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OFFICE OF PEOPLE'S COUNSEL**

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**BILL NO:** **Senate Bill 467**  
**Electric Companies-Rate Adjustment for Lost Profits During Service Disruption**

**COMMITTEE:** **Finance**

**HEARING DATE:** **February 12, 2013**

**SPONSORS:** **Senators Frosh , *et al.***

**POSITION:** **Informational**

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Senate Bill 467 prohibits the Public Service Commission (PSC) from authorizing an electric company to adjust its rates to recover profits lost during a service disruption. The Bill would codify recent PSC orders which prohibit electric companies from recovering lost revenue for the duration of a major outage event. See Commission Order No. 85177 (applying to Baltimore Gas and Electric Company, Potomac Electric Power Company and Delmarva Power) and Order No. 85178 (applying to Southern Maryland Electric Cooperative), both issued on October 26, 2012. Before the PSC issued those Orders, electric companies had the ability to recover lost revenues for the first 24 hours of an outage. Consistent with recommendations made in the cases by the Office of People's Counsel to eliminate recovery of revenues and profits during power outages, the Commission decided that any recovery of revenues (and profits) through the Bill Stabilization Adjustment (BSA) during an outage unfairly burdened customers, did

not appropriately align the utilities' financial incentives with their reliability goals and was inconsistent with the original intent of the BSA.

The PSC strongly rejected the utilities' arguments that inability to recover the revenues penalized them, noting that the intent of the BSA" was never to assure 100 percent recovery of costs regardless of utility performance" but was adopted initially to remove the disincentive to utilities to implement energy efficiency and demand side management programs. The PSC also noted that the utilities would still have the ability to be compensated for prudently incurred costs through the usual ratemaking mechanisms. Nothing in the Bill appears to prohibit the utilities from seeking rate increases in the usual fashion to recover prudently incurred costs to resolve electric service disruptions.