

# HOUSE BILL 60

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EMERGENCY BILL

71r0907  
CF SB 66

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By: **Southern Maryland Delegation**

Introduced and read first time: January 22, 2007

Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 22, 2007

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Electric Cooperatives – Standard Offer Service Supply Contracts**

3 FOR the purpose of authorizing certain electric cooperatives to supply their standard  
4 offer service load through a portfolio of blended wholesale supply contracts of  
5 short, medium, and long terms under certain circumstances; prohibiting the  
6 Public Service Commission from setting or enforcing a certain termination date  
7 for the procurement of certain supply; making this Act an emergency measure;  
8 and generally relating to wholesale supply contracts and electric cooperatives.

9 BY repealing and reenacting, with amendments,  
10 Article – Public Utility Companies  
11 Section 7–510(c)  
12 Annotated Code of Maryland  
13 (1998 Volume and 2006 Supplement)

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

16 **Article – Public Utility Companies**

17 7–510.

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

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

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

9                   (ii)   contracts for electricity with an electricity supplier and it is  
10 not delivered;

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

12                  (iv)   does not choose an electricity supplier;

13                  (v)   chooses the standard offer service; or

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

16           (3)   (i)   Except as provided under subparagraph (ii) of this  
17 paragraph, any obligation of an electric company to provide standard offer service  
18 shall cease on July 1, 2003.

19                   (ii)   1.   Electric cooperatives and municipal electric utilities  
20 may choose to continue providing standard offer service in their respective distribution  
21 territories and may cease offering that service after notifying the Commission at least  
22 12 months in advance.

23                           2.   On and after July 1, 2003, an electric company  
24 continues to have the obligation to provide standard offer service to residential and  
25 small commercial customers at a market price that permits recovery of the verifiable,  
26 prudently incurred costs to procure or produce the electricity plus a reasonable return.

27                   (iii)   1.   On or before December 31, 2008, and every 5 years  
28 thereafter, the Commission shall report to the Governor and, in accordance with §  
29 2-1246 of the State Government Article, to the General Assembly on the status of the  
30 standard offer service, the development of competition, and the transition of standard  
31 offer service to a default service.

1                   2.    The Commission shall establish, by order or  
2 regulation, the definition of “default service”.

3                   (4)   (i)    On or before July 1, 2001, the Commission shall adopt  
4 regulations or issue orders to establish procedures for the competitive selection of  
5 wholesale electricity suppliers, including an affiliate of an electric company, to provide  
6 electricity for standard offer service to customers of electric companies under  
7 paragraph (2) of this subsection, except for customers of electric cooperatives and  
8 municipal electric utilities. Unless delayed by the Commission, the competitive  
9 selection shall take effect no later than July 1, 2003.

10                   (ii)   1.    Under an extension of the obligation to provide  
11 standard offer service in accordance with paragraph (3)(ii) of this subsection, the  
12 Commission, by regulation or order, and in a manner that is designed to obtain the  
13 best price for residential and small commercial customers in light of market conditions  
14 at the time of procurement and the need to protect these customers from excessive  
15 price increases:

16                           A.    shall require each investor–owned electric company to  
17 obtain its electricity supply for residential and small commercial customers  
18 participating in standard offer service through a competitive process in accordance  
19 with this paragraph; and

20                           B.    may require or allow an investor–owned electric  
21 company to procure electricity for these customers directly from an electricity supplier  
22 through one or more bilateral contracts outside the competitive process.

23                   2.    A.    As the Commission directs, the competitive  
24 process shall include a series of competitive wholesale bids in which the  
25 investor–owned electric company solicits bids to supply anticipated standard offer  
26 service load for residential and small commercial customers as part of a portfolio of  
27 blended wholesale supply contracts of short, medium, or long terms, and other  
28 appropriate electricity products and strategies, as needed to meet demand in a  
29 cost–effective manner.

30                           B.    The competitive process may include different bidding  
31 structures and mechanisms for base load, peak load, and very short–term  
32 procurement.

33                           C.    By regulation or order, as a part of the competitive  
34 process, the Commission shall require or allow the procurement of cost–effective  
35 energy efficiency and conservation measures and services with projected and verifiable

1 energy savings to offset anticipated demand to be served by standard offer service, and  
2 the imposition of other cost-effective demand-side management programs.

3                   3.    A.    In order to prevent an excessive amount of load  
4 being exposed to upward price risks and volatility, the Commission may stagger the  
5 dates for the competitive wholesale auctions.

6                   B.    By regulation or order, the Commission may allow a  
7 date on which a competitive wholesale auction takes place to be altered based on  
8 current market conditions.

