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CHAPTER _____

1 AN ACT concerning

2 **Electric Restructuring - Standard Offer Service - ~~Regulated Service Rate~~**
3 **Stabilization**

4 FOR the purpose of ~~providing for the regulation of terms, conditions, and rates for~~
5 ~~standard offer service as a regulated service by the Public Service Commission~~
6 ~~in accordance with certain provisions of law; repealing the termination of~~
7 ~~standard offer service and the requirement for certain determinations by the~~
8 ~~Commission concerning competition; authorizing an electric company to produce~~
9 ~~or procure the electricity needed to meet its standard offer service electricity~~
10 ~~supply obligation in accordance with orders or regulations of the Commission;~~
11 ~~requiring the phased implementation of certain rates in a certain manner under~~
12 ~~certain circumstances; altering the amount and sources of funds to be assessed~~
13 ~~for the Electric Universal Service Program each year; requiring the collection of~~
14 ~~certain funds for the Program in a certain manner; prohibiting the treatment of~~
15 ~~certain costs of reacquisition in a certain manner; repealing certain obsolete~~
16 ~~provisions requiring the Public Service Commission to extend the obligation to~~
17 ~~provide standard offer service to certain electric customers unless the~~
18 ~~Commission makes certain findings; altering certain findings and terms for~~
19 ~~certain extended service; requiring certain electric companies to obtain~~
20 ~~electricity supply for certain extended service to certain customers in certain~~
21 ~~manners; authorizing the Commission to take certain actions concerning certain~~
22 ~~competitive auctions and implementation of certain electricity rates; providing~~
23 ~~that certain contracts remain in force under certain circumstances; altering the~~
24 ~~amount and sources of funds to be assessed for the Electric Universal Service~~
25 ~~Program each year; altering the eligibility of certain customers for the Program;~~
26 ~~authorizing bill assistance under the Program to be paid on a monthly basis;~~

1 requiring the collection of certain funds for the Program in a certain manner;
2 authorizing an electric company to file certain rate stabilization plans and
3 tariffs with the Commission; providing for the deferral and collection of certain
4 costs and expenses; providing for the establishment and characteristics of rate
5 stabilization property; providing for the issuance of qualified rate orders for
6 certain purposes under certain circumstances; providing for the issuance of
7 certain rate stabilization bonds for certain purposes; providing for the
8 establishment, collection, and adjustment of certain rate stabilization charges in
9 certain manners; providing for certain property rights in certain rate
10 stabilization property; providing that certain transfers of certain property are
11 true sales; requiring disclosure of certain information to certain consumers in a
12 certain manner; providing for certain actions in the event of certain defaults;
13 establishing certain rights and duties for a successor to an electric company for
14 certain purposes; establishing certain maximum rates for certain residential
15 electric customers for certain periods; providing for the deferral and collection of
16 certain costs and expenses of certain electric companies related to those
17 customers in certain manners; providing for the determination and application
18 of certain credits of a certain amount for a certain number of years by certain
19 electric companies in certain manners; providing that this Act binds the
20 Commission and any successor body in a certain manner; requiring the
21 Commission to initiate certain proceedings to study and report on certain
22 matters; requiring the Department of Assessments and Taxation to study and
23 report on certain matters; directing the Attorney General to intervene in certain
24 proceedings regarding a certain merger; requiring that certain costs be borne by
25 public service companies in a certain manner; providing for a certain mitigation
26 plan for certain electric companies; requiring the Commission to initiate a
27 certain proceeding to investigate certain options for standard offer service in a
28 certain service territory; providing that the commissioners are appointed in
29 consultation with the President of the Senate and the Speaker of the House of
30 Delegates; providing that the People's Counsel is appointed by and serves at the
31 pleasure of the Attorney General; altering the beginning of the term of office of
32 the members and Chairman of the Commission; defining certain terms;
33 providing for the construction of this Act; providing that certain portions of this
34 Act are contingent on the occurrence of certain events; making this Act an
35 emergency measure; and generally relating to electric utility industry
36 restructuring and standard offer service.

