

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

Senate Bill 39  
Finance

(Senator Green)

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**Electric Industry - Aggregation - Counties and Municipal Corporations**

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This bill authorizes a county or municipal corporation to act as an aggregator that purchases electricity on behalf of customers under specified conditions.

Uncodified language that directs the Public Service Commission (PSC) to establish standards and procedures to implement the bill is effective June 1, 2005. The remainder of the bill is effective October 1, 2005.

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**Fiscal Summary**

**State Effect:** Potential minimal increase in special fund revenues. PSC could handle any additional work resulting from the bill's provisions with existing budgeted resources.

**Local Effect:** The bill is enabling in nature and is not expected to have a net effect on expenditures or revenues for counties or municipal corporations that become aggregators. It is assumed that aggregation would generally be performed on a cost-recovery basis.

**Small Business Effect:** To the extent that small commercial electric customers could benefit from lower energy costs through municipal aggregation, the bill could have a positive effect.

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**Analysis**

**Bill Summary:** A county or municipal corporation that chooses to act as an aggregator must first apply to PSC for a license as an electricity supplier. At that time, PSC must determine if 20% or more of retail residential and small commercial electric customers

inside the jurisdiction have selected an electricity supplier other than the standard offer service supplier. If so, the jurisdiction may not become an aggregator.

An aggregating county or municipal corporation must send a specified notice to residential and small commercial customers in the jurisdiction, other than customers of an electric cooperative and those who have already obtained service from a competitive supplier. A customer is deemed to have given permission to the county or municipal corporation to act as its aggregator if the customer explicitly grants permission by returned notice, or if the customer fails to return notice within 60 days of receipt. An eligible customer may opt into a county's or municipal corporation's aggregation activities at any time it chooses to discontinue services with another electric supplier even if it previously refused to participate. A customer may also withdraw from the program at any time but may not return for a period of one year after withdrawal.

PSC must establish standards and procedures to implement the bill by October 1, 2005. In adopting regulations, PSC must consider: (1) how to ensure that aggregation activities are separated from other governmental activities so that benefits of aggregation are passed on to ratepayers; and (2) whether to define a priority system to determine which governmental entity has the first opportunity to act as aggregator for a shared customer base.

**Current Law:** Counties and municipal corporations may not act as aggregators for electricity services unless PSC determines there is insufficient competition within the boundaries of the county or municipal corporation.

**Background:** Of the 18 states that have actively deregulated the retail electric industry, most allow for local governments to act as aggregators on behalf of their citizens. Two program options are available: opt-in or opt-out. The opt-in program requires a resident to specifically choose to participate in the program and the opt-out program requires a resident to specifically choose *not to* participate; otherwise, the resident is automatically included in the aggregation. Only four states authorize opt-out programs: California, Ohio, Massachusetts, and Rhode Island. California and Massachusetts are the only states with any current local government aggregation activity.

The Baltimore Regional Cooperative Purchasing Committee (BRCPC) is an electric purchase aggregator that attempts to achieve cost savings by combining electric requirements into cooperative contracts and help to reduce members' administrative expenses. BRCPC currently represents one municipality, six counties, six county boards of education, and the Department of General Services. In its most recent consolidated requests for bids, only four firms submitted bids and none of the 3,000 small-to-medium

meter accounts received offers that were equal to or better than the existing standard-offer service.

Several of the local governments responding to requests for information have indicated that they would likely not act as an aggregator because the current market conditions are not providing enough competition to result in any measurable savings for those participating in aggregation.

**State Revenues:** PSC revenues could increase minimally if any county or municipal governments elected to act as an aggregator for its citizens and small businesses. Specifically, the local government would be required to be licensed by PSC as an aggregator. The license fee is \$400 and is nonrefundable. It is anticipated that the number of local governments that would apply to become an aggregator would be relatively few and the increase in PSC revenue would be minimal.

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### **Additional Information**

**Prior Introductions:** In 2004, SB 12 and HB 23, similar bills, were heard in the Senate Finance Committee and the House Economic Matters Committee but no further action was taken on either bill.

**Cross File:** None.

**Information Source(s):** Montgomery County, Prince George's County, Caroline County, Calvert County, Howard County, Public Service Commission, Office of People's Counsel, Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2005  
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