

SENATE BILL 771

C5

7lr2541
CF 7lr2542

By: **Senators Middleton, Eckardt, Mathias, and Waugh**

Introduced and read first time: February 3, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Electric Cooperatives – Rate Regulation – Fixed Charges for Distribution**
3 **System Costs**

4 FOR the purpose of authorizing an electric cooperative to propose a fixed charge for certain
5 fixed costs; requiring the fixed charge to be applied in a certain manner; prohibiting
6 an electric cooperative from proposing an increase to a fixed charge above a certain
7 dollar amount; specifying the manner in which an electric cooperative may propose
8 a fixed charge; requiring that the proposal of a fixed charge meet certain criteria;
9 requiring the Public Service Commission to approve a proposed fixed charge that
10 meets the requirements of this Act; defining certain terms; providing for the
11 application of this Act; and generally relating to rate regulation of electric
12 cooperatives.

13 BY adding to
14 Article – Public Utilities
15 Section 4–307
16 Annotated Code of Maryland
17 (2010 Replacement Volume and 2016 Supplement)

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

20 **Article – Public Utilities**

21 **4–307.**

22 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
23 INDICATED.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2) “FIXED CHARGE” MEANS A MONTHLY CHARGE THAT RECOVERS A FIXED COST THROUGH A FIXED DOLLAR AMOUNT.

(3) “FIXED COST” MEANS ALL COSTS ASSOCIATED WITH AN ELECTRIC COOPERATIVE’S DISTRIBUTION SYSTEM THAT DO NOT VARY BY KILOWATT HOUR, INCLUDING:

(I) METERS;

(II) SERVICE LINES;

(III) MINIMUM-SIZED TRANSFORMERS, WIRES, AND POLES THAT ARE TYPICALLY INSTALLED BY AN ELECTRIC COOPERATIVE TO PROVIDE DISTRIBUTION SERVICES;

(IV) DIRECT CUSTOMER EXPENSES;

(V) MAINTENANCE OF ITEMS (I) THROUGH (III) OF THIS PARAGRAPH;

(VI) ADMINISTRATIVE AND GENERAL EXPENSES RELATED TO ITEMS (I) THROUGH (IV) OF THIS PARAGRAPH; AND

(VII) OVERHEAD LOADERS.

(B) (1) (I) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN ELECTRIC COOPERATIVE MAY PROPOSE A FIXED CHARGE FOR THE FIXED COSTS ASSOCIATED WITH SERVING EACH OF THE ELECTRIC COOPERATIVE’S RETAIL ELECTRIC CUSTOMERS.

(II) A FIXED CHARGE MAY DIFFER BY RATE CLASS AND THE AMOUNT OF RETAIL ELECTRIC CUSTOMER LOAD WITHIN EACH RATE CLASS.

(III) A FIXED CHARGE SHALL BE APPLIED IN A NONDISCRIMINATORY MANNER UNDER WHICH A RETAIL ELECTRIC CUSTOMER THAT PARTICIPATES IN NET ENERGY METERING UNDER § 7-306 OF THIS ARTICLE OR VIRTUAL NET ENERGY METERING UNDER § 7-306.2 OF THIS ARTICLE IS SUBJECT TO THE SAME FIXED CHARGE AS A RETAIL ELECTRIC CUSTOMER THAT DOES NOT PARTICIPATE IN NET ENERGY METERING OR VIRTUAL NET ENERGY METERING.

(2) AN ELECTRIC COOPERATIVE MAY NOT PROPOSE AN INCREASE TO A FIXED CHARGE THAT IS MORE THAN \$2.50 GREATER THAN THE FIXED CHARGE IN EFFECT 1 YEAR BEFORE THE EFFECTIVE DATE OF THE PROPOSED INCREASE.

1 **(C) AN ELECTRIC COOPERATIVE MAY PROPOSE A FIXED CHARGE IN:**

2 **(1) A BASE RATE PROCEEDING UNDER THIS TITLE; OR**

3 **(2) A REVENUE-NEUTRAL RATE DESIGN FILING.**

4 **(D) A PROPOSAL FOR A FIXED CHARGE UNDER SUBSECTION (C) OF THIS**
5 **SECTION SHALL:**

6 **(1) BE SUPPORTED BY APPROPRIATE COST OF SERVICE DATA; AND**

7 **(2) SET A REASONABLE CHARGE THAT REFLECTS THE DIFFERENT**
8 **COSTS ASSOCIATED WITH SERVING SMALL RETAIL ELECTRIC CUSTOMERS AND**
9 **LARGE RETAIL ELECTRIC CUSTOMERS.**

10 **(E) THE COMMISSION SHALL APPROVE A PROPOSED FIXED CHARGE THAT**
11 **MEETS THE REQUIREMENTS OF THIS SECTION.**

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
13 apply only prospectively and may not be applied or interpreted to have any effect on or
14 application to any order of the Public Service Commission or any settlement agreement
15 approved by the Public Service Commission before the effective date of this Act.

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 2017.