

BY: Finance Committee

AMENDMENTS TO HOUSE BILL NO. 1525
(Third Reading File Bill)

AMENDMENT NO. 1

On page 1, at the top of the page, insert "EMERGENCY BILL"; in line 2, after "Service" insert "- Rate Stabilization"; strike beginning with "requiring" in line 3 down through "service" in line 6 and substitute "providing that on and after a certain date electric companies shall continue to have the obligation of providing standard offer service to residential and small commercial customers at a market price that permits a certain recovery of costs; providing that the Public Service Commission shall require certain electric companies to obtain electricity for residential and small commercial customers through a certain competitive process"; in line 6, after the semicolon insert "requiring the Commission to make a certain report to the Governor and the General Assembly"; in line 12, after "year;" insert "altering the eligibility of certain customers for the Program"; in line 14, after "manner;" insert "authorizing an electric company to file certain rate stabilization plans and tariffs with the Commission; providing for the deferral and collection of certain costs and expenses; providing for the establishment and characteristics of rate stabilization property; providing for the issuance of qualified rate orders for certain purposes under certain circumstances; providing for the issuance of certain rate stabilization bonds for certain purposes; providing for the establishment, collection, and adjustment of certain rate stabilization charges in certain manners; providing for certain property rights in certain rate stabilization property; providing that certain transfers of certain property are true sales; requiring disclosure of certain information to certain consumers in a certain manner; providing for certain actions in the event of certain defaults; establishing certain rights and duties for a successor to an electric company for certain purposes; establishing certain maximum rates for certain residential electric customers for certain periods; providing for the deferral and collection of certain costs and expenses of certain electric companies related to those customers in certain manners; providing for the determination and application of certain credits of a certain amount for a certain number of years by certain electric companies in certain manners; providing that this Act binds the Commission and any successor body in a certain manner; requiring the Commission to initiate certain proceedings to study and report on certain matters; requiring the Department of Assessments and Taxation to study and report on certain matters; directing the

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Attorney General to intervene in certain proceedings regarding a certain merger; requiring that certain costs be borne by public service companies in a certain manner; providing for a certain mitigation plan for certain electric companies; requiring the Commission to initiate a certain proceeding to investigate certain options for standard offer service in a certain service territory; providing that the commissioners are appointed in consultation with the President of the Senate and the Speaker of the House of Delegates; providing that the People's Counsel is appointed by and serves at the pleasure of the Attorney General; altering the beginning of the term of office of the members and Chairman of the Commission; defining certain terms; providing for the construction of this Act; providing that certain portions of this Act are contingent on the occurrence of certain events; making this Act an emergency measure;"; in line 19, after "Section" insert "2-102, 2-103, 2-202(a) and (b),"; in the same line, after "7-510(c)" insert a comma; and after line 21, insert:

"BY adding to

Article - Public Utility Companies

Section 7-513(f); 7-520 through 7-544, inclusive, to be under the new part "Part III. Rate Stabilization - In General"; and 7-547 through 7-549, inclusive, to be under the new part "Part IV. Rate Stabilization - Specific Provisions"

Annotated Code of Maryland

(1998 Volume and 2005 Supplement)".

On pages 1 and 2, strike in their entirety the lines beginning with line 22 on page 1 through line 3 on page 2, inclusive.

AMENDMENT NO. 2

On page 2, after line 6, insert:

"2-102.

(a) The Commission consists of five commissioners, appointed by the Governor:

(1) IN CONSULTATION WITH THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF DELEGATES; AND

(2) with the advice and consent of the Senate.

(b) (1) Each commissioner shall be a registered voter of the State.
(2) The Commission shall be broadly representative of the public interest and shall be composed of individuals with diverse training and experience.

(c) Each commissioner shall devote full time to the duties of office.

(d) (1) The term of a commissioner is 5 years and begins on [July 1] APRIL 1.
(2) The terms of commissioners are staggered as required by the terms in effect for commissioners on [October 1, 1998] APRIL 1, 2007.

(3) At the end of a term, a commissioner continues to serve until a successor qualifies.

(4) A commissioner who is appointed after a term has begun serves for the rest of the term and until a successor qualifies.

(e) Before taking office, each appointee to the Commission shall take the oath required by Article I, § 9 of the Maryland Constitution.

(f) The Governor may remove a commissioner for incompetence or misconduct in accordance with § 3-307 of the State Government Article.

2-103.

(a) With the advice and consent of the Senate, the Governor shall appoint a Chairman.

(b) (1) The term of the Chairman is 5 years and begins on [July 1] APRIL 1.
(2) At the end of a term, the Chairman continues to serve until a successor qualifies.

(3) A Chairman who is appointed after a term has begun serves for the rest of the

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term and until a successor qualifies.
2-202.

(a) With the advice and consent of the Senate, the [Governor] ATTORNEY GENERAL shall appoint the People's Counsel.

(b) The People's Counsel serves at the pleasure of the [Governor] ATTORNEY GENERAL."

AMENDMENT NO. 3

On pages 2 and 3, strike in their entirety the lines beginning with line 23 on page 2 through line 3 on page 3, inclusive, and substitute:

"(3) (I) EXCEPT AS PROVIDED UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH, ANY OBLIGATION OF AN ELECTRIC COMPANY TO PROVIDE STANDARD OFFER SERVICE SHALL CEASE ON JULY 1, 2003.

(II) ON AND AFTER JULY 1, 2003, AN ELECTRIC COMPANY CONTINUES TO HAVE THE OBLIGATION TO PROVIDE STANDARD OFFER SERVICE TO RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS AT A MARKET PRICE THAT PERMITS RECOVERY OF THE VERIFIABLE, PRUDENTLY INCURRED COSTS TO PROCURE OR PRODUCE THE ELECTRICITY PLUS A REASONABLE RETURN.

(III) ON OR BEFORE DECEMBER 31, 2006, AND EVERY 3 YEARS THEREAFTER, THE COMMISSION SHALL REPORT TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY ON THE STATUS OF THE STANDARD OFFER SERVICE."

On page 3, in line 4, strike the brackets; in the same line, strike "(5)"; in line 22, after "THE" insert "INVESTOR-OWNED"; in line 28, after "3." insert "A."; in line 29, after "RISKS" insert "AND VOLATILITY"; in the same line, strike the colon; in line 30, strike "A."; in line 31, strike "; AND" and substitute a period; in line 32, strike "MAY ALTER" and substitute "BY REGULATION OR ORDER, THE COMMISSION MAY ALLOW"; in line 33, after "PLACE" insert "TO BE ALTERED"; and strike in their entirety lines 34 through 41, inclusive.

On page 4, in line 1, strike the brackets; in the same line, strike “(6) (I)”; strike in their entirety lines 4 through 9, inclusive; in line 10, strike “(7)” and substitute “(6) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH.”; in line 11, after “RATES” insert “OF 20% OR MORE OVER THE PREVIOUS YEAR’S ELECTRICITY RATES”; and after line 13, insert:

“(II) THE COMMISSION MAY NOT DETERMINE A PHASED IMPLEMENTATION OF ELECTRICITY RATES BECAUSE OF ANY INCREASE THAT IS PROVIDED UNDER A RATE STABILIZATION PLAN.”.

AMENDMENT NO. 4

On page 5, in line 15, strike the brackets; strike beginning with “EXCEPT” in line 15 down through “AN” in line 16; in line 18, before “BILL” insert “AS DETERMINED BY THE OFFICE OF HOME ENERGY PROGRAMS.”; strike beginning with “FOR” in line 23 down through the comma in line 24; in line 27, strike “\$40” and substitute “\$37”; in line 30, strike the brackets; and strike beginning with the semicolon in line 31 down through “SUBTITLE” in line 34.

