

Ratepayer Freedom Act (HB960)

House Economic Matters Committee

March 13, 2025

Position: FAVORABLE

Dear Chair Wilson and Members of the Committee,

The undersigned 43 organizations urge you to pass HB960 to restrict how investor-owned monopoly utility companies can spend ratepayer money and establish important transparency requirements. We are encouraged to see how customers save money due to this legislation passing in other states.¹

Investor-owned utility companies have a state-granted monopoly, so the legislature and Public Service Commission (PSC) regulate their distribution rates and spending. This unique arrangement is meant to ensure that ratepayers are only charged for the costs of maintaining infrastructure and distributing energy to homes and businesses via our monthly utility bills.

However, **utilities regularly try to foist unnecessary expenses onto ratepayers.** Without this legislation, there is a risk that ratepayers are on the hook for utility spending that is not in the public interest nor necessary for the provision of safe, affordable, and reliable utility service. **We urge the legislature to make clear what expenses monopoly electric and gas utilities cannot charge their customers.** For instance, utilities in Maryland have attempted to include the following costs in customer rates:

- In a recent rate case application, Washington Gas included advertisement expenses at Washington Nationals games and with ESPN, to name a few. These specific advertisements were promotional and image-boosting for the utility; the ads did nothing to inform customers of necessary and important information.²
- Chesapeake Utilities (Sandpiper Energy and Elkton Gas) included advertising expenses that promoted the company's image, including its sponsorship of the American Heart Association's 2023 Go Red for Women campaign. Again, the ads did nothing to inform customers of necessary information.³
- Chesapeake Utilities also included a \$10,320 charge for a retirement gift and booked the cost to an investor relations account.⁴ Investor relations expenses should only be paid for by customers when the costs are deemed necessary for a utility to meet its performance obligations to customers. Customers should not be treated like the utilities' ATMs.

¹ The Colorado Sun, "Xcel Energy ordered to remove investor relations and executive salaries from costs passed on to Colorado consumers," Nov. 5, 2024. <https://coloradosun.com/2024/11/05/xcel-bills-executive-salaries-investor-relations-colorado/>; WFSB, "I-TEAM follow: PURA denies gas utility request for costs barred by state law," Nov. 18, 2024. <https://www.wfsb.com/2024/11/18/i-team-follow-pura-denies-gas-utility-request-costs-barred-by-state-law/>

² Washington Gas Light, Application For Authority To Increase Rates And Charges For Natural Gas Services, Maryland Public Service Commission, Case No. 9704, 2023. See attachment.

³ In Chesapeake Utilities Corporation, Sandpiper Energy, Inc., And Elkton Gas Company's Application For General Increase In Their Natural Gas Rates And For Approval Of Certain Other Changes To Their Natural Gas Tariffs, Maryland Public Service Commission, Case No. 9722, 2024. See attachment.

⁴ *Ibid.*

Additionally, monopoly utilities charge their customers membership fees to political trade associations.⁵ These political trade associations regularly lobby and engage in political influence activities to alter policies that increase companies' profits and raise customer rates.⁶ We were also frustrated to read that one of these trade groups, the Edison Electric Institute, hosted an inauguration watch party for President Donald Trump.⁷ Our money should not be going to these types of political organizations.

Utilities claim that they remove the “lobbying” portion of their dues to these organizations from rate recovery, but they employ an overly narrow definition of lobbying that does not cover advocacy expenses. When utilities charge ratepayers for membership dues at these trade associations, they are in effect forcing ratepayers to pay for political activities with which they may not agree. Under this legislation, utilities will still be free to pay dues to trade associations or membership groups of their choosing - they just will have to use their profits, not customers' money, to do so. The Ratepayer Freedom Act disallows dues and expenses paid to trade associations unless the PSC rules that these groups are operating to benefit customers through research and development activities, and not primarily lobbying.

Maryland law already bars utility companies from charging ratepayers for their direct lobbying efforts, but the law needs to be strengthened and clarified to close loopholes and provide more protections for ratepayers.

- The Ratepayer Freedom Act more clearly defines lobbying and how utility companies can use ratepayer money, closing loopholes that are being exploited by utility companies.
- The legislation also requires utility companies to submit an annual report outlining all expenses related to these activities. The current annual report filed by utilities does not provide sufficient details to ensure compliance. Increasing transparency will equip all parties with more information, will relieve the burden on consumer advocates and state agencies, and make certain that utilities appropriately spend customer money.
- Potomac Edison, for example, was recently forced to disclose spending that revealed customer money went to the Cleveland Guardians, Cleveland Browns, Democratic Governors Association, and Republican Attorneys General Association.⁸ This type and

