

SENATE BILL 556

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CF HB 1164

By: **Senator Gallion**

Introduced and read first time: February 4, 2026

Assigned to: Education, Energy, and the Environment

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 20, 2026

CHAPTER _____

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; authorizing the~~
12 Public Service Commission to require a water company, sewage disposal company,
13 or water and sewage disposal company to adopt a certain limited–income
14 mechanism; requiring the Commission to study the feasibility of requiring certain
15 companies to adopt a limited–income mechanism to benefit limited–income
16 customers; and generally relating to water companies, sewage disposal companies,
17 and water and sewage disposal companies.

18 BY repealing and reenacting, without amendments,
19 Article – Public Utilities
20 Section 1–101(a), (z), (gg), and (uu) ~~and 4–309(d)~~
21 Annotated Code of Maryland
22 (2025 Replacement Volume and 2025 Supplement)

23 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – Public Utilities
 2 Section ~~4-307 and 4-309(a) and (c)~~ 4-309
 3 Annotated Code of Maryland
 4 (2025 Replacement Volume and 2025 Supplement)

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

7 **Article – Public Utilities**

8 1-101.

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

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

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

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

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

19 1. an electric vehicle charging station;

20 2. electric vehicle supply equipment; or

21 3. an electric vehicle charging station service company or
 22 provider.

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

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

27 ~~4-307.~~

28 ~~(a) (1) In this section[, “rate”] THE FOLLOWING WORDS HAVE THE~~
 29 ~~MEANINGS INDICATED.~~

~~(2) "RATE consolidation" means the use of the same or similar rates or tariff schedules of rates for customers of the same class for two or more water or sewage disposal systems even if the systems are not physically interconnected.~~

~~(3) "RATES" INCLUDES FIXED RATES, VOLUMETRIC RATES, TOLLS, CHARGES, AND SCHEDULES.~~

~~(4) "SYSTEM" MEANS AN INTERCONNECTED SYSTEM OF FACILITIES USED BY A WATER COMPANY, SEWAGE DISPOSAL COMPANY, OR WATER AND SEWAGE DISPOSAL COMPANY TO PROVIDE WATER OR SEWAGE DISPOSAL SERVICES.~~

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

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

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

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

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

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

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

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

~~(E) THE COMMISSION:~~

~~(1) MAY NOT DISAPPROVE A RATE CONSOLIDATION PROPOSAL UNDER THIS SECTION; AND~~

1 (ii) "Utility company" does not include a small rural electric
2 cooperative.

3 (b) The General Assembly finds and declares that the societal benefits of a
4 well-constructed limited-income mechanism to benefit Maryland's eligible limited-income
5 customers are in the public interest.

6 (c) (1) Subject to the approval of the Commission, a utility company shall
7 adopt a limited-income mechanism to benefit an eligible limited-income customer.

8 (2) Notwithstanding § 4-503(b) of this title, the mechanism may take the
9 form of a program, tariff provision, credit, rate, rider, or other means to assist an eligible
10 limited-income customer to afford a utility service.

11 (3) A municipal electric utility may adopt a limited-income mechanism
12 subject to the approval of the Commission in the same manner as a utility company in
13 accordance with this section.

14 (4) **THE COMMISSION MAY REQUIRE A WATER COMPANY, SEWAGE**
15 **DISPOSAL COMPANY, OR WATER AND SEWAGE DISPOSAL COMPANY TO ADOPT A**
16 **LIMITED-INCOME MECHANISM SUBJECT TO THE APPROVAL OF THE COMMISSION IN**
17 **THE SAME MANNER AS A UTILITY COMPANY IN ACCORDANCE WITH THIS SECTION.**

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

20 (i) a separate application for approval of the mechanism; or

21 (ii) only with the prior approval of the Commission, an application
22 for a base rate proceeding, including an alternative rate proceeding, or any other proceeding
23 to alter the utility company's base rates under the authority of the Commission.

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

26 (3) The proposal shall include:

27 (i) a detailed description of the proposed mechanism;

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

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

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

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

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

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

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

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

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

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

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

18 (7) any other information the Commission considers appropriate.

19 (f) If an approved limited-income mechanism requires that the Office of Home
20 Energy Programs must certify an eligible limited-income customer's qualifications to
21 participate in a limited-income mechanism, the Office shall certify an eligible
22 limited-income customer's qualifications before the customer may participate in the
23 mechanism.

24 (g) An eligible limited-income customer who participates in a mechanism under
25 this section may also be eligible for other assistance programs offered in the State,
26 including those offered by a utility company or the Office of Home Energy Programs, the
27 Department of Housing and Community Development, or any other public or private
28 source.

29 **SECTION 2. AND BE IT FURTHER ENACTED, That:**

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

31 (2) "Eligible limited-income customer" and "limited-income mechanism"
32 have the meanings stated in § 4-309 of the Public Utilities Article.

1 (3) “Sewage disposal company” and “water company” have the meanings
2 stated in § 1–101 of the Public Utilities Article.

3 (b) The Public Service Commission shall study the feasibility of requiring the
4 following companies to adopt a limited–income mechanism to benefit eligible
5 limited–income customers:

6 (1) a water company;

7 (2) a water and sewage disposal company; and

8 (3) a sewage disposal company.

9 (c) On or before December 1, 2026, the Public Service Commission shall report its
10 findings to the Governor and, in accordance with § 2–1257 of the State Government Article,
11 the General Assembly.

12 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall take
13 effect July 1, 2027.

14 SECTION ~~2~~ 4. AND BE IT FURTHER ENACTED, That, except as provided in
15 Section 3 of this Act, this Act shall take effect July 1, 2026.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.