On pages 5 and 6, strike in their entirety the lines beginning with line 35 on page 5 through line 34 on page 6, inclusive.

AMENDMENT NO. 5

On page 6, after line 34, insert:

“7-513.

(F) THIS SECTION DOES NOT APPLY TO RATE STABILIZATION COSTS ESTABLISHED OR QUALIFIED RATE ORDERS ISSUED UNDER PART III OR PART IV OF THIS SUBTITLE.

7-519. RESERVED.

PART III. RATE STABILIZATION - IN GENERAL.

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7-520.

(A) IN THIS PART AND IN PART IV OF THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) "ASSIGNEE" MEANS ANY INDIVIDUAL, CORPORATION, OR OTHER LEGALLY RECOGNIZED ENTITY TO WHICH AN ELECTRIC COMPANY TRANSFERS ALL OR A PORTION OF ITS INTEREST IN RATE STABILIZATION PROPERTY, OTHER THAN AS SECURITY, INCLUDING ANY ASSIGNEE OF THAT PARTY.

(C) (1) "FINANCING PARTY" MEANS A HOLDER OF RATE STABILIZATION BONDS.

(2) "FINANCING PARTY" INCLUDES A TRUSTEE, COLLATERAL AGENT, AND ANY OTHER PERSON ACTING FOR THE BENEFIT OF THE HOLDER.

(D) "QUALIFIED RATE ORDER" MEANS AN ORDER OF THE COMMISSION APPROVING ONE OR MORE QUALIFIED RATE STABILIZATION CHARGES.

(E) "QUALIFIED RATE STABILIZATION CHARGE" MEANS THAT PORTION OF A USAGE-BASED NONBYPASSABLE RATE, CHARGE, OR SIMILAR APPROPRIATE MECHANISM FOR THE PROVISION, AVAILABILITY, OR TERMINATION OF ELECTRIC SERVICE, APPROVED IN CONNECTION WITH A RATE STABILIZATION PLAN IN ACCORDANCE WITH § 7-522 OR § 7-548 OF THIS SUBTITLE, THAT A QUALIFIED RATE ORDER OF THE COMMISSION AUTHORIZES TO BE IMPOSED FOR THE RECOVERY OF RATE STABILIZATION COSTS.

(F) "RATE STABILIZATION BOND" MEANS A BOND, DEBENTURE, NOTE, CERTIFICATE OF PARTICIPATION OR BENEFICIAL INTEREST, OR OTHER EVIDENCE OF INDEBTEDNESS OR OWNERSHIP THAT:

(1) IS AUTHORIZED IN A QUALIFIED RATE ORDER AND ISSUED UNDER AN EXECUTED TRUST INDENTURE OR OTHER AGREEMENT OF AN ELECTRIC COMPANY OR ASSIGNEE; AND

(2) IS SECURED BY, EVIDENCES AN OWNERSHIP INTEREST IN, OR IS

PAYABLE FROM RATE STABILIZATION PROPERTY.

(G) (1) "RATE STABILIZATION COST" MEANS A COST, LIABILITY, OR INVESTMENT THAT AN ELECTRIC COMPANY INCURS OR WILL INCUR UNDER A RATE STABILIZATION PLAN APPROVED BY THE COMMISSION.

(2) "RATE STABILIZATION COST" INCLUDES:

(I) THE EXCESS OF THE CONTRACTED PRICE INCURRED BY AN ELECTRIC COMPANY FOR THE PURCHASE OF ENERGY SUPPLIES TO BE REQUIRED FOR RETAIL CUSTOMERS TO WHOM IT PROVIDES STANDARD OFFER SERVICE, OVER THE AMOUNTS THAT IT IS AUTHORIZED TO CHARGE CURRENTLY TO THOSE CUSTOMERS UNDER THE RATE STABILIZATION PLAN;

(II) THE APPROVED COSTS OF ISSUING, SUPPORTING, AND SERVICING RATE STABILIZATION BONDS; AND

(III) ANY APPROVED COSTS FOR RETIRING AND REFUNDING EXISTING DEBT AND EQUITY SECURITIES OF THE ELECTRIC COMPANY ISSUED TO TEMPORARILY FINANCE THOSE RATE STABILIZATION COSTS.

(H) (1) "RATE STABILIZATION PROPERTY" MEANS THE RIGHT, TITLE, AND INTEREST OF AN ELECTRIC COMPANY OR ASSIGNEE IN A QUALIFIED RATE ORDER.

(2) "RATE STABILIZATION PROPERTY" INCLUDES:

(I) ALL RIGHTS IN, TO, AND UNDER A QUALIFIED RATE ORDER, INCLUDING THE RIGHT TO IMPOSE AND COLLECT RATE STABILIZATION CHARGES AND RIGHTS TO REVENUES, COLLECTIONS, CLAIMS, PAYMENTS, MONEY, OR OTHER PROPERTY AND AMOUNTS ARISING FROM THE IMPOSITION OF RATE STABILIZATION CHARGES UNDER THE QUALIFIED RATE ORDER; AND

(II) IN THE HANDS OF AN ASSIGNEE, THE RIGHT TO REQUIRE THE ELECTRIC COMPANY TO PROVIDE ELECTRIC SERVICES AND TO COLLECT AND

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REMIT THE QUALIFIED RATE STABILIZATION CHARGES AUTHORIZED IN THE QUALIFIED RATE ORDER, BUT NOT THE RIGHT OR DUTY TO PROVIDE ELECTRIC SERVICES.

(I) "RATE STABILIZATION PLAN" MEANS A PLAN APPROVED BY THE COMMISSION IN ACCORDANCE WITH THIS PART.

7-521.

THIS PART APPLIES TO AN ELECTRIC COMPANY THAT:

(1) HAS AN OBLIGATION TO PROVIDE STANDARD OFFER SERVICE TO RESIDENTIAL ELECTRICITY CUSTOMERS IN ACCORDANCE WITH § 7-510(C) OF THIS SUBTITLE; AND

(2) IS NOT SUBJECT TO A RATE CAP OR PRICE FREEZE DURING THE PERIOD FOR WHICH A RATE STABILIZATION PLAN IS REQUESTED UNDER THIS PART.

7-522.

(A) AN ELECTRIC COMPANY SUBJECT TO THIS PART MAY FILE A RATE STABILIZATION PLAN WITH THE COMMISSION FOR APPROVAL.

(B) THE RATE STABILIZATION PLAN MAY INCLUDE BOTH SHORT-TERM AND LONG-TERM DEFERRALS OF INCREMENTAL EXPENSES OF ELECTRICITY SUPPLIES.

7-523.

(A) THE COMMISSION MAY REQUIRE THAT A DEFERRAL OF EXPENSES UNDER A RATE STABILIZATION PLAN BE EITHER VOLUNTARY OR MANDATORY IF THE COMMISSION FINDS THAT THE REQUIRED TYPE OF DEFERRAL IS IN THE PUBLIC INTEREST.

(B) THE RATE STABILIZATION PLAN MAY PROVIDE THAT A DEFERRAL SHALL BE SECURITIZED THROUGH THE ISSUANCE OF RATE STABILIZATION BONDS

AUTHORIZED BY A QUALIFIED RATE ORDER UNDER THIS PART.

7-524.

