



**HB960 - FAVORABLE**

Matt Kasper

Energy and Policy Institute

[matt@energyandpolicy.org](mailto:matt@energyandpolicy.org), 630-908-9615

**HB 960 - Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations and Reporting Requirements (Ratepayer Freedom Act)**

Economic Matters Committee

March 13, 2025

Dear Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee:

My name is Matt Kasper and I'm the Deputy Director of the Energy and Policy Institute (EPI). EPI is a national utility research and watchdog organization. EPI has documented how electric and gas utilities use the money they collect from customers' monthly bills to fund political machines that aim to push legislation, curry favor with regulators, and alter the outcomes of elections, sometimes even breaking the laws in the process.<sup>1</sup>

EPI joins a coalition supporting HB 960, including AARP Maryland, 1199 SEIU, Economic Action Maryland, Maryland PIRG, 350.org, and Common Cause Maryland. I will expand on that coalition's written testimony to further explain how this legislation will help customers and why bills like it have been introduced in states nationwide.

**First, other states have passed legislation similar to HB 960, saving customers money.**

HB 960 prohibits the monopoly investor-owned gas and electric utilities from charging their customers unnecessary costs - such as promotional advertising, entertainment or gifts, private aircraft, and investor relations expenses (unless the utility is able to demonstrate how investor relations-specific costs are appropriate and necessary). The legislation will also limit what utilities can charge customers regarding trade association membership payments.

Connecticut legislators passed SB 7 in 2023, which has helped customers save money in utility rate cases. For example, Connecticut regulators cited the law when they **denied more than \$617,000 in costs** Avangrid wanted to charge its customers in a recent rate case.<sup>2</sup>

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<sup>1</sup> EPI, "Getting Politics Out of Utility Bills." January 2023. <https://energyandpolicy.org/utility-political-machines/>.

<sup>2</sup> WFSB, "I-TEAM follow: PURA denies gas utility request for costs barred by state law." November 2024. <https://www.wfsb.com/2024/11/18/i-team-follow-pura-denies-gas-utility-request-costs-barred-by-state-law/>

Additionally, disclosures from all the Connecticut investor-owned utilities required by that state's law show how the law is saving customers money. These disclosures include costs prohibited from being charged to customers, such as lobbying, advocacy, advertising activities, contributions to trade associations, perks and extravagant spending for the companies' board of directors, corporate aircraft expenses, and investor relations costs. **Our analysis shows that Connecticut's utilities have reported at least \$9.7 million in costs prohibited from recovery since SB 7 went into effect.**<sup>3</sup> It's not certain that the utilities would have sought to recover all of these costs in rates absent the state's landmark 2023 law. Still, the law prohibits the utilities from doing so and requires them to disclose the expenses in detail.

In Colorado, the Public Utilities Commission has **disallowed more than \$775,000 in annual costs** for lobbying fees, trade association dues, and investor relations that Xcel Energy tried to recover from customers.<sup>4</sup>

**Second, the transparency components of this bill can also help customers save money.** HB 960 will allow legislators, regulators, intervenors, and customers to quickly and efficiently ensure with their own eyes that their utilities are not spending money on political influence activities and other prohibited costs.

When Colorado utility regulators recently denied recovery of \$775,000 in annual costs Xcel Energy proposed to recover from customers in a recent rate case, the regulators also caught the utility not disclosing all of its staff time devoted to lobbying in its recent gas rate case. The Colorado regulators were able to cite a law on their books similar to HB 960 and force the utility to disclose more details which should result in more dollars taken out of rates.<sup>5</sup>

Without these reforms, consumer advocates and other intervenors can only pry open utilities' books using an expensive, time-consuming discovery process during rate cases. Years can go by between these opportunities for accountability, and even when rate cases do occur, utilities fight against or ignore discovery questions that they don't want to answer. FirstEnergy's Potomac

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<sup>3</sup> EPI, "New Laws Curbing Utility Political Spending Saving Ratepayers Millions of Dollars." February 2025.

<https://energyandpolicy.org/new-laws-curbing-utility-political-spending-saving-ratepayers-millions-of-dollars/>

<sup>4</sup> Colorado Sun, "Xcel Energy ordered to remove investor relations and executive salaries from costs passed on to Colorado consumers." November 2024. <https://coloradosun.com/2024/11/05/xcel-bills-executive-salaries-investor-relations-colorado/>

<sup>5</sup> Colorado Public Utilities Commission, October 16, 2024 hearing. YouTube:

<https://www.youtube.com/live/09Vu744fScU?t=7406s>

Commissioner Gilman asked an Xcel Energy witness whether the company had excluded from rates all company staff time that engage in lobbying. The utility witness could not definitively answer the question. Commissioner Gilman said in the October hearing, "they have registered lobbyists and consultants that lobby on their behalf and they have excluded some of these expenses. It certainly stands to reason that from the executive level on down that there are individuals within the organization directing, strategizing, analysing potential, proposed, or enacted legislation and trying to influence those outcomes on behalf of the company." The Commission ordered the company to file new documents that more accurately track staff time and compensation spent on lobbying and political influence activities with the potential for future refunds to customers.

Edison, for example, had been charging customers for unnecessary costs going to the Cleveland professional sports organizations (Browns, Guardians, Cavaliers), Democratic Governors Association, and Republican Attorneys General Association.<sup>6</sup> While customers will hopefully get refunded for those items, it took a massive scandal to prompt state and federal audits. **The transparency provisions in HB 960 will help ensure customers are protected from paying for unnecessary costs.**

State legislators across the country recognize the importance of prohibiting investor-owned utilities from using customer funds to support political activities and other unnecessary items unrelated to providing safe and reliable power and heat. Since 2023, 17 states have filed various forms of this type of legislation - including bills introduced this year in Delaware, Illinois, Massachusetts, New York, and Oregon, and laws previously passed in Colorado, Connecticut, and Maine.<sup>7</sup>

I urge a favorable report on HB 960.

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<sup>6</sup> 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](https://www.documentcloud.org/documents/25141646-md-case-no-9695_opc-response-to-firstenergy)

<sup>7</sup> EPI, "Tracking State Legislation to Get Politics Out of Utility Bills." March 2025.

<https://energyandpolicy.org/tracking-states-getting-politics-out-of-utility-bills/>