Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 259 (Delegate Haddaway-Riccio, *et al.*)
Economic Matters

Maryland Strategic Energy Investment Fund - Municipal Electric Utility - Exemption

This bill specifies that a requirement that 23% of proceeds received by the Strategic Energy Investment Fund (SEIF) from the sale of carbon dioxide (CO_2) allowances under the Regional Greenhouse Gas Initiative (RGGI) be allocated to provide electricity rate relief to residential customers does not apply to residential customers of a municipal electric utility. The requirement that 23% of proceeds be allocated toward rate relief, however, is currently superseded by uncodified language in the Budget Reconciliation and Financing Act of 2011 (Chapter 397) that specifies another allocation of the RGGI proceeds that does not include rate relief. The allocation in Chapter 397 applies to fiscal 2012 through 2014, after which the statutory allocation amended by the bill applies.

Fiscal Summary

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

Local Effect: The bill should not affect municipal electric utilities initially due to the suspension of RGGI rate relief through FY 2014. From FY 2015 forward, any impact on the municipal electric utilities' costs is expected to be beneficial, resulting from the elimination of any burden or expense of administering the rate relief.

Small Business Effect: None.

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 CO_2 allowances under RGGI. Money received by SEIF from the CO_2 auctions is required by statute to be allocated 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 the Public Service Commission (PSC);
- 17% must be credited to an energy assistance account to be used for the 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 renewable and clean energy programs and initiatives, 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 allocation of funds, however. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) altered the allocation, though the 23% for rate relief remained the same, for the proceeds from allowances sold between March 1, 2009, and June 30, 2011. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) extended the allocation under Chapter 487 of 2009 to apply to proceeds from allowances sold through June 30, 2012. The Budget Reconciliation and Financing Act of 2011 (Chapter 397), however, again altered the allocation, this time eliminating any allocation toward rate relief and making the altered allocation applicable to fiscal 2012 through 2014.

The rate relief allocation in statute (that is currently superseded by Chapter 397 of 2011) does not apply to small rural electric cooperatives pursuant to Chapters 18 and 19 of 2011. A municipal electric utility is defined as a municipal corporation, or a division of a municipal corporation, that is in the business of transmitting or distributing electricity for purposes other than end use by the municipal corporation.

Background: There are five municipal electric utility companies in Maryland: the Town of Berlin, Easton Utilities, Hagerstown Light Department, Thurmont Municipal Light Company, and Williamsport Municipal Electric Light Plant. The distribution of rate relief money in SEIF is governed by PSC Case Number 9166, and the five utilities have been participating in rate relief distribution to residential customers. Based on recent Maryland Energy Administration and PSC filings in the case, the last remaining funding following the temporary suspension of the statutory rate relief allocation will soon be distributed to the utilities for the final billing month of March 2012.

Local Fiscal Effect: The bill should not affect municipal electric utilities initially, due to the suspension of RGGI rate relief through fiscal 2014. From fiscal 2015 forward, any impact on the municipal electric utilities' costs is expected to be beneficial, resulting from the elimination of any burden or expense of administering the rate relief.

Municipal electric utilities contacted have generally either indicated that the bill would have minimal or no impact as a result of not having to administer the residential electricity rate relief after fiscal 2014 or that they would avoid some administrative burden or expense associated with administering it. Easton Utilities indicates that if the amount of rate relief provided to the utility to distribute to customers is below a certain level, the cost of administering it can be greater than the amount of rate relief, resulting in no net benefit for residential customers. Easton Utilities' operations are funded solely by electricity rates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Energy Administration, Office of People's Counsel, Public Service Commission, Department of Human Resources, Easton Utilities, City of Hagerstown, Town of Berlin, Town of Thurmont, Town of Williamsport, Department of Legislative Services

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Analysis by: Scott D. Kennedy

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