

**UNFAVORABLE – House Bill 960  
Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery –  
Limitations and Reporting Requirements  
House Economic Matters Committee**

Columbia Gas of Maryland, Inc. (Columbia) respectfully opposes House Bill 960 which prohibits certain public service companies from recovering through rates certain costs.

Currently, the Maryland Public Service Commission (PSC) prohibits lobbying costs from being recovered from rate payers and the PSC has the ability to challenge the appropriateness of any utility cost sought for ratepayer recovery during a rate case proceeding. The PSC is the proper forum to determine rate recovery by utilities for their expenses.

Columbia's primary concern related to House Bill 960 is the provision that a public service company may not recover through rates any costs associated with membership, dues, sponsorships or contributions to a governmental or quasi-governmental entity, business or industry trade association, group, or related entity exempt from taxation under Section 501 of the Internal Revenue Code unless the PSC determines certain facts including the total expenditures associated with the lobbying or political activities of the trade association are less than 1% of the total expenditures of the trade association.

A public service company's trade association dues can and do benefit customers and, therefore, should continue to be recoverable. Most trade or business association activities are not lobbying and these groups provide a variety of diverse services to a member that benefit both the member and its customers. In fact, many trade groups and associations highlight the percentage of their membership dues that are attributed to lobbying so members are prevented from taking any tax benefit for such expenses. However, the 1% limit outlined in the bill is a de facto ban on most trade group memberships by the public service companies outlined in the bill.

Utility trade associations provide programs and services directly related to improving safety, operational reliability and efficiencies, security, environmental stewardship and operator knowledge. Such membership costs should remain recoverable by public service companies.

Specifically, Columbia's membership in the American Gas Association, for example, provides:

- The ability to participate in more than 50 committees, councils and task forces to exchange information with peer companies to enhance safety, address operational issues, reduce costs and better serve customers
- Federal regulatory updates, industry studies, surveys and technical papers that illuminate best practices
- Program "clearinghouse" services in safety, operational excellence, customer relations and satisfaction, cybersecurity protection, workforce training and development, and environmental sustainability
- Mutual assistance programs and emergency planning resources

- A large number of manuals and technical papers for the day-to-day operations of gas utilities
- Consumer safety pamphlets, fact sheets, bill stuffers and other customer communications
- Financial, accounting and insurance activities and support
- A database of performance metrics on customer service functions such as call centers, energy assistance programs, billing, and meter reading; and
- Litigation alerts, legal forums and workshops.

The services provided by business or industry trade groups ultimately benefit rate payers through enhanced safety and best practices that reduce costs.

Columbia is also concerned with the provisions preventing investor relations costs from being recovered through rates. Utility companies are an extremely capital-intensive business, and utilities must compete for capital from the investment community. Capital can be supplied by private participants in public equity and debt capital markets or by government or other entities.

Investor relations is a key function for any utility in managing its cost of debt and equity and differentiating risk-adjusted return potential versus alternative investments. Investor relations communicate with investors directly, attracts and maintains existing capital and works to minimize volatility in the performance of the investment. Investor relations is a critical function for utilities benefiting customers through competitive financing and access to funds for infrastructure replacement projects and other work to ensure reliable and safe utility service. While the proposed legislation outlines ways a public service company may recover investor relations costs, future activities to attract needed capital could be put at risk. It should remain a rate recoverable expense.

The requirements of House Bill 960 are problematic and consequently Columbia Gas cannot support House Bill 960 as appropriately crafted policy related to costs that may be recovered through rates by a public service company. We therefore urge an unfavorable report.

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