

HOUSE BILL 1

C5

(PRE-FILED)

6lr0844

CF SB 2

By: ~~Delegate Crosby~~ Delegates Crosby, Allen, Amprey, Bagnall, Behler, Boaf,
Cardin, Edelson, Foley, Forbes, Fraser-Hidalgo, Guyton, Healey, Kaufman,
Korman, Lewis, J. Long, Moon, Odom, Phillips, Ruff, Shetty, Solomon,
Stein, Toles, and Watson

Requested: September 15, 2025

Introduced and read first time: January 14, 2026

Assigned to: Environment and Transportation

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 5, 2026

CHAPTER _____

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; requiring the Public Service Commission to publish
11 certain guidance; requiring each public service company to send a copy of the policy
12 adopted under this Act to the Commission at certain times; and generally relating to
13 cost recovery by public service companies.

14 BY repealing and reenacting, with amendments,
15 Article – Public Utilities
16 Section 4–504
17 Annotated Code of Maryland
18 (2025 Replacement Volume and 2025 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

Article – Public Utilities

4–504.

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

(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~~ AN EMPLOYEE OF A PUBLIC SERVICE COMPANY, THE PARENT COMPANY OF A PUBLIC SERVICE COMPANY, OR ANY OTHER AFFILIATE OF A PUBLIC SERVICE COMPANY IN CONNECTION WITH THE ~~SUPERVISOR’S~~ EMPLOYEE’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

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

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

7 (4) “SUPERVISOR” MEANS AN ~~INDIVIDUAL~~ EMPLOYEE OF A PUBLIC
8 SERVICE COMPANY, THE PARENT COMPANY OF A PUBLIC SERVICE COMPANY, OR ANY
9 OTHER AFFILIATE OF A PUBLIC SERVICE COMPANY WHO:

10 (I) USING THE ~~INDIVIDUAL’S~~ EMPLOYEE’S INDEPENDENT
11 JUDGMENT:

12 1. IS AUTHORIZED BY THE ~~INDIVIDUAL’S~~ EMPLOYEE’S
13 EMPLOYER TO HIRE, TRANSFER, SUSPEND, LAY OFF, RECALL, PROMOTE,
14 DISCHARGE, ASSIGN, REWARD, OR DISCIPLINE OTHER EMPLOYEES;

15 2. IS RESPONSIBLE FOR DIRECTING THE WORK
16 PERFORMANCE OF OTHER EMPLOYEES; AND

17 3. IS RESPONSIBLE FOR RESPONDING TO EMPLOYEE
18 COMPLAINTS; OR

19 (II) IS EMPLOYED IN A BONA FIDE EXECUTIVE CAPACITY UNDER
20 THE FEDERAL FAIR LABOR STANDARDS ACT.

21 [(a)] (B) This section applies only to a public service company that is an
22 investor-owned electric company, gas company, or combination gas and electric company.

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

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

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

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

~~(4)~~ (3) COMPENSATION FOR A SUPERVISOR THAT EXCEEDS 110% OF THE MAXIMUM ANNUAL SALARY PAYABLE TO ~~A MEMBER~~ THE CHAIR OF THE COMMISSION FOR THE SAME CALENDAR YEAR.

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

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

~~(2) THE EMPLOYEE IS COVERED BY A VALID COLLECTIVE BARGAINING AGREEMENT.~~

~~(E)~~ (D) (1) THE BOARD OF DIRECTORS OF EACH PUBLIC SERVICE COMPANY SHALL ADOPT A COMPANY-WIDE POLICY PLACING REASONABLE COST LIMITATIONS, IN ACCORDANCE WITH GUIDANCE PUBLISHED BY THE COMMISSION UNDER PARAGRAPH (2) OF THIS SUBSECTION, ON EXPENDITURES THAT THE PUBLIC SERVICE COMPANY INTENDS TO RECOVER THROUGH RATES FOR:

~~(1)~~ (I) ENTERTAINMENT AND EVENTS;

~~(2)~~ (II) OFFICE AND FACILITY RENOVATIONS;

~~(3)~~ (III) TRANSPORTATION SERVICES, INCLUDING AVIATION;

~~(4)~~ (IV) STAFF DEVELOPMENT ACTIVITIES OR EVENTS;

~~(5)~~ (V) PERFORMANCE INCENTIVES; AND

~~(6)~~ (VI) OTHER ACTIVITIES OUTSIDE OF THE SCOPE OF THE NORMAL COURSE OF BUSINESS OPERATIONS.

(2) THE COMMISSION SHALL PUBLISH GUIDANCE DEFINING “REASONABLE COST LIMITATIONS” FOR EXPENDITURES UNDER THIS SUBSECTION.

(3) EACH PUBLIC SERVICE COMPANY SHALL SEND A COPY OF THE POLICY ADOPTED UNDER PARAGRAPH (1) OF THIS SUBSECTION TO THE COMMISSION:

(I) AS SOON AS PRACTICABLE; AND

(II) EACH TIME THE POLICY IS UPDATED, BUT NOT LESS THAN EVERY 5 YEARS.

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.