(A) TARIFFS IMPLEMENTING A RATE STABILIZATION PLAN MAY PROVIDE THAT:

(1) RESIDENTIAL CUSTOMERS SHALL BE CHARGED THE FULL COST OF RESIDENTIAL STANDARD OFFER SERVICE NECESSARY TO RECOVER THE ELECTRIC COMPANY'S COSTS UNDER § 7- 510(C)(3) OF THIS SUBTITLE; AND

(2) ANY CREDITS OR RECOVERIES REQUIRED OR AUTHORIZED UNDER THIS PART SHALL BE REFLECTED AS NONBYPASSABLE CREDITS OR CHARGES ON THE ELECTRIC DISTRIBUTION PORTION OF EACH RESIDENTIAL CUSTOMER'S BILL.

(B) AS PART OF THE SUBMISSION OF A RATE STABILIZATION PLAN, AN ELECTRIC COMPANY MAY APPLY TO THE COMMISSION FOR A QUALIFIED RATE ORDER FOR THE FINANCING AND RECOVERY OF ITS APPROVED RATE STABILIZATION COSTS IN ACCORDANCE WITH THIS PART.

7-525.

(A) THE COMMISSION MAY AUTHORIZE AN ELECTRIC COMPANY TO RECOVER, AS ADDITIONAL RATE STABILIZATION COSTS, THE ACTUAL COST TO THE ELECTRIC COMPANY OF CARRYING THE DEFERRED EXPENSES AS REGULATORY ASSETS UNDER SHORT-TERM AND LONG-TERM DEFERRAL PLANS.

(B) THE ACTUAL COST IS EQUAL TO THE DEFERRED EXPENSES AS REGULATORY ASSETS MULTIPLIED BY THE ELECTRIC COMPANY'S COST OF DEBT.

(C) IF THE ELECTRIC COMPANY SECURITIZES THE DEBT IN ACCORDANCE WITH THIS PART, THE COST OF THE SECURITIZED DEBT IS SUBSTITUTED FOR THE

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ELECTRIC COMPANY'S COST OF DEBT.

7-526.

(A) AN ELECTRIC COMPANY MAY APPLY TO THE COMMISSION FOR A QUALIFIED RATE ORDER FOR THE FINANCING AND RECOVERY OF ITS RATE STABILIZATION COSTS.

(B) ON APPLICATION OF AN ELECTRIC COMPANY , THE COMMISSION MAY ADOPT A QUALIFIED RATE ORDER IF THE COMMISSION FINDS THAT THE TOTAL AMOUNT OF REVENUE TO BE COLLECTED UNDER THE QUALIFIED RATE ORDER IS LESS THAN THE RATE STABILIZATION COSTS REVENUE THAT WOULD BE RECOVERED OVER THE SAME PERIOD USING THE ELECTRIC COMPANY'S WEIGHTED AVERAGE COST OF CAPITAL.

(C) THE RATE STABILIZATION COSTS TO BE FINANCED AND RECOVERED UNDER A QUALIFIED RATE ORDER MAY BE REDUCED BY FUNDS CONTRIBUTED FROM OTHER SOURCES.

7-527.

(A) THE QUALIFIED RATE ORDER SHALL SET FORTH THE RATE STABILIZATION COSTS TO BE RECOVERED AND THE PERIOD OVER WHICH THE NONBYPASSABLE QUALIFIED RATE STABILIZATION CHARGES SHALL BE RECOVERED.

(B) THE RECOVERY PERIOD MAY NOT EXCEED 12 YEARS.

7-528.

(A) A QUALIFIED RATE ORDER SHALL BECOME EFFECTIVE IN ACCORDANCE WITH ITS TERMS.

(B) AFTER A QUALIFIED RATE ORDER BECOMES EFFECTIVE, THE QUALIFIED RATE ORDER AND THE QUALIFIED RATE STABILIZATION CHARGES

AUTHORIZED IN THE QUALIFIED RATE ORDER ARE IRREVOCABLE AND ARE NOT SUBJECT TO REDUCTION, IMPAIRMENT, OR ADJUSTMENT BY FURTHER ACTION OF THE COMMISSION EXCEPT IN ACCORDANCE WITH §§ 7-531, 7-533, AND 7-534 OF THIS SUBTITLE.

(C) (1) A QUALIFIED RATE ORDER IS NOT SUBJECT TO REHEARING BY THE COMMISSION.

(2) A QUALIFIED RATE ORDER MAY BE REVIEWED BY APPEAL ONLY TO THE COURT OF SPECIAL APPEALS BY A PARTY TO THE PROCEEDING FILED WITHIN 15 DAYS AFTER THE QUALIFIED RATE ORDER IS SIGNED BY THE COMMISSION.

(3) THE JUDGMENT OF THE COURT OF SPECIAL APPEALS MAY BE REVIEWED ONLY BY DIRECT APPEAL TO THE COURT OF APPEALS OF MARYLAND FILED WITHIN 15 DAYS AFTER ENTRY OF JUDGMENT.

(4) ALL APPEALS SHALL BE HEARD AND DETERMINED BY THE COURT OF SPECIAL APPEALS AND BY THE COURT OF APPEALS OF MARYLAND AS EXPEDITIOUSLY AS POSSIBLE WITH LAWFUL PRECEDENCE OVER OTHER MATTERS.

(5) REVIEW ON APPEAL SHALL BE BASED SOLELY ON THE RECORD BEFORE THE COMMISSION AND BRIEFS TO THE COURT AND SHALL BE LIMITED TO WHETHER THE QUALIFIED RATE ORDER CONFORMS TO THE CONSTITUTION AND LAWS OF THIS STATE AND THE UNITED STATES AND IS WITHIN THE AUTHORITY OF THE COMMISSION UNDER THIS SUBTITLE.

(6) THE REVIEW PROCESS IN THIS SUBSECTION SHALL BE THE EXCLUSIVE REMEDY TO CHALLENGE OR REVIEW A QUALIFIED RATE ORDER.

7-529.

THE COMMISSION SHALL MAKE A FINAL DECISION ON THE ISSUANCE OF A

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QUALIFIED RATE ORDER UNDER THIS PART NO LATER THAN 60 DAYS AFTER THE ELECTRIC COMPANY FILES ITS REQUEST FOR THE QUALIFIED RATE ORDER.

7-530.

A QUALIFIED RATE ORDER APPROVED BY THE COMMISSION SHALL INCLUDE TERMS ENSURING THAT THE IMPOSITION AND COLLECTION OF QUALIFIED RATE STABILIZATION CHARGES AUTHORIZED IN THE ORDER IS NONBYPASSABLE.

7-531.

THE COMMISSION SHALL ESTABLISH SPECIFIC PROCEDURES AND TIME FRAMES FOR THE REVIEW AND ADJUSTMENT OF QUALIFIED RATE STABILIZATION CHARGES AT LEAST ONCE EACH YEAR, WITHIN 90 DAYS BEFORE THE ANNIVERSARY DATE OF THE ISSUANCE OF THE RATE STABILIZATION BONDS, TO CORRECT ANY OVERCOLLECTIONS OR UNDERCOLLECTIONS OF THE PRECEDING 12 MONTHS AND TO ENSURE THE EXPECTED RECOVERY OF AMOUNTS SUFFICIENT TO TIMELY PROVIDE ALL PAYMENTS OF DEBT SERVICE AND OTHER REQUIRED AMOUNTS AND CHARGES IN CONNECTION WITH THE RATE STABILIZATION BONDS.

7-532.

