Testimony to the Economic Matters Committee

HB960 Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)

Position: Favorable

03/13/2025
The Honorable Delegate Wilson, Chair
Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

Chair Wilson and honorable members of the committee,

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a people-centered movement dedicated to expanding economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. We provide direct assistance to Marylanders while advocating for systemic change through legislation.

I am writing today to strongly urge a favorable report on HB960, the Ratepayer Freedom Act. This bill expands limitations on what utility providers may recover through ratepayer dollars and implements greater transparency in reporting expenses such as lobbying and goodwill advertising.

As you are well aware, energy rates have risen dramatically in recent years due to a variety of factors. Thousands of Marylanders each year face shutoff notices due to nonpayment, while many others are forced to juggle multi-hundred dollar utility bills alongside the ever-increasing costs of rent, groceries, and other basic necessities. While HB960 will not immediately reduce utility rates, it ensures that ratepayer dollars are spent responsibly and reinforces a fundamental principle: in a monopolistic industry, captive ratepayers should not be forced to subsidize expenses that provide them no direct benefit.

Current law prohibits utility providers from using ratepayer dollars for lobbying, but the definition of lobbying remains unclear. For example, ratepayers may currently be charged for utility companies' membership fees in trade associations such as the American Gas Association. These fees often include expenses for lavish parties and federal lobbying efforts—costs that should never be passed on to struggling Maryland families. HB960 closes this loophole by ensuring that utilities, not ratepayers, bear the costs of their political activities.

Similarly, goodwill advertising, such as corporate sponsorships and branding efforts, should not be charged to consumers. Utilities operate as monopolies, meaning there is no competitive need for advertising. While it is commendable for utility providers to support local initiatives like purchasing jerseys for children's sports teams or sponsoring community events, such contributions should come from shareholder profits, not the pockets of working families already struggling to afford their essential services. To be clear, HB960 does not prevent utility companies from engaging in political activities or community sponsorships; it simply ensures that these expenses are not unfairly shifted onto consumers.

In a free market, consumers are able to put their money where their mouth is and support brands that align with their values. However, because utility providers are monopolies, this is not an option for a vast majority of consumers. Oftentimes, these companies hire lobbyists to protect the best interest of their shareholders, not their customers.

While utilities remove some lobbying expenses from rates, other political and advocacy activities are paid by customers. In 2022 Baltimore Gas and Electric (BGE) and Washington Gas attempted to influence a local electrification bill in Montgomery County. Representatives from BGE and Washington Gas sent talking points and advocacy materials to the county council, but neither were registered as lobbyists in Montgomery County. Legislation is needed to require utilities to disclose its employees who engage in advocacy and detail if their salaries are paid for by customers.

HB960 is a commonsense, pro-consumer measure that promotes transparency, prevents unnecessary costs from being passed onto ratepayers, and ensures that Marylanders are not paying more than they should for their essential utility services. For these reasons, we urge a favorable report.

Sincerely,

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