

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 837

(Senators Pipkin and Rosapepe)

Finance

Utility Consumer Protection Act of 2010

This bill prohibits an electric company from passing the cost associated with outreach, marketing, or otherwise publicizing customer choice, on to customers.

Fiscal Summary

State Effect: None. The Public Service Commission (PSC) can implement the bill with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Rates charged by an electric company are specified in the company's tariff and are approved by an order made by PSC. Through the ratemaking process, an electric company is allowed to charge just and reasonable rates for the regulated services it renders. If an electric company incurs a cost as a result of passage of a State law or regulation and the company seeks to recover those costs, it is done through a formal proceeding.

PSC may adopt ratemaking policies that provide cost recovery and, in appropriate circumstances, reasonable financial incentives for gas companies and electric companies to establish programs and services that encourage and promote the efficient use and conservation of energy. Such cost recovery has been authorized, for example, for electric

companies' plans to meet the energy conservation goals required by the EmPOWER Maryland initiative (Chapter 131 of 2008).

The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. The Act required electric companies to divest themselves of generating facilities or to create a structural separation between the unregulated generation of electricity and the regulated distribution and transmission of electricity. Some electric companies created separate entities to operate unregulated and regulated businesses under a single holding company structure and other companies divested generation facilities. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or continue receiving electricity under standard offer service. Rates charged by electric companies, which still own the distribution system (*i.e.*, "the wires") are regulated by PSC.

Small Business Effect: Under current law, if an electric company were to be granted cost recovery for marketing expenses associated with promoting customer choice, those costs would be passed on to electric customers in the State, including many small businesses. To the extent the bill prohibits an electric company from attempting to recover such costs, small businesses in the State may benefit.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 5, 2010
ncs/lgc

Analysis by: Erik P. Timme

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