37 ~~BY repealing and reenacting, with amendments,~~
38 ~~Article Public Utility Companies~~
39 ~~Section 7-504, 7-505(b)(8), 7-509, 7-510(c), and 7-512.1(b) and (e)~~
40 ~~Annotated Code of Maryland~~
41 ~~(1998 Volume and 2005 Supplement)~~

42 ~~BY repealing and reenacting, without amendments,~~
43 ~~Article Public Utility Companies~~
44 ~~Section 7-505(a) and 7-512.1(a) and (f)~~
45 ~~Annotated Code of Maryland~~

1 ~~(1998 Volume and 2005 Supplement)~~

2 BY repealing and reenacting, with amendments,

3 Article - Public Utility Companies

4 Section 2-102, 2-103, 2-202(a) and (b), 7-510(c) , and 7-512.1(a), (b), and (e)

5 Annotated Code of Maryland

6 (1998 Volume and 2005 Supplement)

7 BY adding to

8 Article - Public Utility Companies

9 Section 7-513(f); 7-520 through 7-544, inclusive, to be under the new part "Part

10 III. Rate Stabilization - In General"; and 7-547 through 7-549, inclusive,

11 to be under the new part "Part IV. Rate Stabilization - Specific Provisions"

12 Annotated Code of Maryland

13 (1998 Volume and 2005 Supplement)

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

16 **Article - Public Utility Companies**

17 ~~7-504.~~

18 The General Assembly finds and declares that the purpose of this subtitle is to:

19 (1) ~~establish customer choice of electricity supply and electricity supply~~
20 ~~services;~~

21 (2) ~~create competitive retail electricity supply and electricity supply~~
22 ~~services markets;~~

23 (3) ~~deregulate the generation, supply, and pricing of electricity EXCEPT~~
24 ~~FOR STANDARD OFFER SERVICE;~~

25 (4) ~~provide economic benefits for all customer classes; and~~

26 (5) ~~ensure compliance with federal and State environmental standards.~~

27 ~~7-505.~~

28 (a) (1) ~~In assessing and approving each electric company's restructuring~~
29 ~~plan, and overseeing the transition process and regulation of the restructured electric~~
30 ~~industry, the Commission shall provide that the transition to a competitive electricity~~
31 ~~supply and electricity supply services market shall be orderly, maintain electric~~
32 ~~system reliability, and ensure compliance with federal and State environmental~~
33 ~~regulations, be fair to customers, electric company investors, customers of municipal~~
34 ~~electric utilities, electric companies, and electricity suppliers, and provide economic~~
35 ~~benefits to all customer classes.~~

1 (2) The Commission shall consider the restructuring plans of municipal
2 electric utilities, as specified under § 7-510 of this subtitle.

3 (b) (8) The Commission shall determine the terms, conditions, and rates of
4 standard offer service in accordance with:

5 (i) Title 4 of this article; or

6 (ii) as applicable, § 7-510(c)(3)(ii) of this subtitle.

7 7-509.

8 (a) (1) On and after the initial implementation date, the generation, supply,
9 and sale of electricity, including all related facilities and assets, may not be regulated
10 as an electric company service or function except to:

11 (i) (1) establish the [price] TERMS, CONDITIONS, AND RATES for
12 standard offer service under [§ 7-510(e) of this subtitle] TITLE 4 OF THIS ARTICLE;
13 and

14 (ii) (2) review and approve transfers of generation assets under §
15 7-508 of this subtitle.

16 (2) (B) This [subsection] SECTION does not apply to:

17 (i) (1) regulation of an electricity supplier under § 7-507 of this
18 subtitle; or

19 (ii) (2) the costs of nuclear generation facilities or purchased
20 power contracts that, as part of a settlement approved by the Commission, remain
21 regulated or are recovered through the distribution function.

22 (b) (1) Subject to paragraph (2) of this subsection, this section does not apply
23 to an investor owned electric company until the electric company:

24 (i) transfers generation facilities and generation assets to an
25 affiliate of the electric company, and the affiliate operates the facilities and assets; or

26 (ii) sells the generation facilities and generation assets to a
27 nonaffiliate.

28 (2) (i) Notwithstanding the provisions of paragraph (1) of this
29 subsection, this section applies to an investor owned electric company that does not
30 transfer its generation facilities and generation assets to an affiliate or sell its
31 generation facilities and generation assets to a nonaffiliate if, on January 1, 1999, the
32 retail peak load of the investor owned electric company in the State was less than
33 1,000 megawatts.

