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Introduced and read first time: February 6, 2004

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Electric Companies - Standard Offer Service - Residential Customers**

3 FOR the purpose of repealing the termination date after which an electric company is
4 not required to offer standard offer service to certain customers; repealing a
5 provision that provides for the termination of the regulation of an electric
6 company service or function regarding the establishment of the price for
7 standard offer services under certain circumstances; providing that the Public
8 Service Commission may not set rates or regulate certain standard offer service
9 provided by certain electric companies under certain obligations under certain
10 settlement agreements until certain obligations have ended; providing for the
11 construction of this Act; and generally relating to the provision of standard offer
12 service by electric companies to residential customers.

13 BY repealing and reenacting, without amendments,
14 Article - Public Utility Companies
15 Section 7-509(a)
16 Annotated Code of Maryland
17 (1998 Volume and 2003 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article - Public Utility Companies
20 Section 7-509(c) and 7-510(c)
21 Annotated Code of Maryland
22 (1998 Volume and 2003 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
24 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Public Utility Companies

2 7-509.

3 (a) (1) On and after the initial implementation date, the generation, supply,
4 and sale of electricity, including all related facilities and assets, may not be regulated
5 as an electric company service or function except to:

6 (i) establish the price for standard offer service under § 7-510(c) of
7 this subtitle; and

8 (ii) review and approve transfers of generation assets under §
9 7-508 of this subtitle.

10 (2) This subsection does not apply to:

11 (i) regulation of an electricity supplier under § 7-507 of this
12 subtitle; or

13 (ii) the costs of nuclear generation facilities or purchased power
14 contracts that, as part of a settlement approved by the Commission, remain regulated
15 or are recovered through the distribution function.

16 (c) The [exceptions in subsection(a)(1)] EXCEPTION IN SUBSECTION (A)(1)(II)
17 of this section as to any electric company shall remain in effect until the later of:

18 (1) the date when all customers of that electric company are eligible for
19 customer choice under § 7-510 of this subtitle; OR

20 (2) the date when the amount of transition costs or benefits arising from
21 the generation that is deregulated has been finally determined by the Commission
22 under § 7-513(a) through (c) of this subtitle; or

23 (3) if, under § 7-510(c)(3)(ii) of this subtitle, the Commission extends the
24 obligation to provide standard offer service, the date on which the Commission
25 terminates that obligation].

26 7-510.

27 (c) (1) Beginning on the initial implementation date, an electric company's
28 obligation to provide electricity supply and electricity supply service is stated by this
29 subsection.

30 (2) Electricity supply purchased from a customer's electric company is
31 known as standard offer service. A customer is considered to have chosen the
32 standard offer service if the customer:

33 (i) is not allowed to choose an electricity supplier under the phase
34 in of customer choice in subsection (a) of this section;

1 (ii) contracts for electricity with an electricity supplier and it is not
2 delivered;

3 (iii) cannot arrange for electricity from an electricity supplier;

4 (iv) does not choose an electricity supplier;

5 (v) chooses the standard offer service; or

6 (vi) has been denied service or referred to the standard offer service
7 by an electricity supplier in accordance with § 7-507(e)(6) of this subtitle.

8 (3) [Any] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS
9 SUBSECTION, ANY obligation of an electric company to provide standard offer service
10 shall cease on July 1, 2003, except that:

11 (i) electric cooperatives and municipal electric utilities may choose
12 to continue providing standard offer service in their respective distribution
13 territories, and may cease offering that service after notifying the Commission at
14 least 12 months in advance; and

15 (ii) 1. if the Commission finds that the electricity supply market
16 is not competitive or that no acceptable competitive proposal has been received to
17 supply electricity to those customers described under paragraph (2) of this subsection,
18 the Commission shall extend the obligation to provide standard offer service to
19 [residential and] small commercial customers at a market price that permits
20 recovery of the verifiable, prudently incurred costs to procure or produce the
21 electricity plus a reasonable return.

22 2. The Commission shall reexamine the finding made under
23 this subparagraph at least annually.

24 (4) AN ELECTRIC COMPANY SHALL PROVIDE STANDARD OFFER SERVICE
25 TO RESIDENTIAL CUSTOMERS.

26 (5) On or before July 1, 2001, the Commission shall adopt regulations or
27 issue orders to establish procedures for the competitive selection of electricity
28 suppliers, including an affiliate of an electric company, to provide standard offer
29 service to customers of electric companies under paragraph (2) of this subsection,
30 except for customers of electric cooperatives and municipal electric utilities. Unless
31 delayed by the Commission, the competitive selection shall take effect no later than
32 July 1, 2003.

33 [(5)] (6) An electric company may procure the electricity needed to meet
34 its standard offer service electricity supply obligation from any electricity supplier,
35 including an affiliate of the electric company.

36 SECTION 2. AND BE IT FURTHER ENACTED, That nothing in this Act shall
37 be construed to affect the obligations or rights of any electric company with regard to
38 the provision of standard offer service to residential customers under a settlement

1 agreement entered into by the electric company and the Public Service Commission
2 before the effective date of this Act. The Public Service Commission may not set rates
3 or regulate the provision of standard offer service to residential customers from any
4 electric company that is obligated to provide standard offer service to residential
5 customers under a settlement agreement until the obligation under the settlement
6 agreement to provide standard offer service to residential customers has ended.

7 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2004.