
By: **Senators Middleton, Astle, Exum, Hafer, Kelley, and Klausmeier**

Introduced and read first time: March 6, 2006

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Electric Restructuring - Transition to Market Rates - Continuation of Rate**
3 **Caps Until Merger is Final**

4 FOR the purpose of requiring the Public Service Commission, when a certain rate cap
5 or price freeze expires, to determine a certain impact on residential customer
6 bills; requiring the Commission, if the expiration of a certain rate cap or price
7 freeze occurred before a certain date, to determine a certain impact on
8 residential customer bills; requiring the Commission to develop a certain price
9 mitigation plan under certain circumstances; requiring a price mitigation plan
10 to phase in a certain rate under certain circumstances, provide residential
11 customers with the option of participating in the plan, allow certain rates to
12 increase by a certain percent, and include the determination of a certain
13 revenue recovery component; requiring the Commission to determine a certain
14 rate that requires a certain decrease in the distribution rate during a certain
15 period and includes a certain portion of the revenue recovery component during
16 a certain period; requiring that a certain revenue recovery component be stated
17 separately on certain bills; requiring the Commission to issue an order or adopt
18 regulations to implement this Act; defining certain terms; providing that a
19 certain rate cap or price freeze in effect on June 30, 2006, for certain residential
20 customers shall remain in effect until a certain date; and generally relating to
21 the expiration of a rate cap or price freeze for residential customers and the
22 transition to market rates.

23 BY adding to

24 Article - Public Utility Companies

25 Section 7-510.1

26 Annotated Code of Maryland

27 (1998 Volume and 2005 Supplement)

28 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

29 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Public Utility Companies

2 7-510.1.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.

5 (2) "MARKET TOTAL RATE" MEANS THE TOTAL RATE PAID BY
6 RESIDENTIAL CUSTOMERS ON ELECTRIC BILLS THAT HAS NOT BEEN ADJUSTED BY
7 THE COMMISSION UNDER THIS SECTION.

8 (3) "TRANSITION TOTAL RATE" MEANS THE TOTAL RATE PAID BY
9 RESIDENTIAL CUSTOMERS ON ELECTRIC BILLS THAT HAS BEEN ADJUSTED BY THE
10 COMMISSION UNDER THIS SECTION DURING A TRANSITION PERIOD.

11 (B) THIS SECTION APPLIES TO AN ELECTRIC COMPANY THAT HAS ENTERED
12 INTO A SETTLEMENT AGREEMENT UNDER § 7-505 OF THIS SUBTITLE THAT
13 INCLUDES, UNDER THE TERMS OF THE AGREEMENT, THE EXPIRATION OF A RATE
14 CAP OR PRICE FREEZE FOR RESIDENTIAL CUSTOMERS.

15 (C) (1) WHEN A RATE CAP OR PRICE FREEZE FOR RESIDENTIAL CUSTOMERS
16 EXPIRES ON OR AFTER JULY 1, 2006, THE COMMISSION SHALL DETERMINE THE
17 IMPACT ON RESIDENTIAL CUSTOMER BILLS OF THE MARKET TOTAL RATE IN THE
18 FIRST YEAR FOLLOWING THE EXPIRATION OF A RATE CAP OR PRICE FREEZE AS
19 COMPARED TO THE PREVIOUS YEAR'S TOTAL RATE.

20 (2) IF THE MARKET TOTAL RATE IN THE YEAR FOLLOWING THE
21 EXPIRATION OF A RATE CAP OR PRICE FREEZE EXCEEDS THE PREVIOUS YEAR'S
22 TOTAL RATE BY MORE THAN 20%, THE COMMISSION SHALL DEVELOP A PRICE
23 MITIGATION PLAN TO PHASE IN MARKET TOTAL RATES GRADUALLY OVER A 4-YEAR
24 PERIOD, UNLESS A LONGER PERIOD IS WARRANTED TO COMPLY WITH SUBSECTION
25 (E) OF THIS SECTION.