34 (ii) An investor owned electric company to which this section
35 applies through subparagraph (i) of this paragraph shall, by January 1, 2001:

1 ~~1. transfer its generation facilities and generation assets to~~
 2 ~~an affiliate of the investor-owned electric company that operates the facilities and~~
 3 ~~assets; or~~

4 ~~2. sell the generation facilities and generation assets to a~~
 5 ~~nonaffiliate.~~

6 (e) ~~The exceptions in subsection(a)(1) of this section as to any electric company~~
 7 ~~shall remain in effect until the later of:~~

8 (1) ~~the date when all customers of that electric company are eligible for~~
 9 ~~customer choice under § 7-510 of this subtitle;~~

10 (2) ~~the date when the amount of transition costs or benefits arising from~~
 11 ~~the generation that is deregulated has been finally determined by the Commission~~
 12 ~~under § 7-513(a) through (c) of this subtitle; or~~

13 (3) ~~if, under § 7-510(c)(3)(ii) of this subtitle, the Commission extends the~~
 14 ~~obligation to provide standard offer service, the date on which the Commission~~
 15 ~~terminates that obligation.]~~

16 ~~7-510.~~

17 (e) (1) ~~Beginning on the initial implementation date, an electric company's~~
 18 ~~obligation to provide electricity supply and electricity supply service is stated by this~~
 19 ~~subsection.~~

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

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

25 (ii) ~~contracts for electricity with an electricity supplier and it is not~~
 26 ~~delivered;~~

27 (iii) ~~cannot arrange for electricity from an electricity supplier;~~

28 (iv) ~~does not choose an electricity supplier;~~

29 (v) ~~chooses the standard offer service; or~~

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

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

34 (i) ~~electric cooperatives and municipal electric utilities may choose~~
 35 ~~to continue providing standard offer service in their respective distribution~~

1 territories, and may cease offering that service after notifying the Commission at
2 least 12 months in advance; and

3 (ii) 1. if the Commission finds that the electricity supply market
4 is not competitive or that no acceptable competitive proposal has been received to
5 supply electricity to those customers described under paragraph (2) of this subsection,
6 the Commission shall extend the obligation to provide standard offer service to
7 residential and small commercial customers at a market price that permits recovery
8 of the verifiable, prudently incurred costs to procure or produce the electricity plus a
9 reasonable return.

10 2. The Commission shall reexamine the finding made under
11 this subparagraph at least annually.

12 (4) On or before July 1, 2001, the Commission shall adopt regulations or
13 issue orders to establish procedures for the competitive selection of electricity
14 suppliers, including an affiliate of an electric company, to provide standard offer
15 service to customers of electric companies under paragraph (2) of this subsection,
16 except for customers of electric cooperatives and municipal electric utilities. Unless
17 delayed by the Commission, the competitive selection shall take effect no later than
18 July 1, 2003.]

19 [(5)] (3) An electric company may ~~PRODUCE THE ELECTRICITY OR~~
20 procure the electricity needed to meet its standard offer service electricity supply
21 obligation from any electricity supplier, including an affiliate of the electric company,
22 ~~IN ACCORDANCE WITH ORDERS OR REGULATIONS OF THE COMMISSION.~~

23 (4) ~~THE REGULATION OF TERMS, CONDITIONS, AND RATES FOR~~
24 ~~STANDARD OFFER SERVICE UNDER TITLE 4 OF THIS ARTICLE SHALL INCLUDE~~
25 ~~PHASED IMPLEMENTATION OF ELECTRICITY RATES AS NEEDED TO PROTECT~~
26 ~~CUSTOMERS FROM THE IMPACT OF SUDDEN AND SIGNIFICANT INCREASES IN~~
27 ~~ELECTRICITY RATES.~~

28 7-512.1.

29 (a) (1) The Commission shall establish an electric universal service program
30 to assist electric customers with annual incomes at or below 150% of the federal
31 poverty level.

32 (2) The components of the electric universal service program shall
33 include:

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

35 (ii) low income weatherization; and

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

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

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

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

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

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

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

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

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

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

30 (5) The Commission shall determine the allocation of the electric
31 universal service charge among the generation, transmission, and distribution rate
32 components of all classes.

