HB 1276

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1276 (Delegate Klausmeier)
Environmental Matters

Electric Companies - Regulated and Nonregulated Business Separation

This bill changes from July 1, 2000 to December 31, 2000 the date by which the Public Service Commission (PSC) must require separation between an electric company's regulated businesses and its nonregulated businesses or affiliates. The bill also provides that such separation must be functional, operational, structural, and legal, among other factors.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: The PSC could meet the bill's requirements using existing budgeted resources. The effect of the bill, if any, on State tax revenues cannot be reliably estimated.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The PSC must require, among other factors, functional, operational, structural, or legal separation between an electric company's regulated businesses and its nonregulated businesses or affiliates by July 1, 2000.

Background: Chapters 2 and 1 of 1999 allowed Maryland public service companies to form holding companies through a corporate reorganization involving an exchange of stock. The holding company structure allows a public service company access to capital through bond and stock offerings for unregulated affiliates without prior review and approval by the PSC.

This affords the public service company and its holding company greater flexibility and speed to react to changing market conditions, making the entity more competitive and responsive in restructured and deregulated utility arenas.

The electric utility industry restructuring legislation that was adopted during the 1999 session (Chapters 3 and 4) required an electric company to separate its regulated and unregulated businesses by July 1, 2000, whether or not the electric company forms a holding company.

State Fiscal Effect: The PSC could meet the bill's requirements using existing budgeted resources.

Although tax revenues may be altered when electric companies achieve complete separation of regulated and nonregulated business, the direction and/or magnitude of any such effect cannot be reliably predicted at this time. The PSC will determine which type of separation arrangement is appropriate for each situation. Different separation arrangements have different tax effects; in fact, some arrangements have no tax effect.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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