
By: ~~Delegate D. Davis~~ Delegates D. Davis, Doory, McHale, Burns, Harrison,
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CHAPTER _____

1 AN ACT concerning

2 **Electric Industry Restructuring - Standard Offer Service**

3 FOR the purpose of requiring the Public Service Commission to extend the obligation
4 to provide standard offer service to certain electric customers unless the
5 Commission makes certain findings; altering certain findings and terms for
6 certain extended service; requiring certain electric companies to obtain
7 electricity supply for certain extended service to certain customers in certain
8 manners; authorizing the Commission to take certain actions concerning certain
9 competitive auctions and implementation of certain electricity rates; providing
10 that certain contracts remain in force under certain circumstances; altering the
11 amount and sources of funds to be assessed for the Electric Universal Service
12 Program each year; authorizing bill assistance under the Program to be paid on
13 a monthly basis; requiring the collection of certain funds for the Program in a
14 certain manner; providing that existing obligations or contract rights may not be
15 impaired by this Act; and generally relating to electric industry restructuring
16 and standard offer service.

17 BY repealing and reenacting, with amendments,
18 Article - Public Utility Companies
19 Section 7-510(c) and 7-512.1(a), (b), and (e)
20 Annotated Code of Maryland
21 (1998 Volume and 2005 Supplement)

22 BY repealing and reenacting, without amendments,
23 Article - Public Utility Companies

1 Section 7-512.1(f)
 2 Annotated Code of Maryland
 3 (1998 Volume and 2005 Supplement)

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

6 **Article - Public Utility Companies**

7 7-510.

8 (c) (1) Beginning on the initial implementation date, an electric company's
 9 obligation to provide electricity supply and electricity supply service is stated by this
 10 subsection.

11 (2) Electricity supply purchased from a customer's electric company is
 12 known as standard offer service. A customer is considered to have chosen the
 13 standard offer service if the customer:

14 (i) is not allowed to choose an electricity supplier under the phase
 15 in of customer choice in subsection (a) of this section;

16 (ii) contracts for electricity with an electricity supplier and it is not
 17 delivered;

18 (iii) cannot arrange for electricity from an electricity supplier;

19 (iv) does not choose an electricity supplier;

20 (v) chooses the standard offer service; or

21 (vi) has been denied service or referred to the standard offer service
 22 by an electricity supplier in accordance with § 7-507(e)(6) of this subtitle.

23 (3) Any obligation of an electric company to provide standard offer
 24 service shall cease on July 1, 2003, except that:

25 (i) electric cooperatives and municipal electric utilities may choose
 26 to continue providing standard offer service in their respective distribution
 27 territories, and may cease offering that service after notifying the Commission at
 28 least 12 months in advance; and

29 (ii) [1. if] UNLESS the Commission finds that the electricity
 30 supply market is [not] competitive or that [no] AN acceptable competitive proposal
 31 has been received to supply electricity to those customers described [under] IN
 32 paragraph (2) of this subsection, the Commission shall extend the obligation to
 33 provide standard offer service to residential and small commercial customers at a
 34 market price that permits recovery of the verifiable, prudently incurred costs to
 35 procure ~~for produce~~ the electricity ~~{plus a reasonable return}~~ CONSISTENT WITH
 36 THE DEGREE OF RISK ASSUMED.

1 [2.] (4) The Commission shall reexamine the finding made
2 under [this subparagraph] PARAGRAPH (3)(II) OF THIS SUBSECTION at least
3 [annually] ONCE EVERY 2 YEARS.

4 [(4)] (5) (I) On or before July 1, 2001, the Commission shall adopt
5 regulations or issue orders to establish procedures for the competitive selection of
6 ~~WHOLESALE~~ electricity suppliers, including an affiliate of an electric company, to
7 provide ~~ELECTRICITY FOR~~ standard offer service to customers of electric companies
8 under paragraph (2) of this subsection, except for customers of electric cooperatives
9 and municipal electric utilities. Unless delayed by the Commission, the competitive
10 selection shall take effect no later than July 1, 2003.