33 (6) The Commission may not assess the electric universal service
34 surcharge ~~FOR FUNDS COLLECTED UNDER SUBSECTION (E)(1) OR (2) OF THIS~~
35 ~~SECTION~~ on a per kilowatt-hour basis.

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

1 (1) \$24.4 million shall be collected from the industrial and commercial
2 classes; ~~and~~

3 (2) \$9.6 million shall be collected from the residential class; AND

4 (3) \$6 MILLION SHALL BE COLLECTED FROM THE ADMINISTRATIVE
5 CHARGE INCLUDED IN THE RATES FOR STANDARD OFFER SERVICE ESTABLISHED BY
6 THE COMMISSION UNDER TITLE 4 OF THIS ARTICLE.

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

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

10 (3) (i) 1. The Comptroller shall collect the revenue collected by
11 electric companies under subsection (b) of this section and place the revenue into the
12 Fund.

13 2. The General Assembly may appropriate funds
14 supplemental to the funds collected under sub-subparagraph 1 of this subparagraph.

15 (ii) The Fund is a continuing, nonlapsing fund that is not subject to
16 § 7-302 of the State Finance and Procurement Article.

17 (iii) The purpose of the Fund is to assist electric customers as
18 provided in subsection (a)(1) of this section.

19 (4) The Department of Human Resources, with oversight by the
20 Commission, shall disburse the bill assistance and arrearage retirement funds in
21 accordance with the provisions of this section.

22 (5) The Comptroller annually shall disburse \$1,000,000 of low-income
23 weatherization funds to the Department of Housing and Community Development.

24 (6) (i) At the end of a given fiscal year, any unexpended bill assistance
25 and arrearage retirement funds that were collected for that fiscal year shall be
26 retained in the Fund and shall be made available for disbursement through the first
27 3 months of the next fiscal year to customers who:

28 1. qualify for assistance from the Fund during the given
29 fiscal year;

30 2. apply for assistance from the Fund before the end of the
31 given fiscal year; and

32 3. remain eligible for assistance at the time services are
33 provided.

34 (ii) If the Commission determines that an extension is needed, the
35 Commission may extend up to an additional 3 months the period in which

1 unexpended bill assistance and arrearage retirement funds may be made available for
2 disbursement under subparagraph (i) of this paragraph.

3 (iii) Any bill assistance and arrearage retirement funds collected for
4 a given fiscal year that are retained under subparagraph (i) of this paragraph and
5 that remain unexpended at the end of the period allowed under subparagraphs (i) and
6 (ii) of this paragraph shall be returned to each customer class in the proportion that
7 the customer class contributed charges to the fund for the given fiscal year in the
8 form of a credit toward the charge assessed in the following fiscal year.

9 ~~SECTION 2. AND BE IT FURTHER ENACTED, That if an electric company~~
10 ~~chooses to produce electricity to supply standard offer service in accordance with this~~
11 ~~Act and in order to do so reacquires a generating station that the electric company~~
12 ~~previously transferred to an affiliate or sold, the cost of reacquisition may not be~~
13 ~~treated as a regulatory asset or otherwise be borne by customers of standard offer~~
14 ~~service.~~
15 ~~2-102.~~

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

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

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

21 (b) (1) Each commissioner shall be a registered voter of the State.

22 (2) The Commission shall be broadly representative of the public interest
23 and shall be composed of individuals with diverse training and experience.

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

25 (d) (1) The term of a commissioner is 5 years and begins on [July 1] APRIL
26 1.

27 (2) The terms of commissioners are staggered as required by the terms in
28 effect for commissioners on [October 1, 1998] APRIL 1, 2007.

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

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

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

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

1 2-103.

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

4 (b) (1) The term of the Chairman is 5 years and begins on [July 1] APRIL 1.

5 (2) At the end of a term, the Chairman continues to serve until a
6 successor qualifies.

7 (3) A Chairman who is appointed after a term has begun serves for the
8 rest of the term and until a successor qualifies.

9 2-202.

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

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

14 7-510.

