

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 670
Economic Matters

(Delegate Hubbard, *et al.*)

Electric Industry - Local Aggregation

This bill authorizes a county or municipal corporation or a group of counties or municipal corporations to act as an aggregator that purchases electricity on behalf of customers under specified conditions.

Uncodified language that directs the Public Service Commission (PSC) to establish standards and procedures to implement the bill is effective June 1, 2005. The remainder of the bill is effective October 1, 2005.

Fiscal Summary

State Effect: Potential minimal increase in special fund revenues. PSC could handle any additional work resulting from the bill's provisions with existing budgeted resources.

Local Effect: The bill is enabling in nature and is not expected to have a net effect on expenditures or revenues for counties or municipal corporations that become aggregators. It is assumed that aggregation would generally be performed on a cost-recovery basis.

Small Business Effect: To the extent that small commercial electric customers could benefit from lower energy costs through municipal aggregation, the bill could have a positive effect.

Analysis

Bill Summary: A county or municipal corporation (local aggregator) that chooses to act as an aggregator may initiate the aggregation of up to 25% of the historic demand, as

determined by PSC, in the service area of the existing electric company providing distribution services. The county or municipal corporation must first notify PSC of its intent to become or join a local aggregator and submit a draft ordinance forming or joining a local aggregator.

A local aggregator must give, or cause the electricity supplier to give, a written notice to all residential customers in the jurisdiction which includes:

- the identity of the selected supplier;
- terms and conditions of service;
- new rates for service;
- comparison of the new rates and the rates under the current standard offer of service; and
- the total renewable component of the portfolio of the electricity supplier that exceeds the requirements of statute, if any.

The notice must provide the customer the opportunity to refuse participation by return mailing and may offer customers who have previously selected another supplier the ability to participate in the aggregation.

A customer is deemed to have given permission to the county or municipal corporation to act as its aggregator if the customer explicitly grants permission by returned notice, or if the customer fails to return notice within 21 days of receipt. An eligible customer may opt into a county's or municipal corporation's aggregation activities at any time it chooses to discontinue services with another electric supplier even if it previously refused to participate.

A local aggregator may not assess any new fee, tax, or other charge in the aggregation charges or rates that is not related to the cost of providing the aggregation service. The aggregation fee may not exceed the cost of transmission of the electricity provided. PSC must identify a two-month period within which local aggregators may award contracts for competitive generation service. PSC is to review applicable fees, request formats, and data provided to facilitate the bill's provisions.

PSC must establish standards and procedures to implement the bill by October 1, 2005. In adopting regulations, PSC must consider: (1) whether to require a code of conduct for counties and municipalities to maintain separation between aggregation activities and other governmental activities so that benefits of aggregation are passed on to ratepayers; and (2) whether to define a priority system to determine which governmental entity has the first opportunity to act as aggregator for a shared customer base.

Current Law: Counties and municipal corporations may not act as aggregators for electricity services unless PSC determines there is insufficient competition within the boundaries of the county or municipal corporation.

Background: Of the 18 states that have actively deregulated the retail electric industry, most allow for local governments to act as aggregators on behalf of their citizens. Two program options are available: opt-in or opt-out. The opt-in program requires a resident to specifically choose to participate in the program and the opt-out program requires a resident to specifically choose *not to* participate; otherwise, the resident is automatically included in the aggregation. Only four states authorize opt-out programs: California, Ohio, Massachusetts, and Rhode Island. California and Massachusetts are the only states with any current local government aggregation activity.

The Baltimore Regional Cooperative Purchasing Committee (BRCPC) is an electric purchase aggregator that attempts to achieve cost savings by combining electric requirements into cooperative contracts and help to reduce members' administrative expenses. BRCPC currently represents one municipality, six counties, six county boards of education, and the Department of General Services. In its most recent consolidated requests for bids, only four firms submitted bids and none of the 3,000 small-to-medium meter accounts received offers that were equal to or better than the existing standard-offer service.

Several of the local governments responding to requests for information have indicated that they would likely not act as an aggregator because the current market conditions are not providing enough competition to result in any measurable savings for those participating in aggregation.

State Revenues: PSC revenues could increase minimally if any county or municipal governments elected to act as an aggregator for its citizens. It is unclear under the provisions of the bill if the local government would be required to be licensed by PSC as an aggregator. The current aggregator license fee is \$400 and is nonrefundable. If required, it is anticipated that the number of local governments that would apply to become an aggregator would be relatively few and the increase in PSC revenues would be minimal.

Additional Information

Prior Introductions: In 2004, SB 12 and HB 23, similar bills, were heard in the Senate Finance Committee and the House Economic Matters Committee but no further action was taken on either bill.

Cross File: None.

Information Source(s): Town of Bel Air, Town of Leonardtown, Montgomery County, Prince George's County, Caroline County, Calvert County, Baltimore City, Public Service Commission, Office of People's Counsel, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2005
mam/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510