
By: **Senator Frosh**

Constitutional Requirements Complied with for Introduction in the last 35 Days of Session

Introduced and read first time: March 24, 2006

Rules suspended

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Electric Industry Restructuring - Extension of Obligation to Provide**
3 **Standard Offer Service and Energy Efficiency Measures and Services**

4 FOR the purpose of extending the obligation of an electric company to provide
5 standard offer service to residential and small commercial customers; repealing
6 the provision that allows electric cooperatives and municipal electric utilities to
7 choose to continue providing standard offer service in their respective
8 distribution territories; repealing the provision that requires the Public Service
9 Commission to extend the obligation of an electric company to provide standard
10 offer service after a certain finding; repealing the provision that requires the
11 Commission to reexamine a certain finding; requiring an electric company to
12 solicit certain proposals for energy efficiency measures and services when the
13 electric company solicits certain bids for competitive selection of electricity
14 suppliers for electricity under certain circumstances; authorizing an electric
15 company to solicit certain bids within its service area, act jointly with certain
16 other electric companies to solicit certain bids under certain circumstances, and
17 specify the type of electric service for which certain energy efficiency measures
18 and services are to be provided and the percentage of energy efficiency measures
19 and services that shall be provided to low income customers; requiring the
20 electric company to review and evaluate certain bids under certain
21 circumstances; requiring the Commission to develop criteria to evaluate certain
22 bids; requiring certain bids to include certain information under certain
23 circumstances; requiring an electric company to compare certain annualized
24 cost of energy savings included in certain bids with a certain price presented for
25 evaluation purposes for electricity supply; requiring the electric company to
26 select a certain bid for energy efficiency measures prior to selecting a certain
27 higher cost bid for electricity supply under certain circumstances; requiring the
28 Commission to make a certain determination; authorizing an electric company
29 to procure certain energy efficiency measures and services from certain
30 suppliers; requiring the Commission to adopt certain regulations; defining a
31 certain term; and generally relating to the extension of the obligation of an
32 electric company to provide standard offer service to residential and small

1 commercial customers and energy efficiency measures and services.

2 BY repealing and reenacting, with amendments,

3 Article - Public Utility Companies

4 Section 7-510(c)

5 Annotated Code of Maryland

6 (1998 Volume and 2005 Supplement)

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

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

9 **Article - Public Utility Companies**

10 7-510.

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

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

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

19 (ii) contracts for electricity with an electricity supplier and it is not
20 delivered;

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

22 (iv) does not choose an electricity supplier;

23 (v) chooses the standard offer service; or

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

26 (3) (I) [Any] EXCEPT AS PROVIDED UNDER SUBPARAGRAPH (II) OF
27 THIS PARAGRAPH, ANY obligation of an electric company to provide standard offer
28 service shall cease on July 1, 2003[, except that:

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

33 (ii) 1. if the Commission finds that the electricity supply market
34 is not competitive or that no acceptable competitive proposal has been received to

1 supply electricity to those customers described under paragraph (2) of this subsection,
2 the Commission shall extend].

3 (II) ON AND AFTER JULY 1, 2003, AN ELECTRIC COMPANY
4 CONTINUES TO HAVE the obligation to provide standard offer service to residential
5 and small commercial customers at a market price that permits recovery of the
6 verifiable, prudently incurred costs to procure or produce the electricity plus a
7 reasonable return.

8 [2. The Commission shall reexamine the finding made under
9 this subparagraph at least annually.]

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

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

20 (6) (I) 1. IN THIS PARAGRAPH, "ENERGY EFFICIENCY MEASURES
21 AND SERVICES" INCLUDES EQUIPMENT, PRODUCTS, AND SERVICES, ALONE OR IN
22 COMBINATION, THAT ACHIEVE AND SUSTAIN REDUCTIONS IN ELECTRIC ENERGY
23 USE THAT ARE INSTALLED OR IMPLEMENTED IN MARYLAND, EITHER ON THE
24 PREMISES OF END-USERS OF ELECTRICITY OR ON THE ELECTRIC DISTRIBUTION
25 SYSTEM.

26 2. A. THE COMMISSION MAY ADOPT REGULATIONS THAT
27 NARROW THE ENERGY EFFICIENCY MEASURES AND SERVICES THAT ARE ELIGIBLE
28 FOR PROCUREMENT UNDER THIS PARAGRAPH.

29 B. ANY REGULATION ADOPTED IN ACCORDANCE WITH
30 SUBSUBSUBPARAGRAPH A OF THIS SUBSUBPARAGRAPH SHALL BE LIMITED IN
31 DURATION TO NOT MORE THAN 2 YEARS.

32 (II) ON OR AFTER JUNE 1, 2007, WHEN AN ELECTRIC COMPANY
33 SOLICITS BIDS FOR COMPETITIVE SELECTION OF ELECTRICITY SUPPLIERS FOR
34 ELECTRICITY TO PROVIDE STANDARD OFFER SERVICE UNDER AN EXTENSION OF
35 THE OBLIGATION TO PROVIDE STANDARD OFFER SERVICE IN ACCORDANCE WITH
36 PARAGRAPH (3)(II) OF THIS SUBSECTION, THE ELECTRIC COMPANY SHALL ALSO
37 SOLICIT PROPOSALS FOR ENERGY EFFICIENCY MEASURES AND SERVICES WITH
38 PROJECTED AND VERIFIABLE ENERGY SAVINGS OF AT LEAST 1% OF THE TOTAL
39 RETAIL LOAD INCLUDED IN THE ELECTRIC COMPANY'S REQUEST FOR PROPOSALS.

