

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 1134 (Delegate D. Davis. *et al.*)

Environmental Matters

Natural Gas Suppliers - Licensing and Consumer Protection

This bill requires the Public Service Commission (PSC) to license natural gas suppliers. The PSC shall have the same authority over gas suppliers as it has over electricity suppliers, including the authority to revoke or suspend a license; impose a moratorium, civil penalty, or other remedy; or order a refund for or credit to a customer. The PSC must adopt licensing requirements and procedures for gas suppliers that protect consumers, the public interest, and the collection of all State and local taxes.

The PSC must adopt consumer protection orders or regulations for gas suppliers that achieve specified purposes by July 1, 2001.

Gas suppliers doing business in the State before the bill's July 1, 2000 effective date are required to obtain a license from the PSC by July 1, 2001. Contracts between gas suppliers and customers entered into before the bill's effective date are not subject to orders or regulations adopted by the PSC pursuant to the bill.

Fiscal Summary

State Effect: General fund revenues from license processing fees would increase by an estimated \$6,000 in FY 2001 and \$3,000 annually thereafter.

Local Effect: The bill would not directly affect governmental operations or finances.

Small Business Effect: Potential minimal.

Analysis

Current Law: The PSC is not authorized to license gas suppliers.

Background: A natural gas supplier is an entity that sells natural gas to retail customers participating in the local distribution company's unbundled service programs.

In Maryland, a competitive market for natural gas has been available to large industrial customers since the 1980s. Industrial customers purchase gas from gas fields, either directly or through brokers, and arrange for transmission to the local distribution company that distributes the gas. Maryland was among the first states to look at deregulating its gas market for small businesses and residents. In 1996 the competitive market was expanded to these classes as a pilot program.

On November 1, 1999, natural gas sales became fully deregulated to all residential customers who have access to gas service. At this time, approximately 20 gas suppliers are competing in this market. Approximately 10% of the total residential gas customers have switched from their local distribution company to an alternate gas supplier.

The Office of the People's Counsel has warned that the *ad hoc* nature of gas deregulation in Maryland and the lack of a legislative framework may leave customers unprotected.

State Fiscal Effect: The PSC could license and oversee gas suppliers using existing budgeted resources.

The PSC would probably require licensing only for residential (firm) gas suppliers, and would probably charge a license processing fee of approximately \$300. Therefore, general fund revenues would increase by \$6,000 in fiscal 2001 when the 20 existing suppliers apply for licenses. Thereafter, it is expected that five to ten new gas suppliers would apply for licenses annually, for a maximum general fund revenue increase of \$3,000.

Additional Information

Prior Introductions: None.

Cross File: SB 581 (Senator Frosh) - Finance.

Information Source(s): Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2000
drg/jr Revised - House Third Reader - March 21, 2000

Analysis by: Claire E. Rooney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510