

# SENATE BILL 556

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By: **Senator Gallion**

Introduced and read first time: February 4, 2026

Assigned to: Education, Energy, and the Environment

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## A BILL ENTITLED

1 AN ACT concerning

2 **Water Companies, Sewage Disposal Companies, and Water and Sewage Disposal**  
3 **Companies – Rate Consolidation and Limited–Income Mechanisms**

4 FOR the purpose of requiring the Public Service Commission to authorize certain rate  
5 consolidations involving two or more water systems or sewage disposal systems;  
6 requiring the Commission to allow water companies, sewage disposal companies, and  
7 water and sewage disposal companies to aggregate certain revenues and costs for  
8 certain purposes; authorizing the Commission to order gradual adjustments to  
9 certain rates charged to a system over a certain time period; applying certain  
10 provisions of law regarding limited–income mechanisms to water companies, sewage  
11 disposal companies, and water and sewage disposal companies; and generally  
12 relating to water companies, sewage disposal companies, and water and sewage  
13 disposal companies.

14 BY repealing and reenacting, without amendments,  
15 Article – Public Utilities  
16 Section 1–101(a), (z), (gg), and (uu) and 4–309(d)  
17 Annotated Code of Maryland  
18 (2025 Replacement Volume and 2025 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article – Public Utilities  
21 Section 4–307 and 4–309(a) and (e)  
22 Annotated Code of Maryland  
23 (2025 Replacement Volume and 2025 Supplement)

24 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
25 That the Laws of Maryland read as follows:

26 **Article – Public Utilities**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 1–101.

2 (a) In this division the following words have the meanings indicated.

3 (z) (1) “Public service company” means a common carrier company, electric  
4 company, gas company, sewage disposal company, telegraph company, telephone company,  
5 water company, or any combination of public service companies.

6 (2) “Public service company” does not include:

7 (i) a campground that provides water, electric, gas, sewage, or  
8 telephone service to campers incident to the campground’s primary business of operating  
9 and maintaining the campground; or

10 (ii) a person that owns or operates equipment used for charging  
11 electric vehicles, including a person that owns or operates:

12 1. an electric vehicle charging station;

13 2. electric vehicle supply equipment; or

14 3. an electric vehicle charging station service company or  
15 provider.

16 (gg) “Sewage disposal company” means a privately owned public service company  
17 that owns or maintains facilities for the disposal of sewage.

18 (uu) “Water company” means a public service company that owns a water plant  
19 and sells or distributes water for gain.

20 4–307.

21 (a) **(1)** In this section[, “rate] **THE FOLLOWING WORDS HAVE THE**  
22 **MEANINGS INDICATED.**

23 **(2)** “**RATE** consolidation” means the use of the same or similar rates or  
24 tariff schedules of rates for customers of the same class for two or more water or sewage  
25 disposal systems even if the systems are not physically interconnected.

26 **(3)** “**RATES**” **INCLUDES FIXED RATES, VOLUMETRIC RATES, TOLLS,**  
27 **CHARGES, AND SCHEDULES.**

28 **(4)** “**SYSTEM**” **MEANS AN INTERCONNECTED SYSTEM OF FACILITIES**  
29 **USED BY A WATER COMPANY, SEWAGE DISPOSAL COMPANY, OR WATER AND SEWAGE**  
30 **DISPOSAL COMPANY TO PROVIDE WATER OR SEWAGE DISPOSAL SERVICES.**

1       **[(b) After notice to customers and holding a public hearing and an evidentiary**  
2 **hearing, the Commission may authorize a rate consolidation of two or more water or sewage**  
3 **disposal systems if:**

4               **(1) the water or sewage disposal systems have common ownership; and**

5               **(2) the rate consolidation is in the public interest.]**

6       **(B) THIS SECTION APPLIES ONLY TO PUBLIC SERVICE COMPANIES THAT**  
7 **ARE WATER COMPANIES, SEWAGE DISPOSAL COMPANIES, OR WATER AND SEWAGE**  
8 **DISPOSAL COMPANIES.**

9       **(C) THE COMMISSION SHALL AUTHORIZE A RATE CONSOLIDATION**  
10 **PROPOSED BY A PUBLIC SERVICE COMPANY IN A BASE RATE PROCEEDING UNDER §**  
11 **4-203 OF THIS TITLE INVOLVING TWO OR MORE WATER SYSTEMS OR SEWAGE**  
12 **DISPOSAL SYSTEMS.**