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

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

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

23 (ii) contracts for electricity with an electricity supplier and it is not
24 delivered;

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

26 (iv) does not choose an electricity supplier;

27 (v) chooses the standard offer service; or

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

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

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

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

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

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

26 2. AS THE COMMISSION DIRECTS, THE COMPETITIVE
27 PROCESS SHALL INCLUDE A SERIES OF COMPETITIVE WHOLESALE BIDS IN WHICH
28 THE INVESTOR-OWNED ELECTRIC COMPANY SOLICITS BIDS TO SUPPLY
29 ANTICIPATED STANDARD OFFER SERVICE LOAD FOR RESIDENTIAL AND SMALL
30 COMMERCIAL CUSTOMERS AS PART OF A PORTFOLIO OF BLENDED WHOLESALE
31 SUPPLY CONTRACTS OF SHORT, MEDIUM, AND LONG TERMS AS NEEDED TO MEET
32 DEMAND IN A COST-EFFECTIVE MANNER.

33 3. A. IN ORDER TO PREVENT AN EXCESSIVE AMOUNT OF
34 LOAD BEING EXPOSED TO UPWARD PRICE RISKS AND VOLATILITY, THE COMMISSION
35 SHALL STAGGER THE DATES FOR THE COMPETITIVE WHOLESALE AUCTIONS.

36 B. BY REGULATION OR ORDER, THE COMMISSION MAY
37 ALLOW A DATE ON WHICH A COMPETITIVE WHOLESALE AUCTION TAKES PLACE TO
38 BE ALTERED BASED ON CURRENT MARKET CONDITIONS.

39 (5) An electric company may procure the electricity needed to meet its
40 standard offer service electricity supply obligation from any electricity supplier,
41 including an affiliate of the electric company.

1 (6) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
2 PARAGRAPH, TO PROTECT RESIDENTIAL CUSTOMERS FROM THE IMPACT OF SUDDEN
3 AND SIGNIFICANT INCREASES IN ELECTRICITY RATES OF 20% OR MORE OVER THE
4 PREVIOUS YEAR'S ELECTRICITY RATES, THE COMMISSION MAY HOLD PROCEEDINGS
5 TO DETERMINE AN APPROPRIATE PHASED IMPLEMENTATION OF ELECTRICITY
6 RATES.

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

10 7-512.1.

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

14 (2) The components of the electric universal service program shall
15 include:

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

17 (ii) low-income weatherization; and

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

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

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

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

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

33 (7) In a specific case, the electric universal service program may waive
34 the income eligibility limitation under paragraph (1) of this subsection in order to
35 provide assistance to an electric customer who would qualify for a similar waiver
36 under the Maryland Energy Assistance Program established under Article 41, §
37 6-406 of the Code.

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

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

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

10 (4) An electric company shall recover electric universal service program
11 costs in accordance with § 7-512 of this subtitle.

12 (5) AS DETERMINED BY THE OFFICE OF HOME ENERGY PROGRAMS, BILL
13 ASSISTANCE PAYMENTS TO AN ELECTRIC COMPANY MAY BE ON A MONTHLY BASIS
14 FOR EACH CUSTOMER.

15 (6) The Commission shall determine the allocation of the electric
16 universal service charge among the generation, transmission, and distribution rate
17 components of all classes.

18 (7) The Commission may not assess the electric universal service
19 surcharge on a per kilowatt-hour basis.

20 (e) The total amount of funds to be collected for the electric universal service
21 program each year shall be [\$34,000,000] \$37 MILLION, allocated in the following
22 manner:

23 (1) [\$24.4] \$27.4 million shall be collected from the industrial and
24 commercial classes; and

25 (2) \$9.6 million shall be collected from the residential class.

26 7-513.

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

30 7-519. RESERVED.

31 PART III. RATE STABILIZATION - IN GENERAL.

32 7-520.

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

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

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

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

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

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

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

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

24 (2) IS SECURED BY, EVIDENCES AN OWNERSHIP INTEREST IN, OR IS
25 PAYABLE FROM RATE STABILIZATION PROPERTY.

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

29 (2) "RATE STABILIZATION COST" INCLUDES:

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

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

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

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

6 (2) "RATE STABILIZATION PROPERTY" INCLUDES:

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

12 (II) IN THE HANDS OF AN ASSIGNEE, THE RIGHT TO REQUIRE THE
13 ELECTRIC COMPANY TO PROVIDE ELECTRIC SERVICES AND TO COLLECT AND REMIT
14 THE QUALIFIED RATE STABILIZATION CHARGES AUTHORIZED IN THE QUALIFIED
15 RATE ORDER, BUT NOT THE RIGHT OR DUTY TO PROVIDE ELECTRIC SERVICES.

