

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 540 (Delegate Lehman, *et al.*)
Environment and Transportation

**Investor-Owned Electric, Gas, and Gas and Electric Companies - Utility Rate
Changes (Public Service Company Transparency Act)**

This bill prohibits a public service company that is an investor-owned electric company, gas company, or combination gas and electric company, unless otherwise ordered by the Public Service Commission (PSC), from initiating a proceeding that may lead to a rate change unless it first (1) notifies customers of the proceeding, as specified, and (2) prepares and publishes a 10-year rate trend report that meets specified requirements. In addition, a public service company must include in each retail customer's bill and automatic payment e-mail a specified statement regarding PSC and how to obtain information on participating in or observing a proceeding before PSC. By January 1, 2028, and annually thereafter, PSC, in consultation with the Office of People's Counsel (OPC), must develop and publish an annual rate report for each public service company operating in the State. Related requirements are established for public service companies. OPC must bring a case to PSC if it determines that an annual rate report published by PSC contains incorrect or misleading information.

Fiscal Summary

State Effect: PSC and OPC can implement the bill's requirements using existing budgeted resources. Revenues are not affected.

Local Effect: None. The bill does not apply to municipal electric utilities.

Small Business Effect: None.

Analysis

Bill Summary: The notice that a public service company must provide customers before initiating a proceeding that may lead to a rate change must be through a bill insert or separate e-mail and must notify customers (1) that such a proceeding is being initiated; (2) of the relevant procedural dates; and (3) where to find information regarding the rate change on PSC's website.

The 10-year rate trend report that a public service company must prepare and publish before initiating a proceeding that may lead to a rate change must (1) include a visual graphic depicting the 10-year rate change trend, as specified; (2) identify costs associated with transmission, distribution, and standard-offer or commodity service; and (3) account for all customer bill line items, including rate riders.

By January 1, 2028, and by each January 1 thereafter, PSC, in consultation with OPC, must develop and publish on its website an annual rate report for each public service company operating in the State. The annual rate report must explain, in nontechnical terms, the observed rate trends. To develop the annual rate report for each public service company, PSC must use information provided by the public service company in its rate trend report. Each year, a public service company must (1) distribute to each retail customer a bill insert that includes the annual rate report and (2) post the annual rate report on its website.

The bill does not apply to a municipal electric utility or an electric cooperative.

Current Law:

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.

Generally, a public service company must file a tariff schedule of its rates and charges for its regulated services and for standard offer service with PSC. A public service company

may not sell, render services, or furnish a commodity until it files and publishes its rate schedules with PSC. Additionally, a public service company may not demand or collect (1) compensation that differs from compensation specified in its rate schedules that are in force at the time of the demand or collection or (2) a charge that violates the statutory provisions that govern public utilities.

Rate Case Initiation and Notice Requirements

Unless otherwise ordered by PSC, a public service company may not establish a new rate or change in rate unless the public service company (1) provides to PSC notice of the new rate or change in rate at least 30 days before the new rate is established or current rate is changed and (2) publishes the new rate or change in rate, as specified, during the entire 30-day notice period in new schedules or plainly indicated amendments to existing schedules. The public service company must plainly set forth in the notice and publication (1) the changes that it proposes to the rate schedules currently in force and (2) the effective date of the changes.

PSC may suspend, effective immediately and without formal proceedings, any new rate or change in rate proposed by a public service company. PSC may (1) suspend the rate initially for up to 180 days after the proposed effective date and (2) extend the suspension for up to an additional 90 days if the filing is for an alternative form of ratemaking for a public service company.

Public Service Commission Proceedings

To the extent necessary to receive public comment for each application for a rate increase, PSC must hold a hearing at a convenient location and time during evening hours (1) in person in the affected service area or (2) virtually, with appropriate notice provided so that persons in the affected service area may participate in the hearing.

Customer Billing Requirements

COMAR 20.50.04.03 (for service supplied by electric companies) and COMAR 20.55.04.03 (for service provided by gas companies) list the mandatory items that must appear on a customer bill. The regulations do not require a standardized statement describing PSC's regulatory authority or explaining how customers may participate in a PSC proceeding.

Additional Comments: PSC advises that when a public service company files for a rate change, PSC issues a notice establishing the case docket, and a hearing is then held to set the procedural schedule. The bill requires a public service company to notify its customers when a proceeding that may result in a rate change is initiated and to include relevant

procedural dates. However, public service companies do not have that information at the time the proceeding is initiated, so they cannot provide that information to customers.

Additionally, it is unclear which report a public service company must distribute to retail customers in a bill insert and post on its website each year. The ambiguity has no effect on the fiscal implications of the bill.

OPC posts information on its [website](#) regarding utility rates.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Office of People's Counsel; Public Service Commission; Department of Legislative Services

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