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BILL NO.: Senate Bill 0556/House Bill 1164 – Water Companies, Sewage Disposal Companies, and Water and Sewage Disposal Companies - Rate Consolidation and Limited-Income Mechanisms

COMMITTEE: Education, Energy, and the Environment
Environment and Transportation

HEARING DATE: February 24, 2026 (EEE)
March 3, 2026 (ENT)

SPONSOR: Senator Gallion
Delegate Foley

POSITION: Informational

The Office of People’s Counsel (OPC) respectfully offers the following informational comments on Senate Bill 0556/House Bill 1164, which would authorize by statute a proposed “rate consolidation” for two or more private water or sewage disposal systems under common ownership without any meaningful evaluation of whether the proposed consolidation is in the public interest.

Under the Public Utilities Article (PUA), private water and sewage companies¹ are subject to regulation by the Public Service Commission (PSC). As the statutory representative of noncommercial users of services regulated by the PSC,² OPC participates in proceedings before the PSC, including those regarding the regulation of private water and sewage disposal companies. It is in this capacity that OPC offers the following informational comments.

¹ “Water company” is defined as “a public service company that owns a water plant and sells or distributes water for gain” and “sewage disposal company” is defined as a privately owned public service company that owns or maintains facilities for the disposal of sewage.” PUA §§ 1-101(gg), (uu).

² PUA §§ 2-201, 2-204.

In 2018, the PSC proposed legislation that ultimately established PUA § 4-307, which authorizes the PSC to consider proposals to create a single rate for two or more water and sewage disposal systems that are not physically interconnected if (1) the systems share common ownership, and (2) the consolidation of rates is in the public interest. Under the resulting statutory provisions, the PSC *may*—but is not required to—authorize such a rate consolidation after notice to customers and both public and evidentiary hearings.³ SB 0556/HB 1164 proposes to remove the PSC’s discretion to authorize—or not—such a rate consolidation⁴ and would instead *require* the PSC to approve any rate consolidation proposed by a water company, sewage disposal company, or combination water and sewage disposal company without requiring public or evidentiary hearings and without requiring that the rate consolidation is “in the public interest.” SB 0556/HB 1164 would explicitly prohibit the PSC from disapproving a proposed rate consolidation proposal under any circumstances and limits the PSC’s authority to condition its authorization of a rate consolidation to one particular condition: ordering gradual adjustments to the rates charged over a period not to exceed three years.

Use of a single rate or tariff can provide a reasonable and efficient approach to address the specific issues faced by very small water systems. PUA § 4-307 allows necessary capital investment costs to be shared over a larger group of customers, if it is in the public interest. In some circumstances, this approach may ensure that capital improvements can and will be undertaken, to protect public health, and to avoid rate shock, when the cost burden falls on only a few customers. For these reasons, OPC supported the 2018 legislation that gave the PSC authority to approve a proposal for rate consolidation. At the time, OPC specifically requested an amendment making any such proposal subject to an evidentiary proceeding, which allows OPC, PSC staff, and any other interested party to evaluate such a proposal, and the PSC to make a fully informed decision. Rate consolidation, however, may not always be in the best interest of residential water and sewage customers.

SB 0556/HB 1164 proposes to remove from the PSC—the agency charged with regulating private water and sewage disposal companies—any ability to review a proposal for rate consolidation, to consider the facts and public input, or to determine whether rate consolidation is—or is not—in the public interest. Essentially, SB 0556/HB 1164 would—by statute—authorize *any* proposed consolidation of rates for commonly-owned water and sewage disposal systems, regardless of the circumstances and the potential impacts. While it may be within the legislature’s authority to prescribe

³ PUA § 4-307.

⁴ SB 0556/HB 1164 defines “system” to mean “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.”

such an outcome, it requires the legislature to determine that such proposals are inherently—in each and every case—in the public interest.

OPC appreciates the opportunity to provide these informational comments on SB 0556/HB 1164 and is available to answer any questions.