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

18 7-521.

19 THIS PART APPLIES TO AN ELECTRIC COMPANY THAT:

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

23 (2) IS NOT SUBJECT TO A RATE CAP OR PRICE FREEZE DURING THE
24 PERIOD FOR WHICH A RATE STABILIZATION PLAN IS REQUESTED UNDER THIS PART.
25 7-522.

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

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

30 7-523.

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

1 (B) THE RATE STABILIZATION PLAN MAY PROVIDE THAT A DEFERRAL SHALL
2 BE SECURITIZED THROUGH THE ISSUANCE OF RATE STABILIZATION BONDS
3 AUTHORIZED BY A QUALIFIED RATE ORDER UNDER THIS PART.

4 7-524.

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

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

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

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

17 7-525.

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

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

24 (C) IF THE ELECTRIC COMPANY SECURITIZES THE DEBT IN ACCORDANCE
25 WITH THIS PART, THE COST OF THE SECURITIZED DEBT IS SUBSTITUTED FOR THE
26 ELECTRIC COMPANY'S COST OF DEBT.

27 7-526.

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

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

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

4 7-527.

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

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

9 7-528.

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

12 (B) AFTER A QUALIFIED RATE ORDER BECOMES EFFECTIVE, THE QUALIFIED
13 RATE ORDER AND THE QUALIFIED RATE STABILIZATION CHARGES AUTHORIZED IN
14 THE QUALIFIED RATE ORDER ARE IRREVOCABLE AND ARE NOT SUBJECT TO
15 REDUCTION, IMPAIRMENT, OR ADJUSTMENT BY FURTHER ACTION OF THE
16 COMMISSION EXCEPT IN ACCORDANCE WITH §§ 7-531, 7-533, AND 7-534 OF THIS
17 SUBTITLE.

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

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

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

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

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

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

1 7-529.

2 THE COMMISSION SHALL MAKE A FINAL DECISION ON THE ISSUANCE OF A
3 QUALIFIED RATE ORDER UNDER THIS PART NO LATER THAN 60 DAYS AFTER THE
4 ELECTRIC COMPANY FILES ITS REQUEST FOR THE QUALIFIED RATE ORDER.

5 7-530.

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

9 7-531.

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

18 7-532.

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

22 (B) THIS PERIOD SHALL BE EXTENDED BY ANY PERIOD DURING WHICH
23 JUDICIAL PROCEEDINGS FOR REVIEW MAY BE PENDING IN ACCORDANCE WITH §
24 7-528(C) OF THIS SUBTITLE.

25 7-533.

26 (A) AT THE REQUEST OF AN ELECTRIC COMPANY, THE COMMISSION MAY
27 ADOPT A QUALIFIED RATE ORDER PROVIDING FOR RETIRING AND REFUNDING RATE
28 STABILIZATION BONDS IF THE COMMISSION FINDS THAT THE FUTURE QUALIFIED
29 RATE STABILIZATION CHARGES REQUIRED TO SERVICE THE NEW RATE
30 STABILIZATION BONDS, INCLUDING TRANSACTION COSTS, WILL BE LESS THAN THE
31 FUTURE QUALIFIED RATE STABILIZATION CHARGES REQUIRED TO SERVICE THE
32 RATE STABILIZATION BONDS BEING REFUNDED.

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

36 7-534.

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

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

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

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

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

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

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

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

21 7-535.

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

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

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

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

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

1 (D) (1) THE STATE PLEDGES, FOR THE BENEFIT AND PROTECTION OF
2 FINANCING PARTIES AND THE ELECTRIC COMPANY, THAT IT WILL NOT TAKE OR
3 ALLOW ANY ACTION THAT WOULD IMPAIR THE VALUE OF RATE STABILIZATION
4 PROPERTY, OR, EXCEPT AS ALLOWED IN ACCORDANCE WITH §§ 7-531, 7-533, AND
5 7-534 OF THIS SUBTITLE, REDUCE, ALTER, OR IMPAIR THE QUALIFIED RATE
6 STABILIZATION CHARGES TO BE IMPOSED, COLLECTED, AND REMITTED TO
7 FINANCING PARTIES, UNTIL THE PRINCIPAL, INTEREST, AND PREMIUM, AND ANY
8 OTHER CHARGES INCURRED AND CONTRACTS TO BE PERFORMED IN CONNECTION
9 WITH THE RELATED RATE STABILIZATION BONDS HAVE BEEN PAID AND PERFORMED
10 IN FULL.

