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PUBLIC SERVICE COMMISSION

Chair C.T. Wilson  
Economic Matters Committee  
230 House Office Building  
Annapolis, MD 21401

**RE: HB 960 – Favorable with Amendments – Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)**

Dear Chair Wilson and Committee Members:

The Public Service Commission (the Commission) requests a favorable report for House Bill 960 (HB 960) with the amendments detailed in this testimony. The Commission routinely considers the costs detailed in the bill during rate case proceedings. However, the clarification of a number of cost categories would provide clearer guidance as to the policy priorities surrounding permissible expenses.

HB 960 establishes limitations and reporting requirements on the specific costs that can be recovered through distribution base rates by public service companies as reviewed and approved by the Commission. The Commission notes that there are already existing laws, regulations, and orders limiting a public service company's recovery of costs related to the categories detailed in the bill. Related to lobbying and political activities, COMAR 20.07.04.08 B prohibits the inclusion of charitable contributions, penalties, and lobbying expenses in a rate case proceeding. Related to advertising and marketing activities, COMAR already dictates that unless a utility company demonstrates during a rate case proceeding before the Commission that a particular item of advertising or promotional expenditure was directly beneficial to the ratepayer and in the public interest, expenses classified as promotional, community affairs, and institutional shall be excluded as an expense for rate making purposes.

Related to utilities' membership in trade organizations, the Commission has issued orders in utility rate cases which greatly reduced the amount of association dues that the public service company can include in a base rate case. These decisions were made to prevent ratepayers from financing activities that run counter to the State's policies, while still allowing a public service company to partake in educational materials provided by such associations. Given this, we suggest striking the language prohibiting these costs, thereby continuing to allow the Commission the discretion to make these decisions on a case-by-case basis.

HB 960 restricts the recovery of costs through rates for policy research, analysis, preparation, and planning. The Commission routinely requires the participation of public service companies in regulation and development initiatives including, for example, work groups and public conferences. The Commission values the information gained through public service companies' involvement and would not want participation restricted.

Finally, the legislation does not specify the method that should be used to extract impermissible costs from current rates. The rates of each public service company may include costs that may now be deemed ineligible

for recovery if this bill is enacted. It is unclear what precise level of costs is embedded in rates or how the exclusion would impact rates. It may be difficult to extract costs without re-litigating the full rate case. It might be helpful to include a provision that authorizes the Commission to allow costs currently embedded in rates to remain, pending future rate cases.

The Public Service Commission appreciates the opportunity to provide testimony for your consideration for bill HB 960. We request a favorable report with support for the amendments detailed above. Please contact Christina Ochoa, Director of Legislative Affairs at [christina.ochoa1@maryland.gov](mailto:christina.ochoa1@maryland.gov) if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Frederick H. Hoover". The signature is written in a cursive style with a large, stylized 'F' and 'H'.

Frederick H. Hoover, Chair  
Maryland Public Service Commission