

OPPOSE – House Bill 505
Limitations on Cost Recovery by Public Service Companies
House Economic Matters Committee

Columbia Gas of Maryland, Inc. (Columbia) respectfully opposes House Bill 505 which among other items prohibits public service companies from recovering through rates certain costs.

Currently, the Maryland Public Service Commission (PSC) prohibits lobbying costs from being recovered from rate payers and the PSC has the ability to challenge the appropriateness of any utility cost sought for ratepayer recovery during a rate case proceeding. The PSC is the proper forum to determine rate recovery by utilities for their expenses.

Columbia's primary concern related to HB 505 is the provision that a public service company may not recover through rates any costs associated with membership, dues, sponsorships or contributions to a business or industry trade association or group.

A public service company's trade association dues can and do benefit customers and, therefore, should continue to be recoverable. Most trade or business association activities are not lobbying and these groups provide a variety of diverse services to a member that benefit both the member and its customers. In fact, many trade groups and associations highlight the percentage of their membership dues that are attributed to lobbying so members are prevented from taking any tax benefit for such expenses.

Utility trade groups provide programs and services directly related to improving safety, operational reliability and efficiencies, security, environmental stewardship and operator knowledge.

Specifically, Columbia's membership in the American Gas Association, for example, provides:

- The ability to participate in more than 50 committees, councils and task forces to exchange information with peer companies to enhance safety, address operational issues, reduce costs and better serve customers
- Federal regulatory updates, industry studies, surveys and technical papers that illuminate best practices
- Program "clearinghouse" services in safety, operational excellence, customer relations and satisfaction, cybersecurity protection, workforce training and development, and environmental sustainability
- Mutual assistance programs and emergency planning resources
- A large number of manuals and technical papers for the day-to-day operations of gas utilities
- Consumer safety pamphlets, fact sheets, bill stuffers and other customer communications
- Financial, accounting and insurance activities and support
- A database of performance metrics on customer service functions such as call centers, energy assistance programs, billing, and meter reading; and
- Litigation alerts, legal forums and workshops.

The services provided by business or industry trade groups ultimately benefit rate payers through enhanced safety and best practices that reduce costs.

Columbia is also concerned with the provision preventing investor relations costs from being recovered through rates. Utility companies are an extremely capital-intensive business and utilities must compete for capital from the investment community. Capital can be supplied by private participants in public equity and debt capital markets or by government or other entities.

Investor relations is a key function for any utility in managing its cost of debt and equity and differentiating risk-adjusted return potential versus alternative investments. Investor relations communicates with investors directly, attracts and maintains existing capital and works to minimize volatility in the performance of the investment. Investor relations is a critical function for utilities benefiting customers through competitive financing and access to funds for infrastructure replacement projects and other work to ensure reliable and safe utility service. It should remain a rate recoverable expense.

The requirements of HB 505 are problematic and consequently Columbia Gas cannot support HB 505 as appropriately crafted policy related to costs that may be recovered through rates by a public service company. We therefore urge an unfavorable report.

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