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

13 7-536.

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

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

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

20 7-537.

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

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

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

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

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

36 (2) FOR ALL PURPOSES UNTIL THE LATER OF:

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

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

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

9 7-538.

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

14 7-539.

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

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

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

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

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

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

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

32 7-540.

33 (A) THE INTEREST OF AN ASSIGNEE OR PLEDGEE IN RATE STABILIZATION
34 PROPERTY AND IN THE REVENUES AND COLLECTIONS ARISING FROM THAT
35 PROPERTY ARE NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR

1 DEFENSE BY THE ELECTRIC COMPANY OR ANY OTHER PERSON OR IN CONNECTION
2 WITH THE BANKRUPTCY OF THE ELECTRIC COMPANY OR ANY OTHER ENTITY.

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

6 7-541.

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

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

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

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

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

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

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

25 7-542.

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

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

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

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

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

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

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

12 (3) THE SECURITY INTEREST SHALL BE PERFECTED:

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

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

18 (C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, TRANSFER OF AN
19 INTEREST IN RATE STABILIZATION PROPERTY TO AN ASSIGNEE SHALL BE
20 PERFECTED AGAINST ALL THIRD PARTIES, INCLUDING SUBSEQUENT JUDICIAL OR
21 OTHER LIEN CREDITORS, WHEN:

22 (I) THE QUALIFIED RATE ORDER BECOMES EFFECTIVE;

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

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

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

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

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

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

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

7 (2) ANY OTHER SECURITY INTEREST THAT MAY APPLY TO THOSE FUNDS
8 SHALL BE TERMINATED WHEN THEY ARE TRANSFERRED TO A SEGREGATED
9 ACCOUNT FOR THE ASSIGNEE OR A FINANCING PARTY.

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

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

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

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

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

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

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

34 7-543.

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

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

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

5 (3) A TRANSFER BY OPERATION OF LAW.

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

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

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

13 7-544. AN ASSIGNEE OR FINANCING PARTY MAY NOT BE CONSIDERED TO BE A
14 PUBLIC SERVICE COMPANY OR AN ELECTRICITY SUPPLIER SOLELY BY VIRTUE OF
15 THE TRANSACTIONS DESCRIBED IN THIS PART.

16 7-545.
17 RESERVED.

18 7-546.
19 RESERVED.

20 PART IV. RATE STABILIZATION - SPECIFIC PROVISIONS.

21 7-547.

22 THIS PART APPLIES TO AN INVESTOR-OWNED ELECTRIC COMPANY THAT HAS
23 AN OBLIGATION TO PROVIDE STANDARD OFFER SERVICE UNDER § 7-510(C) OF THIS
24 ARTICLE TO RESIDENTIAL ELECTRIC CUSTOMERS FOR WHOM RATE CAP OR PRICE
25 FREEZE SERVICE ESTABLISHED UNDER A SETTLEMENT AGREEMENT APPROVED IN
26 ACCORDANCE WITH § 7-505(D) OF THIS SUBTITLE EXPIRES AT THE END OF JUNE 30,
27 2006.

28 7-548.

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

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

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

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

11 (2) UNDER THE RATE STABILIZATION PLAN, THE RESIDENTIAL
12 STANDARD OFFER SERVICE RATE SHALL RECOVER THE COSTS TO THE ELECTRIC
13 COMPANY UNDER § 7-510(C)(3) OF THIS SUBTITLE DEFERRED DURING THE PERIOD
14 JULY 1, 2006 THROUGH DECEMBER 31, 2007.

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

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

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

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

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

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

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

37 (4) FOR PURPOSES OF CALCULATING THE RATES TO BE CHARGED
38 UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE RATE STABILIZATION CHARGE

1 MAY NOT BE CONSIDERED TO BE PART OF THE TOTAL RATES CHARGED TO
2 RESIDENTIAL ELECTRIC CUSTOMERS.

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

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

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

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

16 1. EACH YEAR DURING THE RATE STABILIZATION PLAN; AND

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

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

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

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

31 7-549.