(A) A QUALIFIED RATE ORDER SHALL TERMINATE AND EXPIRE 1 YEAR AFTER THE DATE OF ITS ADOPTION IF, DURING THAT PERIOD, NO RATE STABILIZATION BONDS AUTHORIZED IN THE QUALIFIED RATE ORDER SHALL HAVE BEEN ISSUED.

(B) THIS PERIOD SHALL BE EXTENDED BY ANY PERIOD DURING WHICH JUDICIAL PROCEEDINGS FOR REVIEW MAY BE PENDING IN ACCORDANCE WITH § 7-528(C) OF THIS SUBTITLE .

7-533.

(A) AT THE REQUEST OF AN ELECTRIC COMPANY, THE COMMISSION MAY ADOPT A QUALIFIED RATE ORDER PROVIDING FOR RETIRING AND REFUNDING RATE

STABILIZATION BONDS IF THE COMMISSION FINDS THAT THE FUTURE QUALIFIED RATE STABILIZATION CHARGES REQUIRED TO SERVICE THE NEW RATE STABILIZATION BONDS, INCLUDING TRANSACTION COSTS, WILL BE LESS THAN THE FUTURE QUALIFIED RATE STABILIZATION CHARGES REQUIRED TO SERVICE THE RATE STABILIZATION BONDS BEING REFUNDED.

(B) ON THE RETIREMENT OF THE REFUNDED RATE STABILIZATION BONDS, THE COMMISSION SHALL ADJUST THE RELATED QUALIFIED RATE STABILIZATION CHARGES ACCORDINGLY.

7-534.

(A) AT THE REQUEST OF AN ELECTRIC COMPANY, THE COMMISSION MAY MODIFY AN EXISTING QUALIFIED RATE ORDER, OR ISSUE AN ADDITIONAL QUALIFIED RATE ORDER, PROVIDING FOR THE ISSUANCE OF:

(1) ADDITIONAL RATE STABILIZATION BONDS FOR RATE STABILIZATION COSTS NOT RECOVERED UNDER AN ORIGINAL QUALIFIED RATE ORDER; OR

(2) NEW RATE STABILIZATION BONDS FOR THE COMBINED PURPOSES OF:

(I) FINANCING AND RECOVERING RATE STABILIZATION COSTS NOT RECOVERED UNDER AN ORIGINAL QUALIFIED RATE ORDER; AND

(II) SUBJECT TO § 7-533 OF THIS SUBTITLE, RETIRING AND REFUNDING EXISTING RATE STABILIZATION BONDS.

(B) UNLESS OTHERWISE PROVIDED IN THE MODIFIED OR ADDITIONAL QUALIFIED RATE ORDER OR IN THE TRUST AGREEMENT SECURING THE ADDITIONAL OR NEW RATE STABILIZATION BONDS, THE ADDITIONAL OR NEW RATE STABILIZATION BONDS ARE:

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(1) CONSIDERED TO BE OF THE SAME ISSUE AS THE ORIGINAL ISSUE;
AND

(2) ENTITLED TO PAYMENT FROM THE SAME FUNDS AS THE ORIGINAL ISSUE, WITHOUT PREFERENCE OR PRIORITY OF THE RATE STABILIZATION BONDS OF THE ORIGINAL ISSUE.

7-535.

(A) A RATE STABILIZATION BOND ISSUED UNDER THIS PART IS NOT A DEBT, LIABILITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR ANY OTHER GOVERNMENTAL UNIT.

(B) THE ISSUANCE OF A RATE STABILIZATION BOND UNDER THIS PART IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE OR ANY OTHER GOVERNMENTAL UNIT TO LEVY OR PLEDGE ANY TAX OR TO MAKE AN APPROPRIATION TO PAY THE RATE STABILIZATION BOND.

(C) EACH RATE STABILIZATION BOND ISSUED UNDER THIS PART SHALL STATE ON ITS FACE THAT:

(1) THE STATE AND ANY GOVERNMENTAL UNIT ARE NOT OBLIGED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BOND; AND

(2) NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER GOVERNMENTAL UNIT IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON A RATE STABILIZATION BOND.

(D) (1) THE STATE PLEDGES, FOR THE BENEFIT AND PROTECTION OF FINANCING PARTIES AND THE ELECTRIC COMPANY, THAT IT WILL NOT TAKE OR ALLOW ANY ACTION THAT WOULD IMPAIR THE VALUE OF RATE STABILIZATION PROPERTY, OR, EXCEPT AS ALLOWED IN ACCORDANCE WITH §§ 7-531, 7-533, AND 7-534 OF THIS SUBTITLE, REDUCE, ALTER, OR IMPAIR THE QUALIFIED RATE STABILIZATION CHARGES TO BE IMPOSED, COLLECTED, AND REMITTED TO FINANCING PARTIES, UNTIL THE PRINCIPAL, INTEREST, AND PREMIUM, AND ANY

OTHER CHARGES INCURRED AND CONTRACTS TO BE PERFORMED IN CONNECTION WITH THE RELATED RATE STABILIZATION BONDS HAVE BEEN PAID AND PERFORMED IN FULL.

(2) ANY PARTY ISSUING RATE STABILIZATION BONDS IS AUTHORIZED TO INCLUDE THIS PLEDGE IN ANY DOCUMENTATION RELATING TO THOSE BONDS.

7-536.

A QUALIFIED RATE ORDER UNDER THIS PART THAT AUTHORIZES THE ISSUANCE OF RATE STABILIZATION BONDS MAY:

(1) STATE THE RIGHTS AND REMEDIES OF BONDHOLDERS AND ANY ASSIGNEE; AND

(2) CONTAIN PROVISIONS TO PROTECT AND ENFORCE THE RIGHTS AND REMEDIES OF BONDHOLDERS AND ANY ASSIGNEE.

7-537.

(A) THE RIGHTS AND INTERESTS OF AN ELECTRIC COMPANY OR SUCCESSOR UNDER A QUALIFIED RATE ORDER, INCLUDING THE RIGHT TO IMPOSE, COLLECT, AND RECEIVE QUALIFIED RATE STABILIZATION CHARGES AUTHORIZED IN THE ORDER:

(1) BECOME RATE STABILIZATION PROPERTY WHEN THEY ARE FIRST TRANSFERRED TO AN ASSIGNEE OR ARE PLEDGED IN CONNECTION WITH THE ISSUANCE OF RATE STABILIZATION BONDS; BUT

(2) ARE ONLY CONTRACT RIGHTS BEFORE THAT FIRST TRANSFER OR PLEDGE.

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(B) RATE STABILIZATION PROPERTY CONSTITUTES A PRESENT PROPERTY RIGHT:

(1) FOR PURPOSES OF CONTRACTS CONCERNING THE SALE OR PLEDGE OF PROPERTY, EVEN THOUGH THE IMPOSITION AND COLLECTION OF QUALIFIED RATE STABILIZATION CHARGES DEPENDS ON FURTHER ACTS OF THE ELECTRIC COMPANY OR OTHERS THAT HAVE NOT YET OCCURRED; AND

(2) FOR ALL PURPOSES UNTIL THE LATER OF:

(I) THE PERIOD PROVIDED IN THE QUALIFIED RATE ORDER, TO THE EXTENT PROVIDED IN THAT ORDER; OR

(II) THE PAYMENT IN FULL OF THE RATE STABILIZATION BONDS, INCLUDING ALL PRINCIPAL, INTEREST, PREMIUM, COSTS, AND ARREARAGES ON THE BONDS.

