

SENATE BILL 595

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1998 Regular Session
8r1488
CF HB 10

By: **Senator Bromwell**

Introduced and read first time: February 6, 1998

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Public Service Companies - Holding Companies**

3 FOR the purpose of exempting the formation of certain holding companies by public
4 service companies in a certain manner from certain restrictions on the holding
5 and acquisition of stock of and by public service companies.

6 BY repealing and reenacting, with amendments,
7 Article - Public Utility Companies
8 Section 6-101(c)
9 Annotated Code of Maryland
10 (As enacted by Chapter _____ (S.B. 1) of the Acts of the General Assembly of
11 1998)

12 **Preamble**

13 WHEREAS, In the past 10 years the gas and electric utility industries have
14 undergone rapid change involving diversification, deregulation, consolidation,
15 customer choice, and vigorous competition; and

16 WHEREAS, In this new environment it is very important that Maryland gas
17 and electric companies be allowed to have the organizational flexibility to compete;
18 and

19 WHEREAS, Most if not all states, except Maryland, allow gas and electric
20 companies to form holding companies, and many utilities in other states have done so;
21 and

22 WHEREAS, A holding company structure allows public service companies to
23 segment their regulated utility and unregulated nonutility operations into separate
24 subsidiaries, which enhances the ability of the Public Service Commission to assure
25 that cross-subsidization between utility and nonutility subsidiaries does not occur;
26 and

1 WHEREAS, The purpose of this Act is to bring Maryland into line with the
2 public utility laws of other states regarding holding companies and to allow Maryland
3 public service companies to form holding companies; now, therefore,

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

6 **Article - Public Utility Companies**

7 6-101.

8 (c) (1) THIS SUBSECTION DOES NOT APPLY TO THE FORMATION OF A
9 HOLDING COMPANY BY A PUBLIC SERVICE COMPANY IN A CORPORATE
10 REORGANIZATION THAT INVOLVES AN EXCHANGE OF STOCK OF THE PUBLIC
11 SERVICE COMPANY FOR STOCK IN THE HOLDING COMPANY.

12 [(1)] (2) In this subsection, a company controlling a public service
13 company is deemed a public service company of the same class as the controlled
14 public service company.

15 [(2)] (3) Without prior authorization of the Commission, a public service
16 company may not hold or acquire any part of the capital stock of a public service
17 company that is:

- 18 (i) incorporated in Maryland; and
19 (ii) of the same class as the acquiring company.

20 [(3)] (4) (i) Except as provided in subparagraph (ii) of this paragraph,
21 a stock corporation may not hold or acquire more than 10% of the total capital stock
22 of a public service company incorporated in Maryland unless:

- 23 1. the stock is acquired as collateral security; and
24 2. the Commission approves the acquisition.

25 (ii) The Commission may authorize a public service company of the
26 same class to hold or acquire more than 10% of the total capital stock of a public
27 service company incorporated in Maryland.

28 [(4)] (5) A public service company may not be a party to a violation of
29 this subsection.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 October 1, 1998.