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By: **Senator Klausmeier**

Introduced and read first time: February 3, 2006

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Public Service Companies - Cost Allocation Manual - Independent Audit**

3 FOR the purpose of requiring certain public service companies to file certain  
4 independent audit opinions with the Public Service Commission at certain  
5 intervals; altering the list of required contents of a certain independent audit  
6 opinion; repealing a prohibition against requiring certain public service  
7 companies to file more than one independent audit opinion during a certain time  
8 period under certain circumstances; and generally relating to public service  
9 companies cost allocation manuals and audits.

10 BY repealing and reenacting, with amendments,

11 Article - Public Utility Companies

12 Section 4-208

13 Annotated Code of Maryland

14 (1998 Volume and 2005 Supplement)

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

17 **Article - Public Utility Companies**

18 4-208.

19 (a) This section applies to a public service company that:

20 (1) provides gas or electric services;

21 (2) is subject to a cost allocation manual approved by the Commission;

22 (3) (i) engages in an unregulated business activity; or

23 (ii) has a subsidiary that engages in an unregulated business

24 activity; and

25 (4) does not meet the standards for rate proceedings provided for under §

26 4-207 of this subtitle.

1 (b) (1) [When a] A public service company subject to this section SHALL  
2 FILE AN INDEPENDENT AUDIT OPINION PREPARED BY AN ENTITY APPROVED BY THE  
3 COMMISSION ON THE EARLIEST OF:

4 (I) ONCE EVERY 2 YEARS; OR

5 (II) WHEN THE PUBLIC SERVICE COMPANY:

6 1. files a request for a change in its base rate under this  
7 subtitle[.]; or

8 2. has a major change in its corporate organization or  
9 structure as determined by the Commission[, the public service company shall file  
10 with the request an independent audit opinion prepared by an entity approved by the  
11 Commission that:

12 (1) certifies to the continuing accuracy of the public service company's  
13 cost allocation manual; or

14 (2) identifies adjustments that should be made to the manual consistent  
15 with prior Commission rulings].

16 (2) THE INDEPENDENT AUDIT OPINION SHALL:

17 (I) STATE THAT THE INDEPENDENT AUDITORS HAVE DETERMINED  
18 WHETHER:

19 1. THE PUBLIC SERVICE COMPANY HAS COMPLIED WITH  
20 THE POLICIES AND PROCEDURES OF THE PUBLIC SERVICE COMPANY'S COST  
21 ALLOCATION MANUAL; AND

22 2. THERE WERE COSTS THAT WERE NOT ALLOCATED TO AN  
23 AFFILIATE OF THE PUBLIC SERVICE COMPANY THAT SHOULD HAVE BEEN  
24 ALLOCATED TO AN AFFILIATE IN ACCORDANCE WITH THE MANUAL;

25 (II) STATE WHETHER THE ACTUAL COSTS AND TRANSACTIONS  
26 RELATIVE TO THE MANUAL HAVE BEEN APPROPRIATELY CHARGED TO THE PUBLIC  
27 SERVICE COMPANY AND ITS AFFILIATES; AND

28 (III) IDENTIFY ADJUSTMENTS THAT SHOULD BE MADE TO THE  
29 MANUAL CONSISTENT WITH EARLIER COMMISSION RULINGS.

30 [(c) A public service company may not be required to file more than one  
31 independent audit opinion under this section within a consecutive 3-year period.]

32 [(d)] (C) The cost of the independent audit opinion filed under subsection (b)  
33 of this section shall be borne by the stockholders of the public service company.

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
35 October 1, 2006.