13       **(D) WHEN AUTHORIZING RATE CONSOLIDATION UNDER SUBSECTION (C) OF**  
14 **THIS SECTION, THE COMMISSION:**

15               **(1) SHALL ALLOW THE PUBLIC SERVICE COMPANY TO AGGREGATE**  
16 **THE REVENUES AND COSTS OF THE WATER SYSTEMS AND SEWAGE DISPOSAL**  
17 **SYSTEMS FOR PURPOSES OF DETERMINING APPROPRIATE RATES FOR THE SYSTEMS'**  
18 **CUSTOMERS; AND**

19               **(2) MAY ORDER GRADUAL ADJUSTMENTS TO THE RATES CHARGED TO**  
20 **A SYSTEM OVER A PERIOD NOT TO EXCEED 3 YEARS UNTIL FULL RATE**  
21 **CONSOLIDATION IS ACHIEVED.**

22       **(E) THE COMMISSION:**

23               **(1) MAY NOT DISAPPROVE A RATE CONSOLIDATION PROPOSAL UNDER**  
24 **THIS SECTION; AND**

25               **(2) MAY CONDITION THE AUTHORIZATION OF A RATE CONSOLIDATION**  
26 **PROPOSAL ONLY AS PROVIDED IN SUBSECTION (D)(2) OF THIS SECTION.**

27       **(F) AFTER THE COMMISSION HAS AUTHORIZED A RATE CONSOLIDATION**  
28 **PROPOSAL UNDER THIS SECTION, THE COMMISSION SHALL CONTINUE TO**  
29 **AUTHORIZE AND MAINTAIN THE RATE CONSOLIDATION IN SUBSEQUENT ORDERS ON**  
30 **APPLICATIONS OF THE PUBLIC SERVICE COMPANY UNDER § 4-203 OF THIS TITLE.**

31 4-309.

(a) (1) In this section the following words have the meanings indicated.

(2) “Eligible limited-income customer” means a residential customer of a utility company with annual income that:

(i) 1. is at or below 175% of the federal poverty level; or  
2. for a customer at least 67 years of age, is at or below 200% of the federal poverty level; or

(ii) meets a broader designation approved by the Commission.

(3) “Limited-income mechanism” or “mechanism” means a process approved by the Commission under this section to benefit an eligible limited-income customer of a utility company.

(4) “Payment plan” means an agreement between an eligible limited-income customer and a utility company to pay an arrearage balance over a specific period of time to avoid disconnection of a utility service.

(5) (i) “Utility company” means:

1. an electric company[.];
2. a gas and electric company[, or];
3. a gas company;
4. **A WATER COMPANY;**
5. **A WATER AND SEWAGE DISPOSAL COMPANY; OR**
6. **A SEWAGE DISPOSAL COMPANY.**

(ii) “Utility company” does not include a small rural electric cooperative.

(d) (1) A utility company that proposes a limited-income mechanism for Commission approval under subsection (c) of this section shall include the proposal in:

(i) a separate application for approval of the mechanism; or  
(ii) only with the prior approval of the Commission, an application for a base rate proceeding, including an alternative rate proceeding, or any other proceeding to alter the utility company’s base rates under the authority of the Commission.

(2) A proposal submitted under this section shall allocate the prudently incurred costs of the limited-income mechanism across rate classes.

(3) The proposal shall include:

(i) a detailed description of the proposed mechanism;

(ii) the proposed method for allocating the mechanism's costs across customer classes;

(iii) the rationale supporting the utility company's proposal for a mechanism to benefit the eligible limited-income customers in the utility company's service territory;

(iv) a time frame and process for the Commission to review the effectiveness of the mechanism after implementation; and

(v) any other information the Commission considers necessary or useful to evaluate the proposal.

(e) In evaluating a limited-income mechanism, the Commission shall consider:

(1) the degree to which the mechanism promotes affordability of **WATER, SEWAGE DISPOSAL**, electricity, or natural gas for limited-income customers;

(2) the public interest in allocating the costs of the mechanism between the utility company's shareholders and rate payers;

(3) the impact on rates, utility operating costs, customer arrearages, customer disconnections, uncollectible costs, and successful completion of payment plans;

(4) the ability of a limited-income customer to continue to receive benefits when relocating within the same service territory;

(5) coordination of benefits under the mechanism with any other public or private assistance that may be available to the customer;

(6) a minimum level of support or assistance structure to provide equitable availability of limited-income assistance across the State; and

(7) any other information the Commission considers appropriate.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2026.