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

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

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

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

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

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

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

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

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

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

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

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

29 SECTION 3. AND BE IT FURTHER ENACTED, That:

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

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

1 SECTION 4. AND BE IT FURTHER ENACTED, That:

2 (a) The Public Service Commission shall initiate an evidentiary proceeding to
3 study and evaluate the status of electric restructuring in the State as it pertains to
4 the availability of competitive generation to residential and small commercial
5 customers and the structure, procurement, and terms and conditions of standard offer
6 service for residential and small commercial customers. In its evaluation, the
7 Commission shall consider changes that are necessary to provide residents the
8 benefit of a reliable electric system at the best possible price.

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

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

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

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

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

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

27 (c) The Commission shall report to the Governor and, in accordance with §
28 2-1246 of the State Government Article, to the General Assembly by December 1,
29 2006 on its findings and recommendations.

30 SECTION 5. AND BE IT FURTHER ENACTED, That:

31 (a) The State Department of Assessments and Taxation shall study whether
32 the current valuation of power plants in the State under § 8-109 of the Tax -
33 Property Article provides an adequate and equitable determination of the value of
34 power plants in a restructured electric industry.

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

1 (c) The Department shall report to the Governor and, in accordance with §
2 2-1246 of the State Government Article, to the General Assembly by December 1,
3 2006 on its findings and recommendations.

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

15 SECTION 7. AND BE IT FURTHER ENACTED, That:

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

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

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

28 SECTION 8. AND BE IT FURTHER ENACTED, That:

29 (a) In order to protect the interests of the State and the citizens of Maryland
30 and consistent with the intent of the General Assembly, in accordance with Article V,
31 Section 3 of the Maryland Constitution, the Attorney General is hereby directed to
32 intervene and participate in the Public Service Commission, Case No. 9054 and in
33 any other hearings or other proceedings before the Public Service Commission or any
34 other appropriate State or federal unit, or any case brought before any court of
35 competent jurisdiction in the State or any federal court, regarding the merger of FPL
36 Group, Inc. and Constellation Energy Group, Inc. (b) The costs and expenses
37 associated with the intervention and participation by the Attorney General in
38 hearings and other proceedings regarding the merger of FPL Group, Inc. and
39 Constellation Energy Group, Inc., not exceeding \$200,000, shall be borne by the
40 public service companies that are subject to the Public Service Commission's
41 jurisdiction in the same manner as the Commission's costs and expenses are assessed,

1 collected, and disbursed under §§ 2-110 and 2-110.1 of the Public Utility Companies
2 Article.

3 SECTION 9. AND BE IT FURTHER ENACTED, That:

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

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

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

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

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

15 (2) establish a transition total rate that is:

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

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

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

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

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

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

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

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

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

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

11 SECTION 11. AND BE IT FURTHER ENACTED, That a presently existing
12 obligation or contract right may not be impaired in any way by this Act.

13 SECTION 12. AND BE IT FURTHER ENACTED, That, notwithstanding the
14 provisions of § 2-102 of the Public Utility Companies Article except for subsection
15 (d)(3):

16 (a) the term of office of:

17 (1) two commissioners of the Public Service Commission serving on the
18 effective date of this Act shall terminate at the end of March 31, 2007 and the terms
19 of commissioners appointed to succeed these commissioners shall expire as follows:

20 (i) one member in 2008; and

21 (ii) one member in 2009; and

22 (2) three commissioners of the Public Service Commission serving on the
23 effective date of this Act shall terminate at the end of March 31, 2008 and the terms
24 of commissioners appointed to succeed these commissioners shall expire as follows:

25 (i) one member in 2011;

26 (ii) one member in 2012; and

27 (iii) one member in 2010.

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

34 SECTION 3-14. AND BE IT FURTHER ENACTED, That this Act is an
35 emergency measure, is necessary for the immediate preservation of the public health
36 or safety, has been passed by a ye and nay vote supported by three-fifths of all the

1 members elected to each of the two Houses of the General Assembly, and shall, except
2 as provided in Section 13 of this Act, take effect from the date it is enacted.