

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 624
Economic Matters

(Delegate McDonough, *et al.*)

Energy Consumer Protection Act

This bill prohibits an electric supplier affiliated with an electric company in this State from preventing the electric company from constructing or acquiring a power plant. A county or municipal corporation may construct, acquire, or contract for the construction of a power plant and associated transmission lines. An electric supplier operating an in-state nuclear facility must provide in-state electric companies with the “lowest best price” that is sold to any wholesale or industrial customer outside the State.

Fiscal Summary

State Effect: None. The bill would not materially affect State operations or finances.

Local Effect: Any cost associated with constructing or acquiring an electric generation station and associated transmission lines would be offset by additional revenues and fees.

Small Business Effect: None.

Analysis

Bill Summary: An electric supplier that is affiliated with an electric company in this State may not prevent the affiliated electric company from constructing or acquiring an electric generation station and associated transmission lines in this State.

A county or municipal corporation may construct or acquire an electric generation station and associated transmission lines or contract with an outside entity for the construction or

acquisition and management of an electric generation station and associated transmission lines.

An electricity supplier that is operating a nuclear power plant in the State must offer to sell to each electric company operating in the State wholesale electricity generated at the nuclear power plant at the lowest best price sold to any wholesale or industrial customer outside the State.

Electric suppliers operating nuclear facilities have to report to PSC • the total generating capacity of the nuclear power plant; • the amount of energy produced; and • the amount of energy sold to electric companies operating in the State.

Current Law: PSC, after notice and hearings, may adopt regulations that prescribe standards for safe, adequate, reasonable, and proper service by regulated electric companies. Regulated electric companies must furnish equipment, services, and facilities that are safe, adequate, just, reasonable, economical, and efficient, while considering the conservation of natural resources and the quality of the environment.

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

Background: With the restructuring of the electric industry, Maryland's traditional local electric utilities have transferred their electric generation assets to unregulated subsidiaries or have sold these assets to unaffiliated companies. The bulk of the costs associated with providing and delivering power to an end user stems from costs associated with the generation of power. With the elimination of the generation functions from regulation, PSC no longer determines the need for additional supply sources as was the case prior to implementation of restructuring.

Three municipalities in Maryland (Hagerstown, Berlin, and Easton) have municipal-owned electric utilities.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/hlb

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