

SENATE BILL 2

C5

(PRE-FILED)

6lr0764
CF HB 1

By: **Senator Hester**

Requested: September 3, 2025

Introduced and read first time: January 14, 2026

Assigned to: Education, Energy, and the Environment

A BILL ENTITLED

1 AN ACT concerning

2 **Investor-Owned Electric, Gas, and Gas and Electric Companies – Cost Recovery**
3 **– Limitations**

4 FOR the purpose of prohibiting certain public service companies from recovering through
5 rates any costs associated with paying certain employees a bonus except under
6 certain circumstances; prohibiting certain public service companies from recovering
7 through rates any costs associated with a supervisor's annual compensation once the
8 compensation exceeds a certain amount; requiring the boards of directors of certain
9 public service companies to adopt certain policies to place reasonable cost limitations
10 on certain types of expenditures; and generally relating to cost recovery by public
11 service companies.

12 BY repealing and reenacting, with amendments,
13 Article – Public Utilities
14 Section 4–504
15 Annotated Code of Maryland
16 (2025 Replacement Volume and 2025 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
18 That the Laws of Maryland read as follows:

19 **Article – Public Utilities**

20 4–504.

21 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
22 **INDICATED.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2) (I) “BONUS” MEANS A FORM OF DIRECT OR INDIRECT PAYMENT, CONSIDERATION, OR COMPENSATION THAT IS PAID OR CONVEYED TO AN EMPLOYEE OF A PUBLIC SERVICE COMPANY IN ADDITION TO THE EMPLOYEE’S BASE PAY.

(II) “BONUS” INCLUDES:

1. COMPENSATION THAT THE PUBLIC SERVICE COMPANY DOES NOT FORMALLY LABEL AS A BONUS PAYMENT;

2. ANY FORM OF INCENTIVE COMPENSATION THE FACT AND AMOUNT OF WHICH IS UNDER THE DISCRETION OF THE PUBLIC SERVICE COMPANY UNTIL A TIME CLOSE TO THE END OF THE PERIOD FOR WHICH THE INCENTIVE PAYMENT IS PAID; AND

3. PAYMENTS GIVEN IN ADDITION TO BASE PAY THAT ARE CONTINGENT ON THE OCCURRENCE OF ONE OR MORE EVENTS OR CONDITIONS.

(3) (I) “COMPENSATION” MEANS A FORM OF PAYMENT OR CONSIDERATION CONVEYED TO OR FOR THE BENEFIT OF A SUPERVISOR IN CONNECTION WITH THE SUPERVISOR’S WORK FOR A PUBLIC SERVICE COMPANY.

(II) “COMPENSATION” INCLUDES:

1. DIRECT AND INDIRECT METHODS OF CONFERRING BENEFITS;

2. CASH AND NONCASH BENEFITS;

3. SALARY, BONUSES, PERIOD PAYMENTS, AND SEVERANCE PAY; AND

4. THE VALUE OF A PERQUISITE, COMPENSATORY OR PAID LEAVE, OR OTHER BENEFIT NOT EXCLUDED UNDER SUBPARAGRAPH (III) OF THIS PARAGRAPH.

(III) “COMPENSATION” DOES NOT INCLUDE ANY EXPENDITURE OF A PUBLIC SERVICE COMPANY FOR HEALTH, MEDICAL, OR LIFE INSURANCE OR DISABILITY PAY.

(4) “SUPERVISOR” MEANS AN INDIVIDUAL WHO:

(I) USING THE INDIVIDUAL’S INDEPENDENT JUDGMENT:

1 **1. IS AUTHORIZED BY THE INDIVIDUAL’S EMPLOYER TO**
2 **HIRE, TRANSFER, SUSPEND, LAY OFF, RECALL, PROMOTE, DISCHARGE, ASSIGN,**
3 **REWARD, OR DISCIPLINE OTHER EMPLOYEES;**

4 **2. IS RESPONSIBLE FOR DIRECTING THE WORK**
5 **PERFORMANCE OF OTHER EMPLOYEES; AND**

6 **3. IS RESPONSIBLE FOR RESPONDING TO EMPLOYEE**
7 **COMPLAINTS; OR**

8 **(II) IS EMPLOYED IN A BONA FIDE EXECUTIVE CAPACITY UNDER**
9 **THE FEDERAL FAIR LABOR STANDARDS ACT.**

10 **[(a)] (B)** This section applies only to a public service company that is an
11 investor–owned electric company, gas company, or combination gas and electric company.

12 **[(b)] (C)** A public service company may not recover through rates any costs
13 associated with:

14 (1) membership, dues, sponsorships, or contributions to an industry trade
15 association, group, or related entity exempt from taxation under § 501(c)(6) of the Internal
16 Revenue Code; [or]

17 (2) the acquisition, use, or allocation of costs associated with a private
18 plane that is owned or leased by the public service company or its holding company;

19 **(3) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION,**
20 **PAYING A BONUS TO AN EMPLOYEE OF A PUBLIC SERVICE COMPANY; OR**

21 **(4) COMPENSATION FOR A SUPERVISOR THAT EXCEEDS 110% OF THE**
22 **MAXIMUM ANNUAL SALARY PAYABLE TO A MEMBER OF THE COMMISSION FOR THE**
23 **SAME CALENDAR YEAR.**

24 **(D) A PUBLIC SERVICE COMPANY MAY RECOVER THE COSTS ASSOCIATED**
25 **WITH PAYING AN EMPLOYEE A BONUS THROUGH RATES IF:**

26 (1) **THE EMPLOYEE HAS A WRITTEN EMPLOYMENT CONTRACT THAT**
27 **WAS EXECUTED ON OR BEFORE DECEMBER 31, 2025; OR**

28 (2) **THE EMPLOYEE IS COVERED BY A VALID COLLECTIVE**
29 **BARGAINING AGREEMENT.**

1 **(E) THE BOARD OF DIRECTORS OF EACH PUBLIC SERVICE COMPANY SHALL**
2 **ADOPT A COMPANY-WIDE POLICY PLACING REASONABLE COST LIMITATIONS ON**
3 **EXPENDITURES FOR:**

4 **(1) ENTERTAINMENT AND EVENTS;**

5 **(2) OFFICE AND FACILITY RENOVATIONS;**

6 **(3) TRANSPORTATION SERVICES, INCLUDING AVIATION;**

7 **(4) STAFF DEVELOPMENT ACTIVITIES OR EVENTS;**

8 **(5) PERFORMANCE INCENTIVES; AND**

9 **(6) OTHER ACTIVITIES OUTSIDE OF THE SCOPE OF THE NORMAL**
10 **COURSE OF BUSINESS OPERATIONS.**

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 2026.