

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

The Honorable C.T. Wilson, Chair
Economic Matters Committee
Maryland House of Delegates
Annapolis, MD 21401

February 20, 2025

Testimony in Support of HB0984: Public Utilities - Electric Cooperatives - Rate Proceedings

Chair Wilson and esteemed members of this committee,

Thank you for the opportunity to provide written testimony in support of HB0984: Public Utilities - Electric Cooperatives - Rate Proceedings. I am Delegate Brian Crosby, the representative for District 29B in St. Mary's County, Maryland. The purpose of HB0984 is to implement "make whole" rate proceedings for certain electric cooperatives in a similar process as currently exists for small investor-owned gas companies and municipal utilities.

As established by current statute, the Public Service Commission (PSC) protects ratepayers by ensuring that ratepayers pay a just and reasonable rate for utility services. While the process of determining that rate depends on the size of the utility, utilities that are less than 3% of the total gross annual revenue of all public service companies in the State participate in the "make whole" rate proceeding. This proceeding allows similar-sized utilities to recoup costs that are unable to be covered by the regular rate-making process.

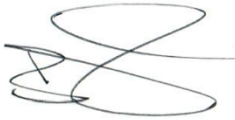
HB0984 permits electric cooperatives to be included in the "make whole" rate proceeding. The litigation process for the establishment of a new rate is often expensive and involves significant time and resources for all involved stakeholders. The result is that the costs incurred by the utility during the process of litigating a new rate case are ultimately passed to the ratepayer. With the passage of HB0984, the already-existing, streamlined process will reduce the costs associated with rate cases and will still allow the Public Service Commission, Maryland Office of People's Counsel, and any other interested parties to review any application submitted by an electrical cooperative to modify its rates.

HB0984 also includes the use of DSC Ratio as the methodology to calculate a new rate for an electrical cooperative rather than using "rate of return." Similarly sized not-for-profit cooperatives tend to use DSC Ratio as it is the preferred methodology for indicating a company's ability to meet its ongoing debt service payments, including both principal and interest. Changing the methodology to match the needs of the electrical cooperatives ensures that best practices are being followed to better protect ratepayers, the State, and the cooperatives.

In conclusion, the passage of HB0984 would protect ratepayers by helping not-for-profit, electrical cooperatives use the existing, administratively-streamlined process of the “make whole” rate proceeding to establish a new rate if a mismatch between costs and revenues warrants a new filing. It is important to note that the legislation does not diminish the ability of interested parties to review applications for a modification of its electric distribution rates. Similarly, HB984 preserves all customer protections in place today related to rate cases, including requirements for publication/notice and public hearings.

Thank you for your consideration of this legislation, I urge a favorable report.

Sincerely,

A handwritten signature in black ink, appearing to be "Brian Crosby", with a stylized flourish at the end.

Delegate Brian Crosby
District 29B, St. Mary's County