

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 55
Finance

(Senator Klausmeier)

Public Service Commission - Examination of Accounts, Books, and Records

This bill authorizes the Public Service Commission (PSC) to examine all accounts, books, and records of a public service company, a parent of a public service company, an affiliate of a public service company, and an affiliate of a parent of a public service company that PSC determines necessary to perform certain of its duties.

Fiscal Summary

State Effect: The provisions of this bill can be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines affiliate as a person that directly or indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with or has, directly or indirectly, any economic interest in another person. Control is defined as the possession, direct or indirect, of the power to direct the management or policies of a person. Parent is defined as: (1) a firm, holding company, or other person that ultimately controls a public service company; or (2) any intermediary person that controls a public service company.

PSC may examine the records of the specified companies it determines necessary to perform the following duties related to public service companies:

- rate regulation;
- enforcement provisions related to certain company powers;
- financial monitoring;
- certain policies of electric deregulation;
- investigations of anticompetitive conduct by an electric company; and
- natural gas supplier licensing and consumer protection.

The bill specifies that it is to be regarded as supplemental and additional to PSC's current powers and authority and may not be regarded as a derogation of any powers now existing in PSC.

Current Law: Statute authorizes PSC to specify reporting requirements for public service companies. It specifies that the system prescribed by PSC should conform as nearly as possible to the requirements of the federal regulatory entity for each classification of public service company. Public service companies are required to list in their annual reports: (1) the name, address, basis of control, and principal business activities of the public service company; and (2) each parent company, subsidiary of the parent company, or organization the public service company controls; and (3) joint ventures in excess of \$1 million. There are no provisions in current law that define the powers of PSC regarding examination of the accounts, books, or records of nonpublic service companies.

The Code of Maryland Regulations (20.40.02.07) requires utilities with a core or noncore service affiliate to file a Cost Allocation Manual with PSC. A Cost Allocation Manual contains a compilation of policies and procedures for the allocation and assignment of costs that are shared between a utility and its affiliate. Utilities with core or noncore affiliates must also file a Ring Fencing Report annually, which must contain a summary of all measures to protect the utility's financial strength and credit ratings from the activities of core and noncore service affiliates as well as a corporate organizational chart identifying the utility and its core and noncore service affiliates.

Additional Information

Prior Introductions: HB 443 of 2006 passed the House and received a favorable with amendments report by the Senate Finance Committee, but no further action was taken. HB 360 of 2005 and HB 726 of 2004 received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 8, 2009
mcp/rhh

Analysis by: Erik P. Timme

Direct Inquiries to:
(410) 946-5510
(301) 970-5510