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OFFICE OF PEOPLE'S COUNSEL**

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BILL NO.: **House Bill 528**
Public Utilities – Water or Sewage Disposal Systems
- Rates

COMMITTEE: **Economic Matters**

HEARING DATE: **February 1 2018**

SPONSORS: **Delegates Jameson and Mautz**

POSITION: **Support (with Sponsors' Amendment)**

House Bill 528 addresses rate setting for water or sewage disposal system in Maryland. The Bill authorizes the Public Service Commission to permit the rate consolidation of two or more water or disposal systems if (1) the systems have common ownership; and (2) the rate consolidation is in the public interest. The Office of People's Counsel supports House Bill 528, with the sponsors' amendment.

OPC represents residential utility customers in rate cases before the PSC, including the rate cases of private water companies.¹ Except for two water utilities, the remaining private water utilities are small, with relatively few customers. Several of the utilities include two or more water systems, which are not necessarily contiguous. In general, the Commission has developed separate rates for customers of the individual water systems, even when owned by a single water utility.

¹ Most water and sewer disposal customers are served by municipalities or WSSC, which are exempt from Commission regulation.

While the water utilities themselves are small, the water systems themselves are very small and often serve single communities. There are significant clean water and infrastructure requirements for the systems, necessary for public health and safety. At the same time, there are severe limits on access to capital and no economies of scale for each system. A single tariff pricing scheme, subject to evidentiary review by the Commission, can provide a reasonable and efficient approach to address the specific issues faced by these very small water systems. If appropriate, necessary capital investment costs can be shared over a larger group of customers. 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.

This Bill would allow, but not require, the Commission to consider proposals to create a single rate for the water and sewage disposal systems of a single water utility. The proposals would be the subject of an evidentiary hearing (bill as amended), which would allow the Commission Staff and OPC an opportunity to evaluate the rate proposal. The public hearing would allow members of the community served by the water systems to provide input as well.

OPC had supported House Bill 511 last year, recognizing the special circumstances of these small companies. House Bill 528 also would allow the Commission to consider a single tariff price scheme for these small, jointly owned, water systems, if it benefits the public interest – including the interests of the customers of the water systems.

For these reasons, OPC recommends a FAVORABLE report on House Bill 528.