



COMMITTEE: Education, Energy and the Environment Committee

TESTIMONY ON: Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act

POSITION: Letter of Information

HEARING DATE: March 25, 2026

Jennifer Nelson, Vice President of Concentric Energy Advisors, Inc., respectfully submits this letter of information to House Bill 1532 ("HB 1532") – Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act

CHAIR, VICE CHAIR, AND MEMBERS OF THE EDUCATION, ENERGY AND THE ENVIRONMENT COMMITTEE:

Thank you for the opportunity to submit written testimony regarding House Bill 1532, specifically the amendments that would prohibit the use of forecasted test years in rate proceedings. I offer these comments from the perspective of an energy regulatory professional with experience in corporate finance and utility ratemaking and regulatory policy.

In my role, I primarily advise clients in regulated utility industries on a wide range of financial and economic issues with concentrations in valuation and utility rate and regulatory policy matters. I have provided advice to clients regarding utility financial and regulatory policy issues across North America. As an expert witness, I have testified before 24 state utility commissions.

Based on my experience across numerous jurisdictions, it is important to emphasize that the objective of ratemaking, regardless of methodology, is to produce just and reasonable rates, while ensuring system reliability, and appropriate regulatory oversight and transparency. I recognize that these amendments are motivated by very real concerns regarding affordability and the cumulative impact of utility investment on household bills, concerns that are widely shared across stakeholders and jurisdictions. A prohibition on forecasted test years, however, is not the answer. The concern with House Bill 1532, as currently drafted, is not its intent, but rather that it removes a long-standing regulatory tool in a way that could have significant and unintended negative consequences for both customers and the State of Maryland.

CONSEQUENCES OF ELIMINATING FORECASTED TEST YEARS AS A RATEMAKING OPTION

By way of background, a forecast test year is a ratemaking concept that involves the forecasting of a utility's financial condition to align it with the period in which customer rates will be in effect. A forecast sets the starting point for rates and does not pre-approve dollars the utility may spend. Costs must still be demonstrated as reasonably and prudently incurred under the regulator's standards, and disallowances can occur when this standard is not met.

As amended, HB 1532 would prohibit any alternative form of regulation that relies on a forecast test year in a base-rate proceeding. This represents a substantial departure from established regulatory practice and risks unnecessarily constraining the Maryland Public Service Commission's discretion at a time when flexibility is essential to balance affordability, reliability, and evolving system needs.



A blanket prohibition on forecasted test years is likely to increase what is known as “regulatory lag,” which is the delay between when costs are prudently incurred and when they are reflected in rates. Costs do not disappear when recovery is delayed. Instead, they accumulate and often re-emerge later in the form of larger, more abrupt rate increases. From a customer perspective, this dynamic can produce less predictable bills, sharper rate adjustments, and fewer options for mitigation or phased recovery, particularly during periods of rising system needs or inflationary pressure.

In addition, restricting the Commission to backwards-looking historical test years alone can introduce greater earnings and cash-flow uncertainty for utilities. Over time, that uncertainty is reflected in higher financing costs, as investors and lenders price in additional risk, which in turn leads to higher rates down the road. In this respect, eliminating forecasted test years may unintentionally increase (rather than reduce) long-term customer costs.

By limiting recovery mechanisms, HB 1532 may also result in more frequent rate filings, as utilities seek to catch up under a historical-looking framework. Increased filing frequency diverts resources toward litigation and regulatory process rather than system