

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 56  
Finance

(Senator Klausmeier)

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Gas Companies and Electric Companies - Annual Reports

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This bill requires each gas and electric company under the jurisdiction of the Public Service Commission (PSC) to file a separate annual report for each of its nonregulated affiliated or subsidiary companies that operates in the State.

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Fiscal Summary

**State Effect:** The bill does not materially affect governmental operations.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** Each public service company is required to file an annual report with PSC. Exceptions to this requirement are telephone companies whose rates are not regulated by PSC and common carriers. The annual report should contain information on the corporate structure, affiliations of its officers and directors, and debt holdings. PSC may prescribe the form contents and deadlines for required reports. The president, treasurer, or general manager of a public service company may be required to verify the company's annual report under oath.

A public service company is required to list in its annual report the name and address; basis of control; and principal business activities of each parent, subsidiary, or organization the company controls; and any joint venture in excess of \$1 million in which the company is involved. For each affiliated company a public service company must list

and describe by Standard Industry Classification code and short title, each industry in which activities generated at least 10% of gross revenues or \$5 million during the reporting year. Additionally, for each corporation, partnership, or other business organization in which a public service company owns more than 5% of the outstanding voting securities or other ownership interests, the public service company must list the corporation, partnership, or other business organization and indicate the percentage that the company owns.

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.

**Background:** The Public Service Commission, established in 1910, regulates public service companies and is charged with ensuring an adequate and reliable supply of utility services at just and reasonable rates. Public service companies include electric companies and suppliers, gas companies and suppliers, combination gas and electric companies, telecommunications companies, water and sewage disposal companies, common carriers (passenger-for-hire motor vehicle companies, for-hire railroad companies, taxicab permits that are held by taxicab companies, passenger-for-hire water companies, and toll bridge companies), and liquefied gas facilities.

**Additional Comments:** Legislative Services notes that to the extent unaffiliated electric or gas suppliers are not subject to the same reporting requirements, market disparities could potentially arise. It is unclear to what extent a nonregulated affiliate or subsidiary company to a regulated company must comply with a regulated company's request for information. Additionally, nonregulated electric or gas suppliers may be reticent with respect to supplying what may be considered proprietary information.

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### **Additional Information**

**Prior Introductions:** SB 721 of 2008 received a hearing from the Senate Finance Committee, but no further action was taken. SB 706 of 2007 received a favorable report from the Senate Finance Committee but was not passed by the Senate.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 9, 2009  
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