Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 131 (Senator Kelley)
Finance Economic Matters

Public Service Commission – Rate Suspension Proceedings

This bill authorizes the Public Service Commission (PSC) to initially suspend a new rate or change in rate proposed by a public service company for not more than 180 days after the proposed effective date, rather than initially suspend the rate for not more than 150 days with a potential 30-day extension. The bill further authorizes PSC to extend the suspension for up to an additional 90 days if the filing is for an alternative form of ratemaking for a public service company.

Fiscal Summary

State Effect: The change is procedural in nature and does not directly affect governmental finances.

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

Small Business Effect: Minimal.

Analysis

Current Law: Unless suspended by PSC, a new rate or change in rate proposed by a public service company takes effect on the date specified in the rate application. However, PSC may suspend, effective immediately and without formal proceedings, any new rate or change in rate proposed by a public service company. In such situations, PSC must promptly institute proceedings to consider whether the suspended rate is a just and reasonable rate. PSC may suspend the rate initially for not more than 150 days after the proposed effective date. PSC may then extend the suspension for an additional 30 days if it finds the proceedings cannot be completed within the initial suspension period.

Alternative Forms of Ratemaking and Multi-year Rate Plan Pilot Process

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. Notwithstanding any other provision of law, PSC may regulate the regulated services of a public service company through alternative forms of regulation under specified conditions. Alternative forms of regulation may include price regulation, revenue regulation, ranges of authorized return, rate of return, categories of services, or price indexing.

PSC has recently allowed filings for multi-year rate plans under a pilot structure that allows utilities to seek rates that have effective periods of three years. Under this alternative form of ratemaking, a utility may request rates based on projected spending and investment in order to recover costs nearly contemporaneously. PSC's orders approving multi-year rate plans provide for prudency reviews of a utility's spending, additional compliance filings, and other review mechanisms during and after the multi-year rate period.

State Fiscal Effect: PSC advises that the bill merely extends the current statutory period for alternative forms of ratemaking, such as multi-year rate filings; the bill does not alter the number of rate cases PSC reviews, the amount of work necessary to review a case, or the resources necessary to perform PSC's duties. Accordingly, the bill does not create any incremental work for the agency.

Additional Comments: PSC advises that the extension period authorized under the bill potentially only impacts a public service company (by delaying the implementation of utility rate increases) that is seeking its first multi-year rate plan. Utilities with multi-year rate plans already approved (Baltimore Gas and Electric Company and Pepco) will be required by PSC to meet earlier deadlines when filing subsequent rate requests, and therefore are not affected by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 228 (Delegate Crosby) - Economic Matters.

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

Fiscal Note History: First Reader - January 25, 2022
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