

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 60
Finance

(Senator Middleton)

Public Service Companies - Rate Proceedings

This bill provides a simplified rate review process for all utility companies by repealing the limitation that simplified Public Service Commission (PSC) rate adjustment procedures apply only to utility companies whose gross annual revenues are less than 3% of the total gross annual revenues of all public service companies in Maryland. The proposed adjusted rate must be based on the existing authorized fair rate of return. That is, based on the fair rate of return previously authorized by PSC for that company.

Fiscal Summary

State Effect: Any change in PSC activities would not materially affect its finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A utility company may not establish a new rate or adjust a rate unless 30 days prior to the effective date it publishes the rate and provides notice to PSC. PSC may suspend a new rate but must promptly start proceedings to consider whether the proposed rate is just and reasonable. Unless it relates to a small utility, PSC must make a final determination within a maximum of 180 days of the effective date of the new rate.

For a small utility company, when a proposed new rate is suspended, PSC must enter a final determination within 90 days after the proposed new rate is effective. In order to

qualify for the shortened determination period, the new rate must be based on the same rate of return most recently authorized by PSC. PSC reviews the need for an adjusted rate due to increases in expenses or capital investment not reflected in the current rate.

Background: PSC is responsible for establishing just and reasonable rates for public service companies under its jurisdiction. The review process for rate adjustments for a small utility is known as the “make whole” provision. The PSC review examines the need for an adjusted revenue requirement resulting from increases in expenses or capital investment not reflected in the utility’s current rate. The make whole review relies on PSC’s determination in the utility’s previous rate proceeding to accomplish an expedited review. In exchange, PSC makes a decision in approximately half the time required by a regular rate review. The make whole provision was originally designed to enable small utilities to revise their rates without the expense of a full rate case review.

Additional Information

Prior Introductions: None.

Cross File: HB 116 (Delegate D. Davis) – Economic Matters.

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

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mp/jr

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