

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

Senate Bill 445 (Senator Middleton. *et al.*)

Finance

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**Electric Cooperatives - Services and Governance**

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This bill changes the way that electric cooperatives may operate in the State.

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**Fiscal Summary**

**State Effect:** The bill would not have a direct effect on governmental operations or financing.

**Local Effect:** The bill would not have a direct effect on governmental operations or financing.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary:** The bill would allow an electric cooperative to:

- expand beyond supplying electricity into other products and services;
- provide services to any person within or outside of its present service territory;
- offer services in partnership with other companies;
- acquire subsidiaries; and
- obtain a license as an electricity supplier.

The bill also:

- requires an electric cooperative to adopt a Public Service Commission (PSC) approved code of conduct in order to prevent a member that receives services regulated by the PSC from subsidizing services provided by the cooperative's businesses or affiliates not regulated by the PSC;
- provides for immunity from liability for directors of electric cooperatives who act in accordance with the standard of care required of corporate directors; and
- requires an electric cooperative to allocate excess revenues to its members in the form of patronage credits, unless otherwise determined by a vote of the members.

The bill also requires the Department of Legislative Services, by January 1, 2001, to prepare draft legislation that transfers the Electric Cooperative Act from the Session Laws to the Annotated Code.

**Current Law:** An electric cooperative is a nonprofit organization formed by members who receive electricity from the cooperative, and operated by a board of directors elected by the members. An electric cooperative may provide no more than 10% of its electricity to non-members.

**Background:** There are two Maryland electric cooperatives, Southern Maryland Electric Cooperative and Choptank Electric Cooperative. Two other electric cooperatives that are organized in other states do business in Maryland.

The Electric Cooperative Act is currently contained in the Session Laws. The Act was enacted in 1941 to encourage the provision of electricity in rural areas. However, because Maryland is now divided into service areas, each one of which is served by an electric company, it appears unlikely that another electric cooperative would form in Maryland. The Electric Cooperative Act has been amended only twice since 1941.

Pursuant to the Electric Restructuring Act of 1999 (Chapters 3 and 4 of the Acts of 1999), electric cooperatives are required to deregulate by July 2003. The electric cooperatives have stated that they may fully deregulate by 2001.

**State Fiscal Effect:** This bill would not have a discernible fiscal impact on the PSC, because it does not change the basic authority of the PSC to regulate electric companies. The PSC could handle additional licensing and code of conduct requirements using existing budgeted resources.

The bill increases certain filing fees paid by electric cooperatives to the State Department of Assessments and Taxation. Any impact on general fund revenues would be negligible due to the small number of filers and the infrequency of filing.

The Department of Legislative Services could prepare the required legislation using existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 822 (Delegate Owings, *et al.*) - Environmental Matters.

**Information Source(s):** Department of Assessments and Taxation, Public Service Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2000  
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