(C) ALL REVENUES AND COLLECTIONS RESULTING FROM QUALIFIED RATE STABILIZATION CHARGES ARE PROCEEDS ONLY OF THE RATE STABILIZATION PROPERTY ARISING FROM THE QUALIFIED RATE ORDER.

7-538.

A TRANSACTION THAT INVOLVES THE TRANSFER AND OWNERSHIP OF RATE STABILIZATION PROPERTY AND THE RECEIPT OF RATE STABILIZATION CHARGES ARE EXEMPT FROM STATE AND LOCAL INCOME, SALES, FRANCHISE, GROSS RECEIPTS, AND OTHER TAXES OR SIMILAR CHARGES.

7-539.

(A) AN AGREEMENT BY AN ELECTRIC COMPANY OR ASSIGNEE TO TRANSFER RATE STABILIZATION PROPERTY THAT EXPRESSLY STATES THAT THE TRANSFER IS A SALE OR OTHER ABSOLUTE TRANSFER SIGNIFIES THAT:

(1) THE TRANSACTION IS A TRUE SALE AND IS NOT A SECURED TRANSACTION; AND

(2) LEGAL AND EQUITABLE TITLE HAS PASSED TO THE ENTITY TO WHICH THE RATE STABILIZATION PROPERTY IS TRANSFERRED.

(B) THE STATUS OF THE TRANSFER AS A TRUE SALE PREVAILS REGARDLESS OF ANY RECOURSE THE PURCHASER MAY HAVE AGAINST THE SELLER, OR ANY OTHER TERM OF THE PARTIES' AGREEMENT, INCLUDING:

(1) THE SELLER'S RETENTION OF AN EQUITY INTEREST IN THE RATE STABILIZATION PROPERTY;

(2) THE FACT THAT THE ELECTRIC COMPANY ACTS AS THE COLLECTOR OF QUALIFIED RATE STABILIZATION CHARGES RELATING TO THE RATE STABILIZATION PROPERTY; AND

(3) THE TREATMENT OF THE TRANSFER AS A FINANCING FOR TAX, FINANCIAL REPORTING, OR OTHER PURPOSES.

7-540.

(A) THE INTEREST OF AN ASSIGNEE OR PLEDGEE IN RATE STABILIZATION PROPERTY AND IN THE REVENUES AND COLLECTIONS ARISING FROM THAT PROPERTY ARE NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR DEFENSE BY THE ELECTRIC COMPANY OR ANY OTHER PERSON OR IN CONNECTION WITH THE BANKRUPTCY OF THE ELECTRIC COMPANY OR ANY OTHER ENTITY.

(B) A QUALIFIED RATE ORDER REMAINS IN EFFECT AND UNABATED NOTWITHSTANDING THE BANKRUPTCY OF THE ELECTRIC COMPANY, ITS SUCCESSORS, OR ASSIGNEES.

7-541.

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(A) (1) THE ELECTRIC BILL OF AN ELECTRIC COMPANY THAT HAS OBTAINED A QUALIFIED RATE ORDER AND ISSUED RATE STABILIZATION BONDS MUST:

(I) EXPLICITLY REFLECT THAT A PORTION OF THE CHARGES ON THE BILL REPRESENTS QUALIFIED RATE STABILIZATION CHARGES APPROVED IN A QUALIFIED RATE ORDER ISSUED TO THE ELECTRIC COMPANY; AND

(II) IF THE RATE STABILIZATION PROPERTY HAS BEEN TRANSFERRED TO AN ASSIGNEE, INCLUDE A STATEMENT TO THE EFFECT THAT:

1. THE ASSIGNEE IS THE OWNER OF THE RIGHTS TO QUALIFIED RATE STABILIZATION CHARGES; AND

2. THE ELECTRIC COMPANY OR ANY OTHER ENTITY, IF APPLICABLE, IS ACTING AS A COLLECTION AGENT OR SERVICER FOR THE ASSIGNEE.

(2) THE TARIFF APPLICABLE TO CUSTOMERS MUST INDICATE THE QUALIFIED RATE STABILIZATION CHARGE AND THE OWNERSHIP OF THAT CHARGE.

(B) THE FAILURE OF AN ELECTRIC COMPANY TO COMPLY WITH THIS SECTION MAY NOT INVALIDATE, IMPAIR, OR AFFECT ANY QUALIFIED RATE ORDER, RATE STABILIZATION PROPERTY, QUALIFIED RATE STABILIZATION CHARGE, OR RATE STABILIZATION BONDS.

7-542.

(A) (1) RATE STABILIZATION PROPERTY DOES NOT CONSTITUTE AN ACCOUNT OR GENERAL INTANGIBLE UNDER § 9-102 OF THE COMMERCIAL LAW ARTICLE.

(2) THE CREATION, GRANTING, PERFECTION, AND ENFORCEMENT OF LIENS AND SECURITY INTERESTS IN RATE STABILIZATION PROPERTY, INCLUDING ALL PROCEEDS OF THAT PROPERTY, ARE GOVERNED BY THIS SECTION AND NOT BY THE MARYLAND UNIFORM COMMERCIAL CODE.

(B) (1) A VALID AND ENFORCEABLE LIEN AND SECURITY INTEREST IN INTANGIBLE RATE STABILIZATION PROPERTY, INCLUDING ALL PROCEEDS OF THAT PROPERTY, MAY BE CREATED ONLY BY A QUALIFIED RATE ORDER AND THE EXECUTION AND DELIVERY OF A SECURITY AGREEMENT WITH A FINANCING PARTY IN CONNECTION WITH THE ISSUANCE OF RATE STABILIZATION BONDS.

(2) (I) THE LIEN AND SECURITY INTEREST SHALL ATTACH AUTOMATICALLY FROM THE TIME THAT VALUE IS RECEIVED FOR THE BONDS.

(II) ON PERFECTION THROUGH THE FILING OF NOTICE WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED UNDER SUBSECTION (D) OF THIS SECTION:

1. THE LIEN AND SECURITY INTEREST SHALL BE A CONTINUOUSLY PERFECTED LIEN AND SECURITY INTEREST IN THE RATE STABILIZATION PROPERTY; AND

2. ALL PROCEEDS OF THE PROPERTY, WHETHER ACCRUED OR NOT, SHALL HAVE PRIORITY IN THE ORDER OF FILING AND TAKE PRECEDENCE OVER ANY SUBSEQUENT JUDICIAL OR OTHER LIEN CREDITOR.

(3) THE SECURITY INTEREST SHALL BE PERFECTED:

(I) RETROACTIVE TO THE DATE VALUE WAS RECEIVED IF NOTICE IS FILED WITHIN 10 DAYS AFTER VALUE IS RECEIVED FOR THE RATE STABILIZATION BONDS; OR

(II) AS OF THE DATE OF FILING, IF NOTICE IS NOT FILED WITHIN THAT 10-DAY PERIOD.

(C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, TRANSFER OF AN INTEREST IN RATE STABILIZATION PROPERTY TO AN ASSIGNEE SHALL BE

PERFECTED AGAINST ALL THIRD PARTIES, INCLUDING SUBSEQUENT JUDICIAL OR OTHER LIEN CREDITORS, WHEN:

(I) THE QUALIFIED RATE ORDER BECOMES EFFECTIVE;

(II) TRANSFER DOCUMENTS HAVE BEEN DELIVERED TO THE ASSIGNEE; AND

(III) A NOTICE OF THAT TRANSFER HAS BEEN FILED IN ACCORDANCE WITH PROCEDURES ADOPTED UNDER SUBSECTION (D) OF THIS SECTION.

