

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 524  
Finance

(Senator Middleton)

Environmental Matters

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**Electric Cooperatives - Services and Governance**

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This bill alters provisions of the Session Laws (Chapter 179 of 1976) related to electric cooperatives. It makes changes to the allowable organization and structure of electric cooperatives and repeals a preferential fee schedule for filings made by electric cooperatives with the State Department of Assessments and Taxation. The Department of Legislative Services (DLS) is required to prepare legislation by January 1, 2002 to transfer the relevant provisions of the Session Laws to the Annotated Code of Maryland.

The provision requiring DLS to draft legislation is effective June 1, 2001, with all other provisions effective October 1, 2001.

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**Fiscal Summary**

**State Effect:** Negligible general fund revenue increase. No impact on expenditures.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill expands the definition of person to include a limited liability company or a limited liability partnership.

The bill permits: (1) one or more cooperatives to organize a cooperative; (2) a majority of the board of directors to call a special meeting; (3) meeting notices to be mailed to members no more than 90 days before a meeting; (4) the transfer of rights, privileges, immunities, and franchises in a consolidation or merger to the surviving cooperative; and (5) distribution of refunds to non-members that the cooperative supplies electricity or other services to in the form of patronage credits.

The bill eliminates the provisions for protection of a cooperative's territory during the period of cooperative formation, and the preferential schedule of filing fees with the Department of Assessments and Taxation specific to electric cooperatives.

The bill requires DLS, by January 1, 2002 to prepare draft legislation that provides a nonsubstantive revision of Chapter 179 of 1976 and transfers that revision from the Session Laws to the Annotated Code of Maryland.

**Current Law:** A limited liability company or a limited liability partnership cannot be a member of a cooperative. A member of a cooperative, in addition to meeting the cooperative's by-laws, must use electricity or other services from the cooperative within six months of when they are made available to the member.

Also: (1) a minimum of two or more cooperatives is required to organize a cooperative; (2) at least three members of the board of directors are required to call a special meeting; (3) meeting notices are to be given personally or by mail to members no more than 20 days before a meeting; (4) rights, privileges, immunities, and franchises in a consolidation or merger are transferred only to the new cooperative; and (5) refunds to non-members that the cooperative supplies electricity or other services to in the form of patronage credits cannot be distributed until the non-member becomes a member.

An organization forming an electric cooperative must file maps indicating the area in which the cooperative intends to conduct activities, along with a statement that a majority of the potential electricity users are willing to take service from the forming cooperative. For six months after the filing of these documents, it is illegal for any electric company, person or corporation to build distribution lines or solicit customers within the territory or conflict, interfere, or compete with the proposed system. If during this six-month time period the forming cooperative enters into a loan agreement with a federal agency, the period for prohibiting activities in the area by other companies or persons is extended to 12 months from the date of the loan agreement.

**State Fiscal Effect:** Cooperatives will have increased fees for recording, filing, and other documents with the Department of Assessments and Taxation. Their fees will be the same as for other companies operating in the State. However, because there are only

four cooperatives currently operating in Maryland the increase in general fund revenues from the fee changes would be negligible.

**Additional Comments:** Only two of the four cooperatives operating in Maryland are incorporated in Maryland and subject to the provisions of the Session Laws on electric cooperatives.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1069 (Delegate Guns, *et al.*) - Environmental Matters.

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

**Fiscal Note History:** First Reader –February 16, 2001  
cm/jr Revised – Senate Third Reader – March 26, 2001

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