HB 1277

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1277 (Delegate Klausmeier)
Environmental Matters

Public Service Companies - Standards of Conduct - Regulated and Nonregulated Business Activities

This bill establishes standards of conduct governing the relationship between a regulated public service company that provides gas or electric service and its nonregulated affiliates.

Fiscal Summary

State Effect: General fund expenditures and revenues would each increase by $39,800 in FY 2001 due to the Public Service Commission (PSC) hiring a public utility auditor. Out-year expenditures and revenues reflect annualization, salary increases, employee turnover, and inflation.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	$39,800	$47,500	$49,700	$52,000	$54,500
GF Expenditures	39,800	47,500	49,700	52,000	54,500
Net Effect	$0	$0	$0	$0	$0

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill provides that a public service company engaged in any nonregulated business must do so as a separate affiliated legal entity. A public service company and its affiliate must operate from separate locations and maintain separate assets, books, information systems, work forces, etc.

All permitted transactions between regulated public service company activities and nonregulated affiliates must be recorded according to the public service company's cost allocation manual, and be filed and preapproved by the PSC. The PSC must conduct an allocation compliance audit of the public service company annually, and independent compliance audits for major utilities must be conducted every two years. A public service company must maintain a file on its nonregulated business activities with the PSC which includes specified information.

If the PSC finds that a public service company has violated the provisions of the bill, it may require the company to refund ratepayers an amount equal to the value of any benefit to the affiliate.

Current Law: None applicable.

State Expenditures: General fund expenditures would increase by an estimated $39,780 in fiscal 2001, which reflects the bill's October 1, 2000 effective date. This estimate includes the cost of hiring a public utility auditor to audit transactions between regulated and non-regulated entities. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and fringe benefits	$33,197
Operating expenses	6,583
Total FY 2001 State Expenditures	**$39,780**

Future year expenditures reflect (1) full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

State Revenues: Under current law, all PSC expenditures are included in the State budget. The PSC is required to reimburse the general fund the amount of its appropriation from assessments collected from public service companies. Therefore, the PSC would be required to collect $39,800 more in assessments from public service companies in fiscal 2001 to cover the cost of the new auditing position. Revenues in subsequent years reflect annualization and inflation.

Additional Information

Prior Introductions: This bill was introduced during the 1998 session as HB 775, but was withdrawn.

Cross File: None.

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

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drg/jr

Analysis by: Claire E. Rooney

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