

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 281

(Delegates Beitzel and Conway)

Economic Matters

Finance

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Maryland Strategic Energy Investment Fund - Small Rural Electric Cooperative -  
Prohibition

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This bill exempts small rural electric cooperatives from the requirement to distribute, to residential customers, funds from a rate relief account established under the Maryland Strategic Energy Investment Fund (SEIF). As approved by the Public Service Commission (PSC), any monies held in an escrow account to provide rate relief for residential customers of a small rural electric cooperative must be distributed to one or more organizations that provide assistance to low-income residents in that cooperative's service territory.

The bill takes effect June 1, 2011.

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Fiscal Summary

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program, and the implementing SEIF, to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. Currently, the fund's primary source of revenue is proceeds from the sale of carbon dioxide (CO<sub>2</sub>) allowances under the Regional Greenhouse Gas Initiative. Money received by SEIF from the CO<sub>2</sub> auctions are required by statute to generally be distributed as follows:

- at least 46% must be credited to an account for energy efficiency and conservation programs, with at least half targeted for low- and moderate-income efficiency and conservation programs;
- 23% must be credited to a rate relief account to offset electricity rates of residential customers on a per customer basis and in a manner prescribed by PSC;
- 17% must be credited to an energy assistance account to be used for Electric Universal Service Program and other electricity assistance programs in the Department of Human Resources;
- up to 10.5% must be credited to a renewable and clean energy programs account for energy-related public education and outreach, and climate change programs; and
- up to 3.5% but not more than \$4.0 million must be credited to an administrative expense account for costs related to the administration of the fund.

Recent budget reconciliation action has altered the distribution of funds. While the Budget Reconciliation and Financing Act of 2010 (Chapter 484) continued this adjusted distribution through fiscal 2012, the percentage of proceeds credited to a rate relief account remains at 23%.

A small rural electric cooperative is an electric company that serves only customers that exclusively own and control the company, conducts its business on a not-for-profit basis, and supplies electricity to less than 1,000 electric meters in the State.

**Background:** PSC Case Number 9166 approved allocation methods for dispersing rate relief funds for most electric companies; however, PSC did not approve allocation methods for two small rural electric cooperatives: A&N Electric Cooperative (A&N); and Somerset Rural Electric Cooperative (Somerset). In PSC proceedings, both companies stated that alterations to their payment systems necessary to allocate a rate relief credit to customers would be cost-prohibitive and would not benefit customers. At the request of Somerset and A&N, PSC ordered the Maryland Energy Administration to hold their rate relief funds in escrow until an alternative means of distribution is approved by PSC. The total amount in escrow for A&N is \$3,927 and the total for Somerset is \$11,312.

**Additional Comments:** The Administration has proposed to temporarily eliminate the SEIF rate relief allocation under the proposed Budget Reconciliation and Financing Act of 2011 (SB 87/HB 72) for fiscal 2012 through 2014.

## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 67 (Senators Edwards and Mathias) - Finance.

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

**Fiscal Note History:** First Reader - February 3, 2011  
ncs/lgc Revised - House Third Reader - March 22, 2011

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