

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 400

(Senator Pipkin, *et al.*)

Finance

Economic Matters

Electric Industry Restructuring - Proceedings - Review and Evaluation

This emergency bill requires the Public Service Commission (PSC) to initiate new proceedings to review and evaluate certain requirements of Chapter 5 of the 2006 special session, including the review and evaluation of any orders that were issued under the 2006 enactment. The bill also requires PSC to conduct additional studies and complete reports on electric industry re-regulation, assess the availability of adequate transmission and generation facilities to serve the electrical load demands of all customers in the State, and consider the implications of establishing an office of retail market development and establishing a long-term goal for energy efficiency and conservation, among many other matters.

Fiscal Summary

State Effect: Public Utility Regulation Special Fund revenues could increase by \$1.5 to \$3.0 million in FY 2008. Special fund expenditures at PSC and the Office of the People's Counsel (OPC) would increase by a corresponding amount for consulting services provided in FY 2008 and 2009.

Local Effect: Minimal. Electricity expenditures by local governments would increase by a minimal amount. A portion of any special assessment charged to electric companies and electricity suppliers would ultimately be passed on to all electricity customers.

Small Business Effect: Minimal. Electricity expenditures by small businesses would increase by a minimal amount. A portion of any special assessment charged to electric companies and electricity suppliers would ultimately be passed on to all electricity customers.

Analysis

Bill Summary: In conducting its review and analysis of the availability of transmission and generation facilities serving the State, PSC must convene one or more workgroups that may include members of the General Assembly, State and federal agencies, local governments, and other interested parties. The workgroup will assist the commission in studying and preparing recommendations for statutory and regulatory changes to increase the availability of generation and transmission assets in the State.

A preliminary report identifying the issues relating to options for re-regulation as required by Chapter 5 of the 2006 special session, including discussion of costs and benefits of returning to a regulated electric supply market is due December 1, 2007. A final report containing the complete set of evaluations, findings, and recommendations for all studies as required by the bill is due December 1, 2008.

The bill authorizes PSC to impose a special assessment not exceeding \$3 million on electric companies and electricity suppliers for the studies. Of that \$3 million, up to \$1.5 million may be spent on studying re-regulation, and this portion of the assessment may only be collected from electric companies. The amounts collected from the special assessment in fiscal 2008 must be spent in accordance with an approved budget amendment or deficiency procurement. Any unexpended funds at the end of fiscal 2008 that are collected through the special assessment will be considered encumbered by PSC and may not be deducted from the agency's appropriation for fiscal 2009.

Current Law: The costs and expenses of PSC and the OPC are paid by the public service companies that are subject to the commission's jurisdiction through an annual assessment. Each public service company is charged an assessment based on the ratio of the annual gross operating revenues for the public service company derived from intrastate utility and electricity supplier services and the annual gross operating revenues of all public service companies for those services. Expenses of PSC must be approved through the annual budget process. Any unspent funds must be deducted from the appropriation for the next fiscal year before the PSC determines the amount to be paid by each public service company for the next fiscal year.

PSC was appropriated \$750,000 and OPC was appropriated \$500,000 in fiscal 2007 to complete the various activities and proceedings required with enactment of Chapter 5 of the 2006 special session. The appropriated funds were to be recouped from assessments on public service companies under jurisdiction of PSC.

Background: Chapter 5 of the 2006 special session mandated PSC to complete several reports to assist the General Assembly in assessing the impact of electric restructuring on the State and in altering it for the benefit of consumers. PSC was required to study

actions taken to implement restructuring and study the impact of potential changes such as re-regulating electric generation or allowing local aggregation. The majority of the studies required by the bill were not completed by the start of the 2007 legislative session, leaving much uncertainty as to the ideal structure of the electric industry in the State. Since then, a majority of the membership of PSC has been replaced by newly elected Governor O'Malley.

State Fiscal Effect: The bill substantially expands the scope of and clarifies requirements of the hearings and studies required by Chapter 5 of the 2006 special session.

PSC has provided no estimate indicating that the maximum \$3 million assessment would be required to conduct the necessary studies. The majority of the \$750,000 special appropriation provided by Chapter 5 of the 2006 special session remains unspent. The Department of Legislative Services (DLS) advises that the remaining funds could fulfill some of the requirements of the bill, but to sufficiently address the issues of re-regulation and developing meaningful energy efficiency measures additional funds for outside experts and consultants would be required. The actual expense of the required studies cannot be reliably estimated at this time, but are expected to be in excess of \$1 million. PSC advises that any expenses pertaining to outside experts and consultants will be available before a supplemental budget request is made.

OPC has spent the majority the \$500,000 appropriation provided to meet the initial requirements of Chapter 5 of the 2006 special session. DLS advises that in order for OPC to act in concert with PSC and complete the required studies an additional \$500,000 would be required.

Accordingly, Public Utility Regulation Special Fund revenues would increase by \$1.0 to \$3.0 million from a special assessment on electric companies and electricity suppliers and an additional \$500,000 from an OPC special assessment on electricity suppliers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Office of the Attorney General, Department of Legislative Services

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