

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 810

(Senator Astle)

Finance

Economic Matters

Public Service Commission - Authorization of Stock and Debt Transactions

This bill provides that a gas, electric, or telephone company operating in Maryland does not need prior authorization of the Public Service Commission (PSC) to acquire, take, or hold any part of the capital stock or indebtedness of another public service company, or to issue stocks, bonds, securities or other evidence of indebtedness, if the gross annual revenue of the company is less than 3% of the total gross annual revenues of all public service companies in the State. The company must obtain approval for the transaction from the entity in another state that regulates the company and provide prior written notice of the transaction to PSC.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Certain provisions explicitly require public service companies operating in Maryland to seek permission from PSC prior to undertaking specified activities.

Without prior PSC authorization:

- a public service company may not purchase, acquire, take, or hold any part of capital stock of another public service company that operates in Maryland;
- a public service company that operates in Maryland may not issue stocks or bonds;
- a public service company that operates in Maryland may not lend money to an affiliate at rates or on terms that are significantly more favorable to the affiliate than the rates or terms that are otherwise commercially available to the affiliate;
- a public service company may not take, hold, or acquire stock of a public service company or a subsidiary or affiliate of a public service company that operates in Maryland and is of the same class;
- a stock corporation (unless a public service company of the same class) may not take, hold, or acquire more than 10% of the total capital stock of a public service company that operates in Maryland; and
- PSC must take action on applications for authorization within a reasonable time after receipt.

Background: Chapter 5 of the 2006 Special Session created the requirement that a public service company that *operates* in Maryland obtain prior authorization from PSC before issuing stock, acquiring debt, or obtaining an interest in another public service company. Prior to Chapter 5, only public service companies that were *incorporated* in Maryland were required to obtain prior authorization for the specified transactions. The requirement that a public service company operating in Maryland obtain PSC authorization before lending money to an affiliate at below-market was also enacted through Chapter 5 of the 2006 Special Session.

Small Business Effect: PSC indicates that enactment of this legislation would allow a company with annual revenues of less than approximately \$247 million (fiscal 2007) from obtaining PSC permission prior to the specified transactions. The following numbers of companies in Maryland have gross revenues below the 3% of the total gross revenues of public service companies: 256 telecommunications companies; 7 electric companies; 1 gas and electric company; and 6 gas companies

Additional Information

Prior Introductions: None.

Cross File: None

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

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