

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 12 (Senator Green, *et al.*)

Finance

**Public Service Commission - Consideration of the Proposed Merger Between
FPL Group, Inc., and Constellation Energy Group, Inc. - Request to the Federal
Energy Regulatory Commission**

This joint resolution directs the Public Service Commission (PSC), in the event that it lacks jurisdiction over the merger of Constellation Energy Group, Inc. and FPL Group Inc., to promptly submit a request to the Federal Energy Regulatory Commission (FERC) to expand the scope of its inquiry into the proposed merger to include all factors and considerations that PSC would have addressed in its proceeding, if it had jurisdiction to do so.

Fiscal Summary

State Effect: Compliance with this joint resolution could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Background: On December 19, 2005, FPL Group, Inc. and Constellation Energy Group, Inc. announced the signing of a definitive agreement to create the nation's largest competitive energy supplier. Constellation Energy is the parent company of Baltimore Gas & Electric (BGE) which supplies electricity to more than 1 million residential and business customers in the State and supplies gas to over 600,000 gas customers in 10

counties and Baltimore City. On January 23, 2006, BGE submitted a petition to PSC with respect to the proposed merger resulting in PSC opening Case No. 9054. Subsequently, Constellation Energy Group has challenged PSC's jurisdiction over the matter; however, FERC is also conducting a separate proceeding to consider the matter.

FERC has power under the Federal Power Act to review mergers. It must approve a merger if it finds that the consolidation will be consistent with the public interest. The analysis under its merger policy statement of whether a consolidation is consistent with the public interest generally involves consideration of three factors: (1) the effect on competition; (2) the effect on rates; and (3) the effect on regulation.

PSC's authority to oversee mergers and purchases of public service companies operating in the State is a part of its general, supervisory, and regulatory powers under the Public Utilities Article. Certain provisions explicitly require public service companies to seek permission from PSC prior to undertaking specified activities.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2006
mll/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510