

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 698  
Finance

(Senator Giannetti)

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**Utilities - Underground Conversion - Route 1 Pilot Program**

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This bill creates a pilot program for the conversion of overhead communication and electric power transmission lines to underground facilities and specifies that conversion will begin on or before July 1, 2009.

The bill specifies the location of the pilot program and cost recovery mechanism for utility companies; directs the Public Service Commission (PSC) to hold specified proceedings; and requires PSC to report each December 31, beginning in 2009, to the Senate Finance and House Economic Matters committees on the status of the program, engineering and technical aspects of the conversion, and the costs of the program.

The bill is effective June 1, 2006.

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**Fiscal Summary**

**State Effect:** Any costs related to the conversion program would eventually be recovered through a customer surcharge and thus have no net effect on State finances. To the extent that the State, as a public service company customer, is assessed a surcharge, State expenditures would increase minimally.

**Local Effect:** To the extent that a local government, as a public service company customer, is assessed a surcharge, expenditures would increase minimally.

**Small Business Effect:** Potential minimal. Small businesses in the U.S. Route 1 corridor could face disruption to their business during to the conversion process. On the other hand, small businesses that would be involved in the construction related to the conversion would benefit.

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## Analysis

**Bill Summary:** The conversion area for the pilot program is defined as the U.S. Route 1 corridor from the border of Howard and Prince George's counties to the intersection of Route 1 and Guilford Road in College Park. The stated purpose of the program is to obtain an accurate assessment of the direct and indirect costs associated with converting overhead utilities underground in urban and suburban areas.

PSC is required to conduct proceedings with affected utilities, other facility owners, contractors, and owners of adjacent properties to: (1) establish and coordinate the conversion of the electric and communication facilities in the conversion area in the pilot program; and (2) facilitate the acquisition and dissemination of information on the process of conversion including engineering and technical aspects of converting overhead facilities underground in a heavily developed commercial corridor, the experience of using different methods of conversion, and costs associated with various engineering solutions used in converting overhead facilities in different locations.

The bill requires the entire customer base of each public service company or other facility owner to bear the costs associated with the program. The cost must be: (1) amortized over a period not to exceed 20 years; and (2) recovered by a surcharge on the services provided to each customer and placed on the periodic bill that the customer receives from the public service company or other facility owner.

**Current Law:** Title 12, Subtitle 3 of the Public Utility Article provides for the conversion of overhead utilities underground. Utilities are authorized to initiate proceedings before PSC for the conversion of transmission facilities and the recovery of costs associated with any conversion. Baltimore County is exempt from the provisions of the subtitle.

**Background:** The Task Force to Study Moving Overhead Utility Lines Underground (created by Chapter 179 of 2002) found that there is a sufficient existing legal framework to facilitate conversion. The task force also found that ● aesthetics were often the primary reason for underground facilities; ● conversion is extremely expensive; and ● conversion can enhance public safety. Economies of scale can be realized if all utilities and other facility owners underground a particular geographic area at the same time. The task force also noted that while conversion may alleviate power outages significantly in the short term, the long-term reliability of the conversion process is questionable.

The task force recommended that the Maryland Department of Planning (MDP) be the clearinghouse to assist local jurisdictions and groups that are interested in conversion. The task force further recommended that prospective conversion should be a

collaborative effort among local governments, State and local highway authorities, MDP, and owners of overhead facilities.

A 1999 study by Exeter Associates, Inc. for the Governor's Task Force to Ensure Utility Service estimated that conversion, depending on topography, geology, and land use, may cost between \$350,000 and \$2 million per mile of conversion of transmission lines. Based on an average conversion cost of \$450,000, the Exeter study estimated that Baltimore Gas & Electric's (BGE) service area conversion could cost \$4.2 billion and the Potomac Electric Power Company's service area conversion could cost \$5.7 billion. The study indicated an additional cost of \$1,500 to \$3,000 per conversion for the conversion of distribution lines to each residential customer.

PSC initiated Case No. 8826, Selective Undergrounding Working Group, and issued a report on February 14, 2000. The working group primarily reviewed the conversion of electric power transmission and distribution lines. The groups found that conversion would mitigate the effects of storm-related power outages to the extent that there was not significant flooding, but that long-term results were unclear.

**State Fiscal Effect:** While the bill does not provide the specifics on funding the pilot program, it does provide cost recovery over a 20-year period from public service company customers. Whether the costs for conversion would be borne directly by the affected public utility companies (*i.e.*, electric utility, telephone) or the State in some part is unclear. Any cost allocations would be determined by PSC as specified in the bill.

Additionally, PSC, the Office of the People's Counsel, the Department of Natural Resources, and the Maryland Department of Transportation have all indicated that participation in the pilot program, while creating additional workload, can be handled with existing resources.

To the extent that costs would increase for the State from a surcharge, as a customer of public utility companies, but are not anticipated to be significant. Under the bill's provisions, the entire customer base of the public service companies (*e.g.*, BGE, Verizon, PEPCO) whose utilities are converted would be assessed the surcharge. Specifically, for the Route 1 project, electric customers in Anne Arundel, Baltimore, Calvert, Carroll, Harford, Howard, Montgomery, Prince George's counties and Baltimore City would be assessed the surcharge. Customers statewide would be assessed a surcharge from Verizon as its customer base is statewide.

## **Additional Information**

**Prior Introductions:** SB 622 of 2004, an identical bill, received an unfavorable report from the Senate Finance Committee.

**Cross File:** None.

**Information Source(s):** Department of Natural Resources, Maryland Department of Transportation, Public Service Commission, Office of People's Counsel, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2006  
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