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PUBLIC SERVICE COMMISSION

February 20, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: HB 505 – Information - Limitations on Cost Recovery by Public Service Companies and Reports on Votes Cast at Meetings of Regional Transmission Organizations (Utility Transparency and Accountability Act)

Dear Chair Wilson and Committee Members:

House Bill 505 notably has two main provisions for which the Public Service Commission (PSC) shall provide information. This bill establishes limitations and reporting requirements on the specific costs that can be recovered through distribution base rates by public service companies as reviewed and approved by the PSC. In addition, HB 505 creates a reporting requirement for public service companies to report their individual voting results at meetings held by the PJM Interconnection (the Regional Transmission Organization (RTO) of which Maryland is a part). The Commission provides these informational comments for your consideration.

First, the proposed legislation specifies seven categories of costs, that “a public service company may not recover through rates.” These seven categories include costs associated with: 1) membership to an industry trade organization, 2) lobbying or political activities, 3) advertising or marketing, 4) travel, lodging, or food and beverage for the board of directors or officers of the parent company, 5) entertainment or gifts, 6) owned, leased, or chartered aircraft for the board of directors or officers of the parent company, and 7) investor relations.

The Commission notes that there are already existing laws, regulations, and orders limiting a public service company’s recovery of costs related to the above-mentioned categories. Related to lobbying and political activities, COMAR 20.07.04.08 B prohibits the inclusion of charitable contributions, penalties, and lobbying expenses in a rate case proceeding. Related to advertising and marketing activities, COMAR 20.07.04.08 C prohibits the inclusion of expenditures used for advertising and promotion other than informational material, unless it is deemed by the Commission to benefit ratepayers and be in the public interest. Related to utilities’ membership in trade organizations, the Commission recently issued an order in a utility rate case which greatly reduced the amount of association dues that the public service company can include in a base rate case. This decision was made to prevent ratepayers from financing activities that run

counter to the State's climate goals, while still allowing a public service company to partake in educational materials provided by such associations.

Additionally, the proposed legislation includes a requirement that all public service companies submit a report itemizing the various costs that are being prohibited from inclusion in a utilities' base rate case. The Commission notes that a portion of the proposed prohibited costs are already required to be reported by the public service companies in compliance with Section 5 Subtitle 7 of the Maryland Public Ethics Law. This section of the law requires that lobbyists be registered and trained by the State, and subject to the annual reporting requirements as laid out in 5-705 of the Maryland Public Ethics Law. This section specifically outlines that a lobbyist shall report total expenditures in connection with influencing legislative or executive action including: salary compensation, meals and beverages provided, lodging and scheduled entertainment, and any additional expenses.

Second, the proposed legislation requires all electric companies to be a member of an RTO, and requires that each electric company submit an annual report to the Commission reporting on the specific votes cast by each electric company and an explanation on the votes cast. It is the Commission's understanding that all of the regulated electric companies within the State are already voting members in the PJM Interconnection's various meetings, based on PJM's website.

The Commission asks that you consider these comments when reviewing the language proposed in House Bill 505. Please direct any questions you may have to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa1@maryland.gov

Sincerely,

A handwritten signature in blue ink that reads "Frederick H. Hoover". The signature is written in a cursive style with a large, stylized 'F' and 'H'.

Frederick H. Hoover, Chair
Maryland Public Service Commission