(2) IF NOTICE OF THE TRANSFER HAS NOT BEEN FILED IN ACCORDANCE WITH THIS SUBSECTION WITHIN 10 DAYS AFTER THE DELIVERY OF TRANSFER DOCUMENTATION, THE TRANSFER OF THE INTEREST IS NOT PERFECTED AGAINST THIRD PARTIES UNTIL THE NOTICE IS FILED.

(D) THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION SHALL IMPLEMENT THIS SECTION BY ESTABLISHING AND MAINTAINING A SEPARATE SYSTEM OF RECORDS FOR THE FILING OF NOTICES UNDER THIS SECTION AND PRESCRIBING THE PROCEDURES FOR THOSE FILINGS BASED ON TITLE 9 OF THE MARYLAND UNIFORM COMMERCIAL CODE, AS ADAPTED TO THIS SUBTITLE AND USING THE TERMS DEFINED IN THIS SUBTITLE.

(E) (1) THE PRIORITY OF A LIEN AND SECURITY INTEREST PERFECTED UNDER THIS SECTION IS NOT IMPAIRED BY:

(I) ANY LATER MODIFICATION OF THE QUALIFIED RATE ORDER UNDER § 7-531, § 7-533, OR § 7-534 OF THIS SUBTITLE; OR

(II) THE COMMINGLING OF FUNDS ARISING FROM QUALIFIED RATE STABILIZATION CHARGES WITH OTHER FUNDS.

(2) ANY OTHER SECURITY INTEREST THAT MAY APPLY TO THOSE FUNDS SHALL BE TERMINATED WHEN THEY ARE TRANSFERRED TO A SEGREGATED

ACCOUNT FOR THE ASSIGNEE OR A FINANCING PARTY.

(3) IF RATE STABILIZATION PROPERTY HAS BEEN TRANSFERRED TO AN ASSIGNEE, ANY PROCEEDS OF THAT PROPERTY SHALL BE HELD IN TRUST FOR THE ASSIGNEE.

(F) IF A DEFAULT OR TERMINATION OCCURS UNDER THE RATE STABILIZATION BONDS:

(1) THE FINANCING PARTIES OR THEIR REPRESENTATIVES MAY FORECLOSE ON OR OTHERWISE ENFORCE THEIR LIEN AND SECURITY INTEREST IN ANY INTANGIBLE RATE STABILIZATION PROPERTY AS IF THEY WERE SECURED PARTIES UNDER TITLE 9 OF THE MARYLAND UNIFORM COMMERCIAL CODE;

(2) THE COMMISSION MAY ORDER THAT AMOUNTS ARISING FROM QUALIFIED RATE STABILIZATION CHARGES BE TRANSFERRED TO A SEPARATE ACCOUNT FOR THE FINANCING PARTIES' BENEFIT, TO WHICH THEIR LIEN AND SECURITY INTEREST SHALL APPLY; AND

(3) ON APPLICATION BY OR ON BEHALF OF THE FINANCING PARTIES, THE CIRCUIT COURT FOR BALTIMORE CITY, BUSINESS AND TECHNOLOGY CASE MANAGEMENT PROGRAM, SHALL ORDER THE SEQUESTRATION AND PAYMENT TO THE FINANCING PARTIES OF REVENUES ARISING FROM THE QUALIFIED RATE STABILIZATION CHARGES.

(G) THE COURT ORDER UNDER SUBSECTION (F) OF THIS SECTION SHALL REMAIN IN FULL FORCE AND EFFECT NOTWITHSTANDING ANY REORGANIZATION, BANKRUPTCY, OR OTHER INSOLVENCY PROCEEDINGS WITH RESPECT TO THE ELECTRIC COMPANY OR ITS SUCCESSORS OR ASSIGNEES.

(H) THIS SECTION DOES NOT LIMIT ANY OTHER REMEDIES AVAILABLE TO THE APPLYING PARTY.

7-543.

(Over)

(A) THIS SECTION APPLIES TO A PERSON THAT IS A SUCCESSOR TO AN ELECTRIC COMPANY, WHETHER THROUGH:

(1) A REORGANIZATION, BANKRUPTCY, OR OTHER INSOLVENCY PROCEEDING;

(2) A MERGER OR ACQUISITION, SALE, OR OTHER BUSINESS COMBINATION; OR

(3) A TRANSFER BY OPERATION OF LAW.

(B) A SUCCESSOR TO AN ELECTRIC COMPANY SHALL PERFORM AND SATISFY ALL OBLIGATIONS OF, AND HAVE THE SAME RIGHTS UNDER A QUALIFIED RATE ORDER AS, THE ELECTRIC COMPANY UNDER THE QUALIFIED RATE ORDER IN THE SAME MANNER AND TO THE SAME EXTENT AS THE ELECTRIC COMPANY, INCLUDING:

(1) COLLECTING THE REVENUES, COLLECTIONS, PAYMENTS, OR PROCEEDS OF THE RATE STABILIZATION PROPERTY; AND

(2) PAYING THEM TO THE PERSON ENTITLED TO RECEIVE THEM.

7-544.

AN ASSIGNEE OR FINANCING PARTY MAY NOT BE CONSIDERED TO BE A PUBLIC SERVICE COMPANY OR AN ELECTRICITY SUPPLIER SOLELY BY VIRTUE OF THE TRANSACTIONS DESCRIBED IN THIS PART.

7-545. RESERVED.

7-546. RESERVED.

PART IV. RATE STABILIZATION - SPECIFIC PROVISIONS.

7-547.

THIS PART APPLIES TO AN INVESTOR-OWNED ELECTRIC COMPANY THAT HAS AN OBLIGATION TO PROVIDE STANDARD OFFER SERVICE UNDER § 7-510(C) OF THIS ARTICLE TO RESIDENTIAL ELECTRIC CUSTOMERS FOR WHOM RATE CAP OR PRICE FREEZE SERVICE ESTABLISHED UNDER A SETTLEMENT AGREEMENT APPROVED IN ACCORDANCE WITH § 7-505(D) OF THIS SUBTITLE EXPIRES AT THE END OF JUNE 30, 2006.

7-548.

(A) (1) (I) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE BUT SUBJECT TO PARAGRAPHS (2) THROUGH (4) OF THIS SUBSECTION, AN ELECTRIC COMPANY TO WHICH THIS PART APPLIES SHALL FILE TARIFFS WITH THE COMMISSION THAT IMPLEMENT A RATE STABILIZATION PLAN CONSISTENT WITH THE PROVISIONS OF THIS PART.

(II) 1. THE COMMISSION SHALL REVIEW THE TARIFFS REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

2. WITHIN 20 DAYS AFTER THE FILING OF THE TARIFFS REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COMMISSION SHALL ISSUE AN ORDER IMPLEMENTING THE RATE STABILIZATION PLAN IN ACCORDANCE WITH THIS PART AND PART III OF THIS SUBTITLE.

3. THE ORDER ISSUED BY THE COMMISSION SHALL INCLUDE A REQUIREMENT THAT THE ELECTRIC COMPANY ESTABLISH REGULATORY ASSETS TO ACCOUNT FOR THE RATE STABILIZATION COSTS DEFERRED UNDER THE RATE STABILIZATION PLAN.

(2) UNDER THE RATE STABILIZATION PLAN, THE RESIDENTIAL STANDARD OFFER SERVICE RATE SHALL RECOVER THE COSTS TO THE ELECTRIC COMPANY UNDER § 7-510(C)(3) OF THIS SUBTITLE DEFERRED DURING THE PERIOD

(Over)

JULY 1, 2006 THROUGH DECEMBER 31, 2007.