40 (III) AN ELECTRIC COMPANY MAY:

1 1. SOLICIT BIDS FOR ENERGY EFFICIENCY MEASURES AND
2 SERVICES FOR IMPLEMENTATION WITHIN ITS SERVICE AREA;

3 2. ACT JOINTLY WITH ONE OR MORE OTHER ELECTRIC
4 COMPANIES TO SOLICIT BIDS FOR ENERGY EFFICIENCY MEASURES AND SERVICES
5 FOR IMPLEMENTATION WITHIN THE SERVICE AREA OF EACH ELECTRIC COMPANY.

6 3. SPECIFY THE TYPE OF ELECTRIC SERVICE FOR WHICH
7 THE ENERGY EFFICIENCY MEASURES AND SERVICES ARE TO BE PROVIDED; AND

8 4. SPECIFY THE PERCENTAGE OF ENERGY EFFICIENCY
9 MEASURES AND SERVICES THAT SHALL BE PROVIDED TO LOW INCOME CUSTOMERS.

10 (IV) THE ELECTRIC COMPANY SHALL REVIEW AND EVALUATE BIDS
11 SUBMITTED FOR ENERGY EFFICIENCY MEASURES AND SERVICES AT THE SAME TIME
12 THAT IT EVALUATES BIDS RECEIVED FOR ELECTRICITY SUPPLY.

13 (V) 1. THE COMMISSION SHALL DEVELOP CRITERIA TO
14 EVALUATE BIDS SUBMITTED FOR ENERGY EFFICIENCY MEASURES AND SERVICES.

15 2. IN ACCORDANCE WITH CRITERIA DEVELOPED BY THE
16 COMMISSION TO EVALUATE BIDS SUBMITTED FOR ENERGY EFFICIENCY MEASURES
17 AND SERVICES, EACH BID SHALL INCLUDE THE FOLLOWING INFORMATION:

18 A. ITS COST;

19 B. ITS PROJECTED ENERGY SAVINGS OVER 10 YEARS; AND

20 C. THE ANNUALIZED AMOUNT AND COST OF THE ENERGY
21 PROJECTED TO BE SAVED.

22 3. WHEN THE COMMISSION DEVELOPS CRITERIA FOR
23 EVALUATING BIDS SUBMITTED FOR ENERGY EFFICIENCY MEASURES AND SERVICE,
24 THE COMMISSION MAY ALLOW FOR THE ASSIGNMENT OF A CAPACITY VALUE FOR
25 ENERGY EFFICIENCY MEASURES AND SERVICES.

26 (VI) 1. UNDER PROCEDURES APPROVED BY THE COMMISSION,
27 AN ELECTRIC COMPANY SHALL COMPARE THE ANNUALIZED COST OF ENERGY
28 SAVINGS INCLUDED IN EACH ELIGIBLE BID FOR ENERGY EFFICIENCY MEASURES
29 AND SERVICES WITH THE PRICE PRESENTED FOR EVALUATION PURPOSES FOR
30 ELECTRICITY SUPPLY, INCLUDING ANY DELIVERY CHARGES ASSESSED ON THE
31 ELECTRICITY BY THE FEDERAL ENERGY REGULATORY COMMISSION OR BY PJM
32 INTERCONNECTION, LLC, INCLUDED IN EACH ELIGIBLE BID FOR ELECTRICITY
33 SERVICE.

34 2. IF THE ANNUALIZED COST OF ENERGY SAVINGS IN AN
35 ELIGIBLE BID FOR ENERGY EFFICIENCY MEASURES AND SERVICES IS LESS THAN
36 THE COST OF ELECTRICITY AND ASSOCIATED DELIVERY CHARGES INCLUDED IN A
37 BID FOR ELECTRICITY SERVICE, THE ELECTRIC COMPANY SHALL SELECT THAT BID

1 FOR ENERGY EFFICIENCY MEASURES AND SERVICES PRIOR TO SELECTING A HIGHER
2 COST BID FOR ELECTRICITY SUPPLY WHEN ASSEMBLING BIDS FOR AWARD.

3 (VII) THE COMMISSION SHALL DETERMINE THE APPROPRIATE
4 PERIOD TO CAPITALIZE THE COST OF ENERGY EFFICIENCY MEASURES AND
5 SERVICES PROCURED UNDER THIS PARAGRAPH AND THE APPROPRIATE PERIOD FOR
6 THE RECOVERY OF THOSE COSTS FOR EACH ELECTRIC COMPANY.

7 (VIII) THE COMMISSION SHALL ADOPT REGULATIONS TO IMPLEMENT
8 THIS PARAGRAPH ON OR BEFORE OCTOBER 1, 2006.

9 (IX) AN ELECTRIC COMPANY MAY PROCURE ENERGY EFFICIENCY
10 MEASURES AND SERVICES TO MEET ITS STANDARD OFFER SERVICE SUPPLY
11 OBLIGATION FROM ANY SUPPLIER OF ENERGY EFFICIENCY MEASURES AND
12 SERVICES, INCLUDING AN AFFILIATE OF THE ELECTRIC COMPANY.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2006.