

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 491
Finance

(Senator Teitelbaum, *et al.*)

Public Utilities - Electric Company Reimbursement to Ratepayers for Power Outages

This bill authorizes the Public Service Commission (PSC) to order an electric company to reimburse certain customers at specified rates if the company is unable to distribute electric power to customers for more than 24 hours.

Fiscal Summary

State Effect: The bill could be handled within existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: Nonresidential customers may be reimbursed up to \$100 per day for loss of business. Residential customers may be reimbursed up to \$200 for the loss of any perishable substance that is intended for consumption as food. Ratepayers are required to submit, within a time frame determined by PSC, a request for reimbursement. PSC is required to notify a ratepayer of its decision regarding the person's application for reimbursement within 60 days of receipt of the request. Electric companies are required to provide PSC with any information it requests to determine eligibility for reimbursement and are prohibited from charging the cost of reimbursement back to any ratepayers.

Background: As many as 550,000 households and businesses in the service area of Potomac Electric Power Company (PEPCO) alone were without power as a result of tropical storm Isabelle in September 2003. Press accounts and PEPCO statements indicate that many of those customers had power restored within 48 hours. Thousands of Maryland residential and nonresidential customers were without power for between 48 and 96 hours and many were without power for over five days.

State Expenditures: PSC estimates it would require four additional positions to implement the provisions of this bill. PSC indicates that tropical storm Isabelle could have generated over 500,000 claims for reimbursement. The Office of People's Counsel (OPC) advises that while no additional resources are needed at this time, an event as significant as Isabelle could generate significant additional needs for residential customers, and for OPC.

The Department of Legislative Services (DLS) does not concur with PSC's estimated position needs. The procedures and forms could be developed within existing resources. Storms of a magnitude of Isabelle occur approximately once every several decades and would not require full-time, regular positions. Events of that magnitude could be handled through contractual services for call center employees and short-term contractual employees in PSC to process reimbursement claims. Board of Public Works approval for the creation of additional contractual positions during a fiscal year would not be onerous. Smaller storms or other causes of outages would not create the volume of claims necessary to require additional resources at PSC.

DLS notes that PSC received a 17% increase (\$1.5 million) in its operating budget from fiscal 2003 to fiscal 2004. PSC can absorb any immediate expenses related to this bill within its existing resources, and can reserve a portion of its additional operating funds each year as a lapsing catastrophic occurrence fund in the event that PSC needs to hire a service provider to assist in processing large numbers of reimbursement claims.

Small Business Effect: The effect of power outages on small businesses would be mitigated under the provisions of this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2004
lc/hlb

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