⁵ Examples: Case No. 9704, Washington Gas Light Company's Application for Authority to Increase Rates, Post-Hearing Brief of Office of People's Counsel, showed \$271,865 of AGA dues WGL allocated to customers; Case No. 9645, Application of Baltimore Gas and Electric Company for an Electric and Gas Multi-Year Plan, Supplemental Info Sections 1 thru V, showed \$1,000,000 in memberships charged above-the-line; Case No. 9655, Application of Potomac Electric Power Company's Application for an Electric Multi-Year Plan, Supporting Data Section III M, showed \$1,257,677 to membership organizations; Case No. 9490, Application of the Potomac Edison Company For Adjustments To Its Retail Rates, Supporting Data Section III M, showed \$143,990 to membership organizations; Case No. 9681, Delmarva Power & Light Company's Application for an Electric Multi-Year Plan, Supporting Data Section III M, showed \$421,807 to membership organizations.

⁶ Examples include: EEI working to prevent competition for transmission line construction, <https://www.utilitydive.com/news/utilities-ferc-transmission-eei-rates-consumers-rofr-refusal-peg/608370/>; EEI urging higher profits for members at FERC, <https://www.utilitydive.com/news/eei-ferc-pge-caiso-rto-equity-adder-southern-california-sce/705964/>; https://www.scottmadden.com/content/uploads/2017/12/ScottMadden_EEI_Transmission_Investment_2017_1214.pdf.

⁷ Documented Investigations, “Swamp Dollars,” January 20, 2025. <https://documented.net/swamp-dollars/rga-and-eei-trump-inaugural-parade-watch-party-in-dc>

⁸ Potomac Edison Company's Application for Adjustments to its Retail Rates for the Distribution of Electric Energy, Case No. 9695. Exhibit 22 - data response from Potomac Edison to Solar United Neighbors of Maryland in Case No. 9667. https://www.documentcloud.org/documents/25141646-md-case-no-9695_opc-response-to-firstenergy

level of disclosure should occur annually - not just when a utility company is federally charged for wire fraud.⁹

This legislation will ensure that policymakers have enough information to regulate utility companies and the public has confidence in the regulatory process. We strongly urge a favorable report on this bill.

Sincerely,

1199SEIU United Healthcare Workers East
ACQ Climate
Baltimore 350
Baltimore Jewish Council
Baltimore Racial Justice Circle
Blue Water Baltimore
Cancer Support Foundation
Cedar Lane Unitarian Universalist Environmental
Justice Ministry
Clean Water Action
Climate Reality Greater Maryland
Coal Free Curtis Bay
Elders Climate Action Maryland
F Minus
Green Sanctuary, Unitarian Universalist Church of
Silver Spring
Indivisible Howard County MD
Interfaith Power & Light (DC.MD.NoVA)
Maryland Latinos Unidos (MLU)
Maryland Legislative Coalition
Maryland PIRG
Mobilize Frederick
Nuclear Information and Resource Service
Our Zero Waste Future
Progressive Maryland
Solar United Neighbors

350.org
Baltimore City Council President Zeke
Cohen's Office
Baltimore Renters United
Climate Justice Wing of Maryland
Legislative Coalition
Chesapeake Climate Action Network
Action Fund
Climate Communications Coalition
Climate Law & Policy Project
Concerned Citizens Against Industrial
CAFOS (CCAIC)
Energy and Policy Institute
HoCo Climate Action
Impresa Management Solutions, LLC
Institute for Market Transformation
Maryland Energy Advocates Coalition
Maryland League of Conservation
Voters
Montgomery County Faith Alliance for
Climate Solutions, (MC-FACS)
Oakland Mills Interfaith Green Team
Potomac Riverkeeper Network
Sierra Club Maryland Chapter
Unitarian Universalist Legislative
Ministry of Maryland

⁹ Department of Justice, United States Attorney's Office Southern District of Ohio, "FirstEnergy charged federally, agrees to terms of deferred prosecution settlement," July 22, 2021.
<https://www.justice.gov/usao-sdoh/pr/firstenergy-charged-federally-agrees-terms-deferred-prosecution-settlement>

Attachment 1:
Washington Gas advertisements that the utility included in a rate case request

Case No. 9704
Staff DR 25-8
Attachment 1
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ILLUSTRATIVE ADVERTISING EXAMPLES – TOP FIVE CAMPAIGNS

ACCOUNT 913 – PROMOTIONAL ADVERTISING

913A – WASHINGTON NATIONALS SPONSORSHIP

Facia – Around Arena

NATURAL GAS | SAFE • RELIABLE • AFFORDABLE

RELIABLE AND AFFORDABLE ENERGY FOR THE DMV

Stationary Digital Boards

Stationary Digital Boards

913B – ESPN ADVERTISING

Digital Ads on ESPN App

Digital Display Ads on espn.com

Digital Display Ads on espn.com

Attachment 2:
Chesapeake Gas advertisements that the utility included in a rate case request

Attachment GRM-1
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