

SENATOR DELORES G. KELLEY
Legislative District 10
Baltimore County

—
Chair
Finance Committee

—
Executive Nominations Committee
Rules Committee
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THE SENATE OF MARYLAND
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**TESTIMONY OF SENATOR DELORES G. KELLEY
REGARDING SENATE BILL 506 PUBLIC UTILITIES-
REGULATORY ASSETS-PROHIBITION
BEFORE THE SENATE FINANCE COMMITTEE**

February 16, 2021

Mr. Vice-Chair and Members:

Colleagues, Senate Bill 506 prohibits a utility from collecting a rate of return on regulatory assets created as a result of conditions established under a governor's declaration of a state of emergency.

In April, the Maryland Public Service Commission (PSC) issued an accounting order. In traditional business

accounting, businesses must report expenses and losses as they are incurred. An accounting order, like the one the PSC issued, authorizes

SB 506

Page 2

the creation of a regulatory asset. Utilities can place expenses into that regulatory asset with a degree of certainty that they will recoup those costs. There is also an expectation that the regulating body will grant a rate of return, or profit on those incurred costs.

Included in these costs are cleaning services and personal protection equipment, employee sequestration costs, employee benefit related costs, incremental facilities and vehicle cleaning costs, incremental security costs, incremental overtime costs, public relations & printing costs, and other costs. To a lesser extent, there are also savings. The net is then subject to a rate of return. To be clear, the bill allows the utilities to recover costs, but prohibits a rate of return, a profit.

As a result of COVID-19 many of our constituents have suffered. The pandemic has left many unable to make ends meet. Small businesses have struggled to keep the doors open, staff paid, and the lights on. The

SB 506

Page 3

thought of profit for these businesses is now but a distant memory.

Small businesses across the state have few ways to recover expenses incurred as a result of COVID-19, let alone profit from them. However, our state's regulated utilities and their shareholders stand to profit from COVID-19, when nearly no one else is. Current law insulates the utility shareholder, protects them from the slightest risk.

What is so sacred about a utility shareholder that they cannot absorb the slightest loss? Certainly they can forgo the profit on costs incurred as a result of the pandemic. Senate bill minimizes the possibility that utilities might profit off of the pandemic, while still allowing them the ability to recover their costs.

In view of the aforementioned, I ask for a favorable report on Senate Bill 506.