

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 556

(Senator Gallion)

Education, Energy, and the Environment

Environment and Transportation

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Water Companies, Sewage Disposal Companies, and Water and Sewage Disposal  
Companies - Limited-Income Mechanisms

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This bill requires the Public Service Commission (PSC) to study the feasibility of requiring water companies, sewage disposal companies, and water and sewage disposal companies to adopt limited-income mechanisms to benefit eligible limited-income customers. By December 1, 2026, PSC must report its findings to the Governor and the General Assembly. Beginning July 1, 2027, the bill authorizes PSC to require a water company, sewage disposal company, or water and sewage disposal company to adopt a limited-income mechanism, subject to PSC approval, in the same manner as a utility company in accordance with existing provisions relating to limited-income mechanisms. It also expands an existing provision relating to PSC's evaluation of limited-income mechanisms to include water and sewage disposal. **The provisions requiring the study and report take effect July 1, 2026; the bill's other provisions take effect July 1, 2027.**

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Fiscal Summary

**State Effect:** The bill can be implemented using existing budgeted resources. Because it is assumed that most State agencies are not served by the affected companies, State expenditures for water and/or sewage disposal are likely not materially affected. No effect on revenues.

**Local Effect:** The potential effect on rates for water and/or sewage disposal services is discussed in the Additional Comments below. No effect on revenues.

**Small Business Effect:** Potential meaningful. The potential effect on rates for water and/or sewage disposal services is discussed in the Additional Comments below.

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## Analysis

### Current Law:

#### *Relevant Definitions in the Public Utilities Article*

“Sewage disposal company” means a privately owned public service company that owns or maintains facilities for the disposal of sewage.

“Water company” means a public service company that owns a water plant and sells or distributes water for gain.

#### *Public Service Company Rates – Generally*

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. A “just and reasonable rate” means a rate that:

- does not violate any provision of the Public Utilities Article;
- fully considers and is consistent with the public good; and
- except for rates of a common carrier, will result in an operating income to the public service company that yields, after reasonable deduction for depreciation and other necessary and proper expenses and reserves, a reasonable return on the fair value of the public service company’s property used and useful in providing service to the public.

#### *Limited-income Mechanisms under § 4-309 of the Public Utilities Article*

Chapters 638 and 639 of 2021 authorizes utility companies, after PSC approval, to adopt a limited-income mechanism to benefit eligible limited-income customers. The limited-income mechanism may take the form of a program, tariff provision, credit, rate, rider, or other means to assist an eligible limited-income customer to afford a utility service. “Utility company” means an electric company, a gas and electric company, or a gas company; the term does not include a small rural electric cooperative.

A utility company that proposes a limited-income mechanism for PSC approval must include specified information in the proposal, including a detailed description of the proposed mechanism and the rationale supporting the utility company’s proposal for a mechanism to benefit the eligible limited-income customers in the utility company’s

service territory. A proposal must allocate the prudently incurred costs of the limited-income mechanism across rate classes.

In evaluating a limited-income mechanism, PSC must consider:

- the degree to which the mechanism promotes affordability of electricity or natural gas for limited-income customers;
- the public interest in allocating the costs of the mechanism between the utility company's shareholders and rate payers;
- the impact on rates, utility operating costs, customer arrearages, customer disconnections, uncollectible costs, and successful completion of payment plans;
- the ability of a limited-income customer to continue to receive benefits when relocating within the same service territory;
- coordination of benefits under the mechanism with any other public or private assistance that may be available to the customer;
- a minimum level of support or assistance structure to provide equitable availability of limited-income assistance across the State; and
- any other information PSC considers appropriate.

If an approved limited-income mechanism requires the Office of Home Energy Programs (OHEP) to certify an eligible limited-income customer's qualifications to participate in a limited-income mechanism, OHEP must do so before the customer may participate in the mechanism. An eligible limited-income customer who participates in a mechanism under these provisions may also be eligible for other assistance programs in the State, including those offered by a utility, OHEP, the Department of Housing and Community Development, or any other public or private source.

**Additional Comments:** Rates for nonlimited-income customers increase as early as fiscal 2028 to the extent that water and/or sewage disposal companies adopt limited-income mechanisms pursuant to the bill (to fund the limited-income mechanism). The extent to which rates are affected for a particular customer or customer class cannot be reliably estimated at this time. In any event, customers of the affected companies, which are mostly residential but could include local governments and small businesses, are affected by any impact on rates resulting from the bill.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 1164 (Delegate Foley) - Environment and Transportation.

**Information Source(s):** Public Service Commission; Office of People's Counsel;  
Department of Human Services; Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2026  
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Revised - Clarification - April 10, 2026  
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