9                   4.    By regulation or order, the Commission may allow an  
10 investor-owned electric company to refuse to accept some or all of the bids made in a  
11 competitive wholesale auction in accordance with standards adopted by the  
12 Commission.

13                  5.    The investor-owned electric company shall publicly  
14 disclose the names of all bidders and the names and load allocation of all successful  
15 bidders 90 days after all contracts for supply are executed.

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

19                  (6)   In order to meet long-term, anticipated demand in the State for  
20 standard offer service and other electricity supply, the Commission may require or  
21 allow an investor-owned electric company to construct, acquire, or lease, and operate,  
22 its own generating facilities, and transmission facilities necessary to interconnect the  
23 generating facilities with the electric grid, subject to appropriate cost recovery.

24                  (7)   (i)   To determine whether an appropriate phased  
25 implementation of electricity rates that is necessary to protect residential customers  
26 from the impact of sudden and significant increases in electricity rates, the  
27 Commission in the case of an increase of 20% or more over the previous year's total  
28 electricity rates, shall conduct evidentiary proceedings, including public hearings.

29                  (ii)   1.    A deferral of costs as part of a phased implementation  
30 of electricity rates by an investor-owned electric company shall be treated as a  
31 regulatory asset to be recovered in accordance with a rate stabilization plan under  
32 Part III of this subtitle or any other plan for phased implementation approved by the  
33 Commission.

1                                   2.     A deferral of costs under this paragraph must be just,  
2 reasonable, and in the public interest.

3                                   (iii)   The Commission shall approve the recovery of deferred costs  
4 under subparagraph (ii) of this paragraph as:

5                                   1.     long-term recovery in accordance with a rate  
6 stabilization plan under Part III of this subtitle; or

7                                   2.     short-term recovery through a rate proceeding  
8 mechanism approved by the Commission.

9                                   (iv)   The Commission may approve a phasing in of increased  
10 costs by:

11                                  1.     placing a cap on rates and allowing recovery over  
12 time; or

13                                  2.     allowing rates to increase and providing for a rebate  
14 to customers of any excess costs paid.

15                                  **(8)    (I)    AN ELECTRIC COOPERATIVE THAT AS OF JULY 1, 2006,**  
16 **SUPPLIED ITS STANDARD OFFER SERVICE LOAD THROUGH A PORTFOLIO OF**  
17 **BLENDED WHOLESALE SUPPLY CONTRACTS OF SHORT, MEDIUM, AND LONG**  
18 **TERMS, AND OTHER APPROPRIATE ELECTRICITY PRODUCTS AND STRATEGIES,**  
19 **AS NEEDED TO MEET DEMAND IN A COST-EFFECTIVE MANNER, MAY CHOOSE TO**  
20 **CONTINUE TO USE A BLENDED PORTFOLIO:**

21                                  ~~(I)~~   ~~WITHOUT APPROVAL OF THE COMMISSION;~~

22                                  ~~(H)~~ **1.     AS APPROVED AND MODIFIED BY THE ELECTRIC**  
23 **COOPERATIVE'S BOARD OF DIRECTORS; AND**

24                                  ~~(H)~~ **2.     WITH APPROPRIATE REVIEW FOR PRUDENT COST**  
25 **RECOVERY AS DETERMINED BY THE COMMISSION.**

26                                  **(II)    THE COMMISSION MAY NOT SET OR ENFORCE A**  
27 **TERMINATION DATE FOR THE PROCUREMENT OF SUPPLY THROUGH A MANAGED**  
28 **PORTFOLIO PREVIOUSLY APPROVED BY THE COMMISSION.**

1                    **[(8)] (9)**     (i)     The Commission, on request by an electric cooperative  
 2 or on its own initiative, shall initiate a proceeding to investigate options for a rate  
 3 stabilization plan to assist residential electric customers to gradually adjust to market  
 4 rates over an extended period of time.

5                    (ii)     If an electric cooperative determines that total electric rates  
 6 for residential customers are anticipated to increase by more than 20% in a 12-month  
 7 period resulting from an increase in the cost of generation, the electric cooperative  
 8 shall survey its membership to determine whether to make a request to the  
 9 Commission to initiate a proceeding under subsection (a) of this section.

10                    (iii)     Notwithstanding subparagraphs (i) and (ii) of this  
 11 paragraph, as approved by the Commission, an electric cooperative may receive a  
 12 modification in distribution and transmission rates.

13                    SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency  
 14 measure, is necessary for the immediate preservation of the public health or safety,  
 15 has been passed by a ye and nay vote supported by three-fifths of all the members  
 16 elected to each of the two Houses of the General Assembly, and shall take effect from  
 17 the date it is enacted.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.