

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 927
Economic Matters

(Delegate Davis)

Finance

Public Service Commission - Electric Affordability Program - Study

This bill requires the Public Service Commission (PSC) to study and make recommendations related to the establishment of an opt-in electric affordability program among retail electric companies for residential and small business customers in the service territories of the Potomac Electric Power Company (Pepco), Allegheny Power, Baltimore Gas and Electric Company (BGE), or Delmarva Power and Light Company (DPL). In making the recommendations, PSC must consider the best interests of electric customers relating to the cost and reliability of electric service. By December 31, 2016, PSC must report its findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: PSC can conduct the study and create the required report with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: PSC must study and make recommendations about the advisability of establishing an opt-in electric affordability program among retail electric companies for residential and small business customers in the service territories of Pepco, Allegheny

Power, BGE, or DPL that would be based on (1) the offer of multiple-year contracts for electricity at a fixed price per kilowatt-hour; (2) value-added products and services to help customers manage overall energy costs; and (3) other potential customer benefits. PSC must also study and make recommendations on the advisability of allowing electric cooperatives to participate in the program.

PSC must also study and make recommendations on the manner in which the program, if advisable, should be conducted, including:

- provisions relating to low-income customers to be assisted by the program;
- the duration of customer contracts under the program;
- procedures governing wholesale electricity procurement for the program;
- the minimum qualifications of licensed electricity suppliers and associated providers of value-added products and services that would be eligible to participate in the program; and
- procedures and principles of cost recovery for the implementation of the program.

Current Law/Background: Retail electric customers pay for two separate aspects of electric service: the energy commodity and the delivery of the energy. For the energy commodity, customers can either purchase electricity through standard offer service (directly from their electric company) or through retail electric choice (from an electricity supplier). Electricity suppliers offer fixed rate electric plans and variable rate plans; current fixed-rate offerings are for up to three years. Standard offer service rates vary several times each year. Regardless of which option they pick, electric customers must still pay for delivery of the energy at a rate that they cannot change.

Electric companies purchase electricity in six-month “blocks” – at any given time the standard offer service rate reflects the costs of four of these blocks.

Additional Comments: PSC advises that a thorough evaluation of the program may require additional time beyond that established by the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 1075 (Senators Klausmeier and Feldman) – Finance.

Information Source(s): Public Service Commission, Department of Legislative Services

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min/lgc

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