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112 West Street
Annapolis, MD 21401

Oppose – House Bill 960 Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **House Bill 960 Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)**. House Bill 505 prohibits public service companies from recovering through rates various cost such as lobbying costs, membership dues/contributions or sponsorships associated with certain activities in Maryland and directs public service companies to report those costs to the Public Service Commission (PSC). House Bill 960 unfairly singles out Maryland utilities and charges them with additional burdens that are not applicable to other industries creating undue conflicts with and complexity of the Maryland Public Ethics Law's definition and reporting of lobbying.

House Bill 960 is based on a predicate that is untrue—that utility expenditures and recovery of utility expenditures are not transparent. The very nature of being in a highly regulated industry, such as the utility industry, means utility expenditures and whether they are recoverable are highly scrutinized every time the utility seeks cost recovery. This high scrutiny also applies to every periodic report filed by the utility with the PSC.

The PSC has the jurisdictional responsibility for setting distribution rates for utilities in Maryland. As the regulator, they have the authority to determine whether a rate is just and reasonable and ensure the utility's operation is in the public interest. In fact, the first bullet on the Public Service Commission's website description of its mission statement is the following:

- Ensure that rates, terms, and conditions established for public service companies are just, reasonable, and transparent.

The PSC holds public hearings to allow utility customers and other interested persons the opportunity to provide comments or concerns on a pending case and the Maryland electric companies routinely get data requests from intervening parties, including PSC Staff and the People's Counsel, on our expenditures, including many of the items included within House Bill 960. The PSC thoroughly reviews these expenditures and in carrying out its mission, determines whether those expenditures are just and reasonable and should be recovered from customers.

Additionally, the prescriptive categories of expenditures that cannot be recovered under the bill compromises the regulated rate-making process and presents unintended risks that should be carefully scrutinized by the Commission. For example, investor relations play a significant role in securing and maintaining capital, which strengthens our ability to secure competitive financing to benefit customers. This funding is essential as we expand and strengthen the electric systems to achieve the goals of the Maryland Climate Solutions Act. While the legislation looks to exempt certain investor relation expenses, the language is unclear in terms of what can be recovered in rates. Limiting the recovery of expenditures relating to the part of our organization that facilitates the lowest cost of financing available is harmful to customers because higher financing costs will ultimately be paid by customers through the ratemaking process. In addition, to the extent we are unable to finance the amounts needed cost-effectively, our infrastructure investments may be reduced, adversely impacting third-party vendors throughout the supply chain as well as union and non-union labor.

These proposed provisions seem to displace the Commission's authority over utility ratemaking, as set forth above, and purport to prejudge prudence. Not allowing utilities the opportunity to recover expenses associated with justly and reasonably provided distribution service to customers is inconsistent with the regulatory compact. For example, House Bill 960 improperly re-defines what constitutes lobbying for the utility industry alone. Lobbying costs, as defined by Maryland Ethics Law (Section 5-702 of the General Provisions Article), are currently not recoverable from customers. Re-defining what constitutes lobbying for a limited group of companies that are singled out by the bill is inequitable and unnecessary. Many companies doing business in Maryland are the recipients of state funding, which is essentially paid for by all Maryland residents through taxes. Yet these companies are not subject to the much broader definition of lobbying included within House Bill 960. Finally, 960 requires public service companies to provide confidential information on employee salaries and contractor information, including for costs that are already excluded from recovery under existing precedent. Pepco and Delmarva Power have significant privacy concerns on behalf of its employees regarding this provision.

Pepco and Delmarva Power oppose House Bill 960 as it is arbitrarily duplicates and complicates current laws that are already in place. We respectfully request an unfavorable report.

Pepco Holdings, the parent company of Pepco, an electric utility serving Washington, D.C., and suburban Maryland; Delmarva Power, an electric and gas utility serving Delaware and portions of the Delmarva Peninsula; and Atlantic City Electric, an electric utility serving southern New Jersey. Pepco Holdings is a subsidiary of Exelon Corporation, one of the nation's leading energy services companies.

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