(3) ANY CREDIT OR CHARGES TO THE COST OF STANDARD OFFER SERVICE FOR RESIDENTIAL ELECTRIC CUSTOMERS REQUIRED OR AUTHORIZED UNDER THIS PART SHALL BE INCLUDED AS A NONBYPASSABLE CREDIT OR CHARGE ON THE ELECTRIC DISTRIBUTION PORTION OF THE BILL OF EACH RESIDENTIAL ELECTRIC CUSTOMER OF THE ELECTRIC COMPANY.

(4) AN ELECTRIC COMPANY MAY APPLY TO THE COMMISSION FOR A QUALIFIED RATE ORDER UNDER PART III OF THIS SUBTITLE FOR THE FINANCING AND RECOVERY OF ITS RATE STABILIZATION COSTS.

(B) (1) THE INCREASE IN THE TOTAL RATES CHARGED TO EACH RESIDENTIAL ELECTRIC CUSTOMER ON STANDARD OFFER SERVICE, AS COMPARED WITH THE TOTAL RATES FOR RESIDENTIAL ELECTRIC CUSTOMERS IN EFFECT ON JUNE 30, 2006, SHALL BE:

(I) FROM JULY 1, 2006 THROUGH MAY 31, 2007, 15% OF THE TOTAL RATE IN EFFECT ON JUNE 30, 2006; AND

(II) FROM JUNE 1, 2007 THROUGH DECEMBER 31, 2007, 29% OF THE TOTAL RATE IN EFFECT ON MAY 31, 2007.

(2) BEGINNING JANUARY 1, 2008, RESIDENTIAL ELECTRIC CUSTOMERS SHALL BE CHARGED A RATE TO ALLOW THE ELECTRIC COMPANY TO RECOVER ITS FULL COSTS CONSISTENT WITH §7-510(C)(3) OF THIS SUBTITLE, PLUS A RATE STABILIZATION CHARGE.

(3) A RATE STABILIZATION COST MAY NOT BE RECOVERED BEFORE JANUARY 1, 2007.

(4) FOR PURPOSES OF CALCULATING THE RATES TO BE CHARGED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE RATE STABILIZATION CHARGE MAY NOT BE CONSIDERED TO BE PART OF THE TOTAL RATES CHARGED TO RESIDENTIAL ELECTRIC CUSTOMERS.

(C) (1) THE ELECTRIC COMPANY SHALL PROVIDE EACH RESIDENTIAL ELECTRIC CUSTOMER A DEFERRAL CREDIT EQUAL TO THE DIFFERENCE BETWEEN THE COST INCURRED BY THE ELECTRIC COMPANY UNDER § 7-510(C)(3) OF THIS SUBTITLE AND THE RATES AUTHORIZED IN SUBSECTION (B)(1) OF THIS SECTION.

(2) (I) THE TOTAL AMOUNT OF COST RECOVERY DEFERRED THROUGH DEFERRAL CREDITS PROVIDED TO RESIDENTIAL ELECTRIC CUSTOMERS SHALL BE A RATE STABILIZATION COST TO BE RECOVERED AS A REGULATORY ASSET.

(II) THE TOTAL COST DEFERRED MAY BE SECURITIZED UNDER PART III OF THIS SUBTITLE.

(3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE ELECTRIC COMPANY SHALL PERFORM A RECONCILIATION OF ANY OVERCOLLECTION OR UNDERCOLLECTION OF THE DEFERRED COSTS AND EXPENSES RESULTING FROM THIS RATE STABILIZATION PLAN:

1. EACH YEAR DURING THE RATE STABILIZATION PLAN; AND

2. WITHIN 90 DAYS AFTER THE END OF THE RATE STABILIZATION PLAN.

(II) TO THE EXTENT THAT SECURITIZATION IS IMPLEMENTED UNDER PART III OF THIS SUBTITLE, ANY RECONCILIATIONS MADE IN ACCORDANCE WITH PART III OF THIS SUBTITLE SHALL BE IN ADDITION TO ANY RECONCILIATIONS UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

(D) RATE STABILIZATION COSTS SHALL BE RECOVERED BY THE ELECTRIC COMPANY FROM THE RESIDENTIAL ELECTRIC CUSTOMERS THROUGH A USAGE-BASED RATE STABILIZATION CHARGE OVER A PERIOD NOT TO EXCEED 10

YEARS.

(E) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBTITLE, AS APPROVED BY THE COMMISSION, AN ELECTRIC COMPANY MAY RECEIVE A MODIFICATION IN DISTRIBUTION AND TRANSMISSION RATES WHILE THE RATE STABILIZATION PLAN IS IN EFFECT.

7-549.

(A) IN THIS SECTION, "ACTUAL COST" MEANS THE COSTS AND EXPENSES DEFERRED AS REGULATORY ASSETS MULTIPLIED BY:

(1) THE ELECTRIC COMPANY'S COST OF DEBT; OR

(2) IF THE ELECTRIC COMPANY SECURITIZES THE DEBT UNDER PART III OF THIS SUBTITLE, THE COST OF THE SECURITIZED DEBT.

(B) AN ELECTRIC COMPANY SHALL RECOVER, AS AN ADDITIONAL RATE STABILIZATION COST, THE ACTUAL COST TO THE ELECTRIC COMPANY OF CARRYING THE COSTS AND EXPENSES DEFERRED AS REGULATORY ASSETS UNDER THE RATE STABILIZATION PLAN."

AMENDMENT NO. 6

On page 6, before line 35, insert:

"SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) Within 90 days after the effective date of a merger involving the parent company of an investor-owned electric company incorporated in Maryland and pending on the effective date of this Act, the electric company shall determine and apply residential electric credits of \$60 million per year for a period of 10 years to the bills of each residential electric customer of the electric company.

(b) The credits shall be in the form of a nonbypassable credit on the customer's bill, derived as follows:

(1) for a period of 10 years, the electric company shall suspend the collection of the residential return component of the administrative charge collected by the electric company for providing standard offer service under § 7-510(c)(3) of the Public Utility Companies Article, which shall be deemed a value of \$20 million;

(2) for a period of 10 years, an integration credit equal to \$21.4 million per year of stipulated merger savings from a merger of the parent company of the electric company; and

(3) for a period of 10 years, a credit of the \$18,661,980 annual nuclear decommissioning charge collected, without otherwise disturbing the agreement approved by the Maryland Public Service Commission in Order No. 75757, to be imputed as deposits in the Nuclear Decommissioning Trust Fund and to be credited against residential electric customer bills.

(c) The nuclear decommissioning charge described in subsection (b)(3) of this section may not be altered during the 10-year period of the credit.

(d) Residential electric customer credits may not be recovered through electric rates.

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) This Act binds the Public Service Commission and any successor unit, including any regulatory or other body that possesses or exercises the same or similar powers, functions, duties, and obligations exercised or possessed by the Commission on the effective date of this Act.

(b) The Public Service Commission and any successor unit, including any regulatory or other body that possesses or exercises the same or similar powers, functions, duties, and obligations exercised or possessed by the Commission may not reduce the cost of service of an electric company in a manner that would result in any duplication of the credits provided to residential customers of the electric company under Section 2 of this Act.

SECTION 4. AND BE IT FURTHER ENACTED, That:

(a) The Public Service Commission shall initiate an evidentiary proceeding to study and evaluate the status of electric restructuring in the State as it pertains to the availability of competitive

(Over)

generation to residential and small commercial customers and the structure, procurement, and terms and conditions of standard offer service for residential and small commercial customers. In its evaluation, the Commission shall consider changes that are necessary to provide residents the benefit of a reliable electric system at the best possible price.

