

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 193 (Senator Colburn)  
Budget and Taxation

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Dorchester County - Electric Transmission Privilege Tax

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This bill authorizes Dorchester County to impose a tax on the transmission of electricity through the county from long distance, extra-high voltage electric transmission lines. Proceeds from the tax must be spent equally on benefits for affected ratepayers, natural resource conservation, and economic development.

The bill takes effect July 1, 2010.

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Fiscal Summary

**State Effect:** None. The bills requirements can be handled with existing budgeted resources.

**Local Effect:** Dorchester County revenues may increase by between \$4.8 million and \$14.4 million annually if transmission lines are sited above ground. Revenues will vary depending on the base tax rate imposed by the county council. Dorchester County expenditures increase by an equal amount for ratepayer assistance, natural resource conservation, and economic development in the county.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The Dorchester County Council may adopt an ordinance imposing a privilege tax on the transmission of electricity for sale, profit, or commercial use transported through the county using long distance, extra-high voltage electric transmission lines. The tax is calculated by multiplying the miles of qualifying

transmission lines in service in the county during the tax year by the carrying capacity of the transmission lines and the base rate. The base rate may not exceed \$750 and may be set by the county council.

The net proceeds of the privilege tax must be spent as follows:

- one-third for the benefit of electric ratepayers in Dorchester County affected by the construction of long-distance extra-high voltage transmission lines;
- one-third for the use and benefit of programs that preserve, improve, and manage the quality of air, land, water, and natural resources of the county;
- one-third for the use and benefit of tourism and economic development programs and services that facilitate the attraction, creation, expansion, and retention of businesses and jobs in the county.

The bill defines long distance extra-high voltage electric transmission lines as a series of towers, wires, electric substations, and other equipment located above ground that has a voltage carrying capacity in excess of 230 kilovolts (kV) and is designed and constructed to transmit electricity over at least five miles.

**Current Law:** Federal law prohibits a state or political subdivision from imposing or assessing a tax on generation or transmission of electricity which discriminates against out-of-state manufacturers, producers, wholesalers, retailers, or consumers of that electricity. A tax is considered discriminatory if it results, either directly or indirectly, in a greater tax burden on electricity which is generated and transmitted in interstate commerce than on electricity which is generated and transmitted in intrastate commerce.

**Background:** PJM Interconnection is the regional transmission organization which Maryland belongs. Through the PJM Regional Transmission Expansion Plan, PJM plans necessary upgrades to transmission facilities within 13 states and the District of Columbia in order to maintain system reliability. Siting of transmission lines in Maryland must be approved by the Public Service Commission with input from State agencies, local governments, environmental groups, and other interested parties.

Three major transmission lines are identified in the PJM planning queue and planned to serve central and eastern Maryland – the TrAIL, PATH, and MAPP lines. The TrAIL line is planned to run as a 500 kilovolt (kV) facility from southern Pennsylvania through West Virginia to Loudoun County, Virginia, and is now under construction with a scheduled in-service date of 2011. The PATH line is planned at a 765 kV level to run from the John Amos substation station in West Virginia to a potential substation near Kemptown, Maryland. That line has received partial approvals in West Virginia and Virginia, but the application in Virginia was withdrawn in December 2009 as a result of new research by PJM indicating the project may not be needed in 2014 to resolve

reliability issues. Allegheny Energy and American Electric Power do not anticipate filing a new application in Virginia before the third quarter of 2010. PATH applications in Maryland and West Virginia are currently pending. As a result of PJM reassessment of transmission needs, the MAPP line, originally planned to run from Virginia through Maryland and up to southern New Jersey, has been scaled back to run only from Virginia to the Eastern Shore, terminating at Indian River, Delaware. Proponents argue that it is needed starting in 2014. Both the PATH and the MAPP lines have encountered opposition at the local level.

**Local Fiscal Effect:** There are currently three proposed routes which MAPP may take through Dorchester County. Two possible routes use underground and underwater transmission lines, avoiding the use of above-ground transmission lines. A third possible route includes 25 miles of underground transmission lines and 30 miles of above-ground transmission lines. The route for MAPP has not yet been selected.

If the above-ground route is selected, an ultra-high voltage transmission line with 640kV capacity will extend 30 miles above-ground through Dorchester County. As shown in **Exhibit 1**, Dorchester County tax revenues increase between \$4.8 million and \$14.4 million annually beginning in 2014. The actual rate that may be imposed by the Dorchester County Council is not known at this time. *For illustrative purposes*, a minimum estimated rate and the maximum allowed rate are provided in Exhibit 1.

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**Exhibit 1**  
**Potential Privilege Tax Revenues**

	<u>Minimum</u> <u>Estimated Rate</u>	<u>Maximum</u> <u>Allowed Rate</u>
Base Rate	\$250	\$750
Miles Above Ground	30	30
Carrying Capacity (in kV)	640	640
<b>Tax Revenues</b>	<b>\$4,800,000</b>	<b>\$14,400,000</b>

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Dorchester County expenditures increase between \$4.8 million and \$14.4 million annually beginning in 2014. The bill requires that revenues from the tax be expended on rate relief for electric customers affected by ultra high-voltage transmission lines, natural resource conservation, and economic development in the county. If the selected route of MAPP is underground/underwater the bill will not increase Dorchester County revenues or expenditures.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Dorchester County, State Department of Assessments and Taxation, Comptroller's Office, Public Service Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - February 1, 2010  
mpc/hlb

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