11 (II) 1. UNDER AN EXTENSION OF THE OBLIGATION TO PROVIDE
12 STANDARD OFFER SERVICE IN ACCORDANCE WITH PARAGRAPH (3)(II) OF THIS
13 SUBSECTION, THE COMMISSION, BY REGULATION OR ORDER, SHALL REQUIRE EACH
14 INVESTOR-OWNED ELECTRIC COMPANY TO OBTAIN ITS ELECTRICITY SUPPLY FOR
15 RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS PARTICIPATING IN STANDARD
16 OFFER SERVICE THROUGH A COMPETITIVE PROCESS THAT IS DESIGNED TO OBTAIN
17 THE BEST PRICE FOR THESE CUSTOMERS IN LIGHT OF MARKET CONDITIONS AT THE
18 TIME OF PROCUREMENT AND THE NEED TO PROTECT THESE CUSTOMERS FROM
19 EXCESSIVE PRICE INCREASES.

20 2. ~~FOR RESIDENTIAL CUSTOMERS AS THE COMMISSION~~
21 ~~DIRECTS~~, THE COMPETITIVE PROCESS ~~MUST~~ SHALL INCLUDE A SERIES OF
22 COMPETITIVE WHOLESALE BIDS IN WHICH THE ELECTRIC COMPANY SOLICITS BIDS
23 TO SUPPLY ANTICIPATED STANDARD OFFER SERVICE LOAD FOR ~~THOSE~~
24 RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS AS PART OF A PORTFOLIO OF
25 BLENDED WHOLESALE SUPPLY CONTRACTS AS THE COMMISSION DIRECTS OF
26 SHORT, MEDIUM, AND LONG TERMS AS NEEDED TO MEET DEMAND IN A
27 COST-EFFECTIVE MANNER.

28 3. IN ORDER TO PREVENT AN EXCESSIVE AMOUNT OF LOAD
29 BEING EXPOSED TO UPWARD PRICE RISKS, THE COMMISSION:

30 A. SHALL STAGGER THE DATES FOR THE COMPETITIVE
31 WHOLESALE AUCTIONS; AND

32 B. MAY ALTER A DATE ON WHICH A COMPETITIVE
33 WHOLESALE AUCTION TAKES PLACE BASED ON CURRENT MARKET CONDITIONS.

34 (III) UNDER AN EXTENSION OF THE OBLIGATION TO PROVIDE
35 STANDARD OFFER SERVICE IN ACCORDANCE WITH PARAGRAPH (3)(II) OF THIS
36 SUBSECTION, A CONTRACT TO PROVIDE ELECTRICITY SUPPLY FOR STANDARD OFFER
37 SERVICE REMAINS EFFECTIVE EVEN IF THE COMMISSION SUBSEQUENTLY FINDS
38 THAT THE ELECTRIC SUPPLY MARKET HAS BECOME COMPETITIVE OR THAT AN
39 ACCEPTABLE COMPETITIVE PROPOSAL HAS BEEN ACCEPTED TO SUPPLY
40 CUSTOMERS UNDER PARAGRAPH (2) OF THIS SUBSECTION, BUT MAY NOT BE
41 FURTHER EXTENDED AFTER THE COMMISSION SO FINDS.

1 [(5)] (6) (I) An electric company may procure the electricity needed to
2 meet its standard offer service electricity supply obligation from any electricity
3 supplier, including an affiliate of the electric company.

4 (II) THE COMMISSION MAY ADOPT, BY REGULATION OR ORDER, A
5 PROCESS TO REQUIRE OR ALLOW AN ELECTRIC COMPANY TO OBTAIN ALL OR PART
6 OF ITS ELECTRICITY SUPPLY FOR STANDARD OFFER SERVICE THROUGH
7 NEGOTIATION OF BILATERAL CONTRACTS WITH ELECTRIC SUPPLIERS, EITHER IN
8 CONJUNCTION WITH OR INSTEAD OF PROCUREMENT THROUGH COMPETITIVE
9 WHOLESALE AUCTIONS.

