
By: **Chairman, Finance Committee (By Request - Departmental - Public Service Commission)**

Introduced and read first time: January 18, 2005

Rules suspended

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Gas Companies - Alternative Forms of Regulation**

3 FOR the purpose of authorizing the Public Service Commission to regulate the
4 services of a gas company through certain alternative forms of regulation under
5 certain circumstances; providing criteria for a certain finding of the
6 Commission; authorizing a gas company to justify certain costs in a certain
7 manner; authorizing a gas company to use a certain mechanism to share certain
8 costs among certain persons; providing that the shared costs may be positive or
9 negative; defining a certain term; and generally relating to regulation of gas
10 companies.

11 BY adding to
12 Article - Public Utility Companies
13 Section 4-307
14 Annotated Code of Maryland
15 (1998 Volume and 2004 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Public Utility Companies
18 Section 4-402
19 Annotated Code of Maryland
20 (1998 Volume and 2004 Supplement)

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

1 **Article - Public Utility Companies**

2 4-307.

3 (A) NOTWITHSTANDING § 4-101 OF THIS TITLE OR ANY OTHER LAW TO THE
4 CONTRARY, THE COMMISSION MAY REGULATE A GAS COMPANY THROUGH
5 ALTERNATIVE FORMS OF REGULATION.

6 (B) THE COMMISSION MAY ADOPT AN ALTERNATIVE FORM OF REGULATION
7 UNDER THIS SECTION IF THE COMMISSION FINDS, AFTER NOTICE AND HEARING,
8 THAT THE ALTERNATIVE FORM OF REGULATION:

9 (1) PROTECTS CONSUMERS;

10 (2) ENCOURAGES THE QUALITY, AVAILABILITY, AND RELIABILITY OF
11 REGULATED GAS SERVICES; AND

12 (3) IS IN THE INTEREST OF THE PUBLIC, INCLUDING SHAREHOLDERS OF
13 THE GAS COMPANY.

14 (C) AN ALTERNATIVE FORM OF REGULATION MAY INCLUDE:

15 (1) PRICE REGULATION, INCLUDING A PRICE FREEZE OR CAP;

16 (2) REVENUE REGULATION;

17 (3) RANGES OF AUTHORIZED RETURN;

18 (4) RATE OF RETURN;

19 (5) CATEGORIES OF SERVICES; OR

20 (6) PRICE INDEXING.

21 4-402.

22 (a) (1) This section applies to:

23 (i) electric fuel rate adjustment clauses;

24 (ii) purchased power adjustment clauses; and

25 (iii) purchased gas adjustment clauses.

26 (2) This section does not apply to a small rural electric cooperative.

27 (b) A gas company or electric company that directly passes on to its customers
28 changes in fuel costs, costs of purchased power, or costs of purchased gas shall verify
29 and justify the adjusted costs to the Commission each month.

1 (c) The Commission shall order a company to charge off and amortize, by
2 means of a temporary decrease of rates, any charge the Commission finds is
3 unjustified because:

4 (1) the company failed to show that the charges were based solely on
5 increased costs of fuel, purchased power, or purchased gas;

6 (2) the company failed to follow competitive practices in procuring and
7 purchasing fuel, power, or gas; or

8 (3) the company failed to show that its practices in procuring and
9 purchasing fuel were reasonable.

10 (d) At least once every 12 months, the Commission shall conduct a public
11 evidentiary hearing on any changes in costs that a company directly passes on to its
12 customers under this section.

13 (E) (1) IN THIS SUBSECTION, "TOTAL COMMODITY COSTS" INCLUDES, FOR
14 BOTH FLOWING AND STORED GAS:

15 (I) GAINS AND LOSSES;

16 (II) VARIABLE TRANSPORTATION COSTS; AND

17 (III) COSTS OF ANCILLARY ACTIVITIES.

18 (2) A GAS COMPANY MAY JUSTIFY ITS COSTS UNDER SUBSECTION (B) OF
19 THIS SECTION THROUGH AN INCENTIVE MECHANISM THAT PROVIDES FOR SHARING
20 AMONG RATEPAYERS AND SHAREHOLDERS OF THE DIFFERENCE BETWEEN TOTAL
21 COMMODITY COSTS AND A PREDETERMINED BENCHMARK THAT IS OUTSIDE THE
22 CONTROL OF THE GAS COMPANY.

23 (3) THE DIFFERENCE SHARED AMONG RATEPAYERS AND
24 SHAREHOLDERS UNDER PARAGRAPH (2) OF THIS SUBSECTION MAY BE POSITIVE OR
25 NEGATIVE.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
27 effect October 1, 2005.