3) Unless the Commission provides otherwise, this section does not apply
17 to a proposed new rate that is filed more than 3 years after the Commission enters a final
18 order authorizing the existing fair rate of return in the previous base rate proceeding.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2017.