10 (7) TO PROTECT RESIDENTIAL CUSTOMERS FROM THE IMPACT OF
11 SUDDEN AND SIGNIFICANT INCREASES IN ELECTRICITY RATES, THE COMMISSION
12 MAY HOLD PROCEEDINGS TO DETERMINE AN APPROPRIATE PHASED
13 IMPLEMENTATION OF ELECTRICITY RATES.

14 7-512.1.

15 (a) (1) The Commission shall establish an electric universal service program
16 to assist electric customers with annual incomes at or below [150%] 175% of the
17 federal poverty level.

18 (2) The components of the electric universal service program shall
19 include:

20 (i) bill assistance, at a minimum of 50% of the determined need;

21 (ii) low-income weatherization; and

22 (iii) the retirement of arrearages for electric customers who have not
23 previously received assistance in retiring arrearages under the universal service
24 program, not to exceed a total of \$1.5 million in any given fiscal year.

25 (3) The Department of Housing and Community Development is
26 responsible for administering the low-income weatherization component of the
27 electric universal service program.

28 (4) The Department of Human Resources, through the Office of Home
29 Energy Programs, is responsible for administering the bill assistance and the
30 arrearage retirement components of the electric universal service program.

31 (5) The Department of Human Resources may, with input from a panel
32 or roundtable of interested parties, contract to assist in administering the bill
33 assistance and the arrearage retirement components of the electric universal service
34 program.

35 (6) The Commission has oversight responsibility for the bill assistance
36 and the arrearage retirement components of the electric universal service program.

1 (7) In a specific case, the electric universal service program may waive
2 the income eligibility limitation under paragraph (1) of this subsection in order to
3 provide assistance to an electric customer who would qualify for a similar waiver
4 under the Maryland Energy Assistance Program established under Article 41, §
5 6-406 of the Code.

6 (b) (1) All customers shall contribute to the funding of the electric universal
7 service program through a charge collected by each electric company.

8 (2) The Commission shall determine a fair and equitable allocation for
9 collecting the charges among all customer classes pursuant to subsection (e) of this
10 section.

11 (3) In accordance with subsection (f)(6) of this section, any unexpended
12 bill assistance and arrearage retirement funds returned to customers under
13 subsection (f) of this section shall be returned to each customer class as a credit in the
14 same proportion that the customer class contributed charges to the fund.

15 (4) [An] EXCEPT AS PROVIDED IN SUBSECTION (E)(3) OF THIS SECTION,
16 AN electric company shall recover electric universal service program costs in
17 accordance with § 7-512 of this subtitle.

18 (5) BILL ASSISTANCE PAYMENTS TO AN ELECTRIC COMPANY MAY BE ON
19 A MONTHLY BASIS FOR EACH CUSTOMER.

20 [(5)] (6) The Commission shall determine the allocation of the electric
21 universal service charge among the generation, transmission, and distribution rate
22 components of all classes.

23 [(6)] (7) [The] FOR FUNDS COLLECTED UNDER SUBSECTION (E)(1) OR
24 (2) OF THIS SECTION, THE Commission may not assess the electric universal service
25 surcharge on a per kilowatt-hour basis.

26 (e) The total amount of funds to be collected for the electric universal service
27 program each year shall be [~~\$34,000,000~~] \$40 MILLION, allocated in the following
28 manner:

29 (1) [\$24.4] \$27.4 million shall be collected from the industrial and
30 commercial classes; [and]

31 (2) \$9.6 million shall be collected from the residential class; AND

32 (3) \$3 MILLION SHALL BE COLLECTED FROM THE RETURN COMPONENT,
33 IF ANY, INCLUDED IN THE RATES FOR STANDARD OFFER SERVICE ESTABLISHED BY
34 THE COMMISSION UNDER § 7-510 OF THIS SUBTITLE.

35 (f) (1) In this subsection, "Fund" means the Electric Universal Service
36 Program Fund.

37 (2) There is an Electric Universal Service Program Fund.

1 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 June 1, 2006.