(b) Among other considerations, the Commission shall consider the implications of the following:

(1) allowing investor-owned electric companies to buy power on long-term contract;

(2) requiring investor-owned electric companies to build peak-load plants and transmission lines;

(3) providing a process, at the time bids by investor-owned electric companies for electricity supply are obtained for the standard offer service, to solicit bids for the procurement of energy efficiency and conservation measures and services if energy efficiency and conservation measures and services are less expensive than electricity generation;

(4) providing a process to allow investor-owned electric companies to obtain all or part of its electricity supply for standard offer service through the negotiation of bilateral contracts with wholesale electricity suppliers, either in conjunction with or instead of procurement through competitive wholesale auctions; and

(5) allowing opt-out aggregation of residential electric customer demand by local governments.

(c) The Commission shall report to the Governor and, in accordance with § 2-1246 of the State Government Article, to the General Assembly by December 1, 2006 on its findings and recommendations.

SECTION 5. AND BE IT FURTHER ENACTED, That:

(a) The State Department of Assessments and Taxation shall study whether the current valuation of power plants in the State under § 8-109 of the Tax - Property Article provides an

adequate and equitable determination of the value of power plants in a restructured electric industry.

(b) In conducting the study under subsection (a) of this section, the Department shall hire a consultant with expertise in plant valuation.

(c) The Department shall report to the Governor and, in accordance with § 2-1246 of the State Government Article, to the General Assembly by December 1, 2006 on its findings and recommendations.

SECTION 6. AND BE IT FURTHER ENACTED, That this Act may not be construed to interfere with any determination the Public Service Commission may make to authorize a merger, including any noneconomic terms and conditions with respect to that authorization, in a proceeding involving the parent company of an electric company incorporated in Maryland. In any such proceeding for authorization of the proposed merger between FPL Group, Inc. and Constellation Energy Group, Inc., the economic benefits conferred on residential electric customers under Section 2 of this Act from the merger shall be presumed to constitute the full extent of the economic benefits from the merger. Subject to Section 3 of this Act, the Commission may further consider the economic benefits conferred on residential electric customers under Section 2 of this Act in a future rate making proceeding.

SECTION 7. AND BE IT FURTHER ENACTED, That:

(a) The Public Service Commission, on request by an electric cooperative or on its own initiative, shall initiate a proceeding to investigate options for a rate stabilization plan to assist residential electric customers to gradually adjust to market rates over an extended period of time.

(b) If an electric cooperative determines that total electric rates for residential customers are anticipated to increase by more than 20% in a 12-month period, the electric cooperative shall survey its membership to determine whether to make a request to the Commission to initiate a proceeding under subsection (a) of this section.

(c) Notwithstanding subsections (a) and (b) of this section, as approved by the Commission, an electric cooperative may receive a modification in distribution and transmission

(Over)

rates.

SECTION 8. AND BE IT FURTHER ENACTED, That:

(a) In order to protect the interests of the State and the citizens of Maryland and consistent with the intent of the General Assembly, in accordance with Article V, Section 3 of the Maryland Constitution, the Attorney General is hereby directed to intervene and participate in the Public Service Commission, Case No. 9054 and in any other hearings or other proceedings before the Public Service Commission or any other appropriate State or federal unit, or any case brought before any court of competent jurisdiction in the State or any federal court, regarding the merger of FPL Group, Inc. and Constellation Energy Group, Inc.

(b) The costs and expenses associated with the intervention and participation by the Attorney General in hearings and other proceedings regarding the merger of FPL Group, Inc. and Constellation Energy Group, Inc., not exceeding \$200,000, shall be borne by the public service companies that are subject to the Public Service Commission's jurisdiction in the same manner as the Commission's costs and expenses are assessed, collected, and disbursed under §§ 2-110 and 2-110.1 of the Public Utility Companies Article.

SECTION 9. AND BE IT FURTHER ENACTED, That:

(a) In this section the following words have the meanings indicated.

(1) "Market total rate" means the total rate paid by residential electric customers on electric bills that has not been adjusted under this section.

(2) "Transition total rate" means the total rate paid by residential electric customers on electric bills that has been adjusted under this section during a transition period.

(b) For investor-owned electric companies whose rate cap or price freeze for residential customers expired before June 30, 2006, a price mitigation plan for electric service beginning June 1, 2006 shall:

(1) be administered to allow residential electric customers to make an affirmative choice to participate in the plan; and

(2) establish a transition total rate that is:

(i) from June 1, 2006, to February 28, 2007, 15% greater than the total rate in effect on May 31, 2006;

(ii) from March 1, 2007, to May 31, 2007, 15.7 % greater than the total rate in effect on February 28, 2007;

(iii) provide that beginning June 1, 2007, residential electric customers shall be charged the market total rate;

(iv) include a revenue recovery component on the distribution portion of each residential electric customer of the electric company that consists of the portion of the market total rate that is not charged to residential customers plus appropriate actual carrying costs; and

(v) require the revenue recovery component be collected from residential customers in the form of a nonbypassable charge which shall take effect on June 1, 2007, and be recovered over a period not to exceed 18 months.

(c) (1) The amount of the revenue recovery component owed to the electric company shall be disclosed on residential customer bills.

(2) During the period the revenue recovery component is accumulated and collected from customers, to the extent available, any reasonable return received by an electric company for providing standard offer service to residential customers under § 7-510(c)(3) of the Public Utility Companies Article as enacted by Section 1 of this Act shall be used to the extent necessary to offset the actual carrying costs charged to residential electric customers as part of the revenue recovery component.

(3) At the end of the recovery period, any overrecovery or underrecovery of the revenue recovery component shall be credited or charged to the residential customers over a period not to exceed 1 year.

(Over)

(d) The Commission shall issue an order or adopt regulations to implement this section.

SECTION 10. AND BE IT FURTHER ENACTED, That the Public Service Commission, on its own initiative or on request of an electric company in the service territory of which a rate cap or freeze expires after July 1, 2006, shall initiate a proceeding to investigate options available to implement a rate mitigation plan or rate stabilization plan.”;

in line 35, strike “2.” and substitute “11.”; and after line 36, insert:

“SECTION 12. AND BE IT FURTHER ENACTED, That, notwithstanding the provisions of § 2-102 of the Public Utility Companies Article except for subsection (d)(3), the term of office of each commissioner of the Public Service Commission serving on the effective date of this Act shall terminate at the end of March 31, 2007. The terms of office of each of the commissioners of the Public Service Commission shall begin on April 1, 2007, and shall expire as follows:

- (1) one member in 2008;
- (2) one member in 2009;
- (3) one member in 2010;
- (4) one member in 2011; and
- (5) one member in 2012.

SECTION 13. AND BE IT FURTHER ENACTED, That Section 2 of this Act is contingent on the taking effect of the merger involving the parent company of an investor-owned electric company incorporated in Maryland. If for any reason the merger fails to become effective on or before December 31, 2006, Section 2 of this Act shall be abrogated and of no further force and effect as of the termination of the merger or December 31, 2006, whichever event occurs earlier.”.

On page 7, in line 1, strike “3.” and substitute “14.”; and in lines 1 and 2, strike “shall take effect June 1, 2006” and substitute “is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a yea and nay vote supported by

three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall, except as provided in Section 12 of this Act, take effect from the date it is enacted”.