Chairman Dereck Davis
Vice-Chair Kathleen
Dumais Members
House Economic Matters Committee
241House Office Bldg
Annapolis, MD 21401

January 21, 2021

HB 174 – Public Utilities – Investor-Owned Utilities – Prevailing Wage
Position - Favorable

Chairman Davis and members of the Committee, my name is Rick Binetti, representing LiUNA's Baltimore Washington Laborers' District Council. We represent more than 7,400 members in the Maryland, D.C. and Virginia region; two-thirds of whom are Maryland residents.

In Maryland, we also have about 800 members who work on utility construction projects for contractors employed by Washington Gas, BGE and Pepco. Our members are the backbone of these projects and perform crucial tasks that ensure system reliability and safety.

Investor-owned utility companies today are contracting out large portions of their construction work. For example, BGE has approximately 3,200 in-house employees. BGE also uses close to 1,000 contracted-out workers to help maintain its infrastructure. And virtually all of Washington Gas's pipe replacement projects are performed by contractors. Yet utility regulation has not kept pace with this trend, especially given Maryland's priority that all utilities continually modernize their infrastructure.

HB 174 addresses this by extending the prevailing wages already paid to construction workers on public infrastructure -- like roads, bridges, sewers and tunnels -- to include utility workers working on underground utility projects. Just like public infrastructure, utility infrastructure is central to Maryland's economy and people's lives.

The shift by utilities to contract out more of their capital and maintenance activities is not unique to Maryland. Other states have developed a few best practices to ensure that the outsourcing this vital construction work does not compromise quality, safety and reliability.

In New Jersey, where BGE and Pepco's sister utility, Atlantic City Electric Company operates, utilities are required 1) to use contractors employing workers who have successfully completed OSHA-certified safety training, and 2) pay those contracted-out employees the prevailing rate for their craft.

The City of New York requires the payment of prevailing wages to workers on New York City street excavations (see: N.Y.A.D.C. § 19-142). Because utility infrastructure is buried in public streets, this rule assures that construction standards are maintained regardless of whether it's a government infrastructure project, or one privately financed through a public utility.

In Pennsylvania, municipalities own and operate their own utilities, like Philadelphia Gas and Electric. Construction workers on publicly funded projects there are paid prevailing wages. In fact, there is already a significant amount of utility infrastructure built by workers in Maryland who are paid prevailing wages. The Washington Suburban Sanitary Commission (WSSC) has required contractors to pay workers prevailing wages since 2014.

On public projects, prevailing wage removes downward pressure on wages and incentivizes contractors to invest in a pipeline of skilled labor through apprenticeships. That's why we think it's important that the same prevailing wages Maryland has put in place to protect the public interest should also apply to contractors used by investor-owned utilities

On a prevailing wage job, a laborer earns a family-supporting wage *plus* fringe benefits like affordable or employer-sponsored family health insurance and a retirement plan. In Maryland, that totals around $26 an hour. While this laborer isn't getting rich, laborers non-prevailing wage jobs typically earn about 26 to 36% less, with little to no affordable family health insurance or other benefits. And while they are paid more, the union wage or prevailing wage laborer still earns roughly 11% less than the average income in Maryland.

The Maryland Public Service Commission's adoption of multi-year ratemaking pushes the issue of wages to the forefront. Utilities now have the opportunity to set rates for several years at a time. This multiyear ratemaking provides utility company shareholders some regulatory and short-term profit certainty. But what benefits will Maryland's residents get out of it? The state should get a guarantee that its citizens are receiving the most modern, reliable, and safe utility infrastructure possible--built by a pipeline of highly skilled Maryland workers made possible by a prevailing wage floor.

BWLDC urges a favorable vote on HB 174. Thank you.