# Department of Legislative Services

Maryland General Assembly
2025 Session

## FISCAL AND POLICY NOTE
**First Reader**

House Bill 960 (Delegate A. Johnson, *et al.*)
Economic Matters

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**Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)**

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This bill prohibits an investor-owned electric company, gas company, or combination gas and electric company from recovering through rates any costs associated with specified activities, including "lobbying or political activities," entertainment or gifts, and specified expenses associated with the company's board of directors and officers. The bill also requires each investor-owned electric, gas, or combination electric and gas company to include related information and supporting documentation in an existing annual report.

## Fiscal Summary

**State Effect:** The Public Service Commission (PSC) can handle the bill's requirements with existing budgeted resources. The bill does not otherwise materially affect State finances or operations.

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:**

*Prohibited Cost Recovery through Rates*

An investor-owned electric company, gas company, or combination gas and electric company may not recover through rates any cost associated with:

- membership, dues, sponsorships, or contributions to a governmental or quasi-governmental entity, business or industry trade association, group, or related entity exempt from taxation under § 501 of the Internal Revenue Code unless PSC makes specified determinations;
- lobbying or political activities, as defined, including supporting activities such as policy research, analysis, preparation, and planning;
- except for reasonable costs that the company demonstrates during a rate case are directly beneficial to the ratepayer and in the public interest, advertising, marketing, communications, or other related activities identified by PSC that are directed toward selling services, promoting the addition of new customers, seeking additional use of the utility service, or influencing public opinion or creating goodwill toward the company;
- travel, lodging, or food and beverage expenses for the company's board of directors and officers or the board of directors and officers of its parent company;
- entertainment or gifts;
- any owned, leased, or chartered aircraft for the company's board of directors and officers or the board of directors and officers of its parent company; or
- except for reasonable costs necessary and appropriate for the company to meet its performance obligations to its customers, investor relations.

*Additional Reporting on Associated Activities*

An investor-owned electric company, gas company, or combination gas and electric company must list all itemized costs associated with the activities described above in its required annual report to PSC. In addition to any other information PSC considers relevant, the report must include:

- the costs spent by the parent company or affiliates of the company that are directly billed or allocated to the company;
- the title, job description, and salary of any company employee who performed work associated with the activities described above, including the hours attributed to the work;
- the title, job description, and salary of any employee of the parent company or affiliate of the company who performed work associated with the activities described above, including the hours attributed to the work that were directly billed or allocated to the company;
- the payments that the company made to all third-party vendors for any expenses associated with the activities described above, including unredacted billing amounts, billing dates, payees, and an explanation of each expenditure in detail sufficient to describe the purpose of the cost;

- all costs (with specified supporting documentation) associated with advertising, marketing, communications, and other related activities identified by PSC that (1) are directed toward informing customers of charges and conditions of service, safety precautions, energy conservation, temporary or emergency conditions, employment opportunities, rate cases, annual reports, or legal and financial matters or (2) seek to gather information from customers; and
- all legislation or political campaigns, at the State or local level, on which the company engaged in lobbying or political activities.

Each entry must include all Federal Energy Regulatory Commission Uniform System of Accounts codes for which (1) compensation was recorded for the employee or (2) expenses were recorded for a third-party vendor or relevant advertising activity.

**Current Law:**

*Public Service Commission – Generally*

PSC must supervise and regulate public service companies, including electric companies, subject to its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the maintenance of fair and stable labor standards for affected workers, the conservation of natural resources, the preservation of environmental quality, the achievement of the State's climate commitments for reducing greenhouse gas emissions, and the protection of a public service company's infrastructure against cybersecurity threats. PSC must also enforce compliance with legal requirements by public service companies.

*Public Service Company Rates*

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.

At any time, PSC may investigate and determine the fair value of the property of a public service company used and useful in providing service to the public.

*Excluded Expenses*

Under current law, a public service company may not charge off lobbying expenses against its ratepayers.

Under PSC regulations, charitable contributions, penalties, and lobbying expenses are not allowed for rate-making purposes. Additionally, expenses classified as promotional, community affairs, and institutional must be excluded as an expense for rate-making purposes unless a utility demonstrates during a rate case proceeding that a particular item of advertising or promotional expenditure was directly beneficial to the ratepayer and in the public interest.

"Promotional" means directed toward selling services or promoting the addition of new customers or seeking additional use of utility service. "Community affairs" means directed toward influencing public opinion on a controversial issue, or the result of any legislative or administrative matter that would justify the utility civic and community position. "Institutional" means directed toward establishing a favorable image of the utility company or its employees and which serves to identify the sponsor.

*Annual Report*

Generally, each public service company must file with PSC an annual report containing information on its corporate structure, affiliations of its officers and directors, and debt holdings.

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## Additional Information

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 682 and HB 505 of 2024.

**Designated Cross File:** None.

**Information Source(s):** Public Service Commission; Office of People's Counsel; Governor's Office; State Ethics Commission; Maryland Association of Counties; Department of Legislative Services

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510