SB 622

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 622 (Senator Giannetti)
Finance

Utilities - Underground Conversion - Pilot Program

This bill creates a pilot program for the conversion of overhead communication and electric power transmission lines to underground facilities and specifies that conversion will begin on or before July 1, 2007.

The bill specifies the location of the pilot program and cost recovery mechanism for utility companies; directs the Public Service Commission (PSC) to hold specified proceedings; and requires PSC to report each December 31, beginning December 31, 2007, to the Senate Finance and House Economic Matters committees on the status of the program, engineering and technical aspects of the conversion; and the costs of the program.

The bill is effective June 1, 2004.

Fiscal Summary

State Effect: Potential significant increase in State expenditures due to transportation and other infrastructure costs associated with conversion.

Local Effect: Potential significant increase in expenditures for transportation and infrastructure projects associated with conversion.

Small Business Effect: Potential significant. Any small businesses in the U.S. Route 1 corridor would face significant disruption to their business due to the conversion process. Transportation and service interruption difficulties could be significant for a number of years while the conversion takes place.

Analysis

Bill Summary: The conversion area for the pilot program is defined as the U.S. Route 1 corridor from the border of Howard and Prince George's counties to Maryland's border with the District of Columbia. The purpose of the program is to obtain an accurate assessment of the direct and indirect costs associated with converting overhead utilities underground in urban and suburban areas.

PSC is required to conduct proceedings with affected utilities, other facility owners, contractors, and owners of adjacent properties to: (1) establish and coordinate the conversion of the electric and communication facilities in the conversion area in the pilot program; and (2) facilitate the acquisition and dissemination of information on the process of conversion including engineering and technical aspects of converting overhead facilities underground in a heavily developed commercial corridor, the experience of using different methods of conversion, and costs associated with various engineering solutions used in converting overhead facilities in different locations.

The bill requires that the entire customer base of each public service company or other facility owner bear the costs associated with the program. The cost must be: (1) amortized over a period not to exceed 20 years; and (2) recovered by a surcharge on the services provided to each customer and placed on the periodic bill that the customer receives from the public service company or other facility owner.

Current Law: Title 12, Subtitle 3 of the Public Utility Article provides for the conversion of overhead utilities underground. Utilities are authorized to initiate proceedings before PSC for the conversion of transmission facilities and the recovery of costs associated with any conversion. Baltimore County is exempt from the provisions of the subtitle.

Background: The Task Force to Study Moving Overhead Utility Lines Underground (created by Chapter 179 of 2002) found that there is a sufficient existing legal framework to facilitate conversion. The task force also found that aesthetics were often the primary reason to underground facilities; that conversion is extremely expensive; and that it can enhance public safety. Economies of scale can be realized if all utilities and other facility owners underground a particular geographic area at the same time. The task force also noted that while conversion may alleviate power outages significantly in the short term, the long-term reliability of the conversion process is questionable.

The task force recommended that the Maryland Department of Planning (MDP) be the clearinghouse to assist local jurisdictions and groups that are interested in conversion. The task force further recommended that prospective conversion should be a collaborative effort between local governments, State and local highway authorities, MDP, and owners of overhead facilities.

A 1999 study by Exeter Associates, Inc. for the Governor's Task Force to Ensure Utility Service estimates that conversion, depending on topography, geology, and land use, may cost between $350,000 and $2 million per mile of conversion of transmission lines. Based on an average conversion cost of $450,000, the Exeter study estimated that Baltimore Gas & Electric's service area conversion could cost $4.2 billion and the Potomac Electric Power Company's service area conversion could cost $5.7 billion. The study indicated an additional cost of $1,500 to $3,000 per conversion for the conversion of distribution lines to each residential customer.

PSC initiated Case No. 8826, Selective Undergrounding Working Group, and issued a report on February 14, 2000. The working group primarily reviewed the conversion of electric power transmission and distribution lines. The groups found that conversion would mitigate the effects of storm-related power outages to the extent that there was not significant flooding, but that long-term results were unclear.

State Fiscal Effect: State expenditures could increase substantially due to State Highway Administration costs for transportation projects related to conversion activities in the U.S. Route 1 corridor. The Department of Legislative Service (DLS) advises that there is no reliable method to estimate the impact of the additional expenditures.

PSC estimates it can handle the additional proceedings and reporting provisions within existing budgeted resources and with existing personnel. DLS advises that both PSC and the Maryland Department of Transportation (MDOT) could require additional positions to carry out the provisions of this bill. PSC will be required to carry out multiyear proceedings involving almost every type of regulated utility, telecommunications, and other facility owner companies. DLS notes PSC received a 17% increase ($1.5 million) in its operating budget from fiscal 2003 to fiscal 2004. PSC gained only two positions related to that increase. PSC should be able to fund any positions required by the provision of this bill from that budget increase. MDOT could require significant resources to coordinate projects with utilities, other facility owners, and local jurisdictions.

Local Fiscal Effect: Local expenditures for transportation and infrastructure upgrades could be significant. DLS again advises that there is no reliable method to estimate the impact of the additional expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mh/hlb

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