

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 767 (Senator Ferguson, *et al.*)
(Frederick County Senators)

Finance

Electricity - Affiliate Wheeling

The bill generally establishes requirements relating to affiliate wheeling of electricity. The bill's stated purpose is to: (1) establish the right of a retail electric customer to obtain its electricity from an affiliate or subsidiary that is not located on the site of the retail electric customer; (2) clarify the authority of the Public Service Commission to order affiliate wheeling of electricity; and (3) aid in the creation of a more competitive retail electricity supply market.

The bill is effective July 1, 1999 and sunsets December 31, 2000.

Fiscal Summary

State Effect: Indeterminate decrease in gross receipts tax revenues.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: The bill generally relates to affiliate wheeling of electricity. Specifically, the bill:

- requires the Public Service Commission (PSC) to require electric companies to offer nondiscriminatory affiliate wheeling;

- provides that the PSC must require an electric company to offer affiliate wheeling that is limited to State jurisdictional transmission and distribution capacity to which the company and an affiliate are entitled under a contract or tariff with the wheeling company and only during those periods when the electric company is purchasing power to supplement its existing generation due to a shortage of generation capacity dedicated to servicing regulated load;
- generally prohibits a wheeling company from assessing a penalty or an exit or entry fee on a retail electric customer if the customer meets specified conditions;
- prohibits a wheeling company from imposing undue costs and burdens on a nonwheeling retail electric customer who is not a direct economic beneficiary of affiliate wheeling;
- prohibits an electric or wheeling company from interfering with the implementation of this bill or constraining the effects of competition arising from this bill to set the price of electricity at market price levels;
- prohibits an electric or wheeling company from using a PSC-designated distribution territory or order granting a certificate of public convenience and necessity to prohibit or prevent affiliate wheeling;
- authorizes an applicant to appeal to the PSC if a wheeling company denies a request for affiliate wheeling and to request reasonable information from the potential wheeling company;
- authorizes an applicant to request the PSC to hold an evidentiary hearing on the fairness and reasonableness of a denial by a wheeling company for an affiliate wheeling request;
- provides that a retail electric customer who chooses to exercise the bill's provisions and obtain electricity from another source through an affiliate wheeling arrangement retains all rights and obligations to transmission or distribution capacity and facilities allocated to that customer by the electric company before implementation of an affiliate wheeling arrangement; and

- provides that the bill's provisions do not apply to an electric company and its affiliate that is a retail electric customer if a revised contract between the retail electric customer and an electric company allowing affiliate wheeling is approved by the PSC before the bill's effective date.

State Effect: The bill allows electricity consumers to purchase power from affiliate wheeling companies. Accordingly, general fund revenues from the gross receipts tax would decline to the extent that consumers cease purchasing power from their local electric companies and begin purchasing electricity from these affiliate wheeling companies. The gross receipts tax would continue to be collected on the transportation and distribution services provided by the local utility. The Department of Assessments and Taxation expects revenues from the gross receipts tax to decline by more than \$1 million annually. The Department of Legislative Services has not been provided with any information by which this estimate can be verified.

The Public Service Commission could handle the bill's requirements with existing budgeted resources.

Information Sources: Public Service Commission, Department of Assessments and Taxation

Fiscal Note History: First Reader - March 16, 1999
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