26 (D) (1) IF THE EXPIRATION OF A RATE CAP OR PRICE FREEZE FOR
27 RESIDENTIAL CUSTOMERS OCCURRED BEFORE JULY 1, 2006, THE COMMISSION
28 SHALL DETERMINE THE IMPACT ON RESIDENTIAL CUSTOMER BILLS OF THE MARKET
29 TOTAL RATE FOR THE FISCAL YEAR BEGINNING JULY 1, 2006, AS COMPARED TO THE
30 PREVIOUS FISCAL YEAR'S MARKET TOTAL RATE.

31 (2) IF THE MARKET TOTAL RATE FOR THE FISCAL YEAR BEGINNING
32 JULY 1, 2006, EXCEEDS THE PREVIOUS FISCAL YEAR'S MARKET TOTAL RATE BY MORE
33 THAN 20%, THE COMMISSION SHALL DEVELOP A PRICE MITIGATION PLAN TO PHASE
34 IN MARKET TOTAL RATES GRADUALLY OVER A 4-YEAR PERIOD, UNLESS A LONGER
35 PERIOD IS WARRANTED TO COMPLY WITH SUBSECTION (E) OF THIS SECTION.

36 (E) (1) THE PRICE MITIGATION PLAN SHALL:

37 (I) PROVIDE RESIDENTIAL CUSTOMERS WITH THE OPTION OF
38 PARTICIPATING IN THE PLAN;

1 (II) ALLOW TOTAL RATES TO INCREASE EACH YEAR OVER THE
2 PREVIOUS YEAR'S TOTAL RATE BY NO MORE THAN 20% EACH YEAR; AND

3 (III) INCLUDE THE DETERMINATION OF A REVENUE RECOVERY
4 COMPONENT THAT CONSISTS OF:

5 1. THE PORTION OF THE MARKET TOTAL RATE THAT IS NOT
6 CHARGED TO RESIDENTIAL CUSTOMERS; AND

7 2. A RETURN THAT DOES NOT EXCEED THE ACTUAL COST BY
8 THE ELECTRIC COMPANY OF CARRYING THE PORTION OF THE MARKET TOTAL RATE
9 THAT IS NOT CHARGED TO RESIDENTIAL CUSTOMERS.

10 (2) THE COMMISSION SHALL DETERMINE A TRANSITION TOTAL RATE
11 THAT:

12 (I) REQUIRES THE ELECTRIC COMPANY TO DECREASE THE
13 DISTRIBUTION RATE FOR RESIDENTIAL CUSTOMERS DURING HIGH USAGE PERIODS
14 OF THE YEAR; AND

15 (II) INCLUDES A PORTION OF THE REVENUE RECOVERY
16 COMPONENT DURING LOW USAGE PERIODS OF THE YEAR.

17 (3) THE AMOUNT OF THE REVENUE RECOVERY COMPONENT OWED TO
18 THE ELECTRIC COMPANY SHALL BE SEPARATELY STATED ON RESIDENTIAL
19 CUSTOMER BILLS.

20 (F) THE COMMISSION SHALL ISSUE AN ORDER OR ADOPT REGULATIONS TO
21 IMPLEMENT THIS SECTION.

22 SECTION 2. AND BE IT FURTHER ENACTED, That notwithstanding §
23 7-505(d) of the Public Utility Companies Article, the rate cap or price freeze in effect
24 on June 30, 2006, for residential customers in the Baltimore Gas and Electric
25 Company service territory shall remain in effect until the date in which the Public
26 Service Commission has issued its order regarding the proceedings under Case 9054
27 "In the Matter of the Merger of Constellation Energy Group, Inc., the Parent
28 Corporation of Baltimore Gas and Electric Company and FPL Group, Inc.", any
29 appeals of the Commission's order are resolved, and the merger is final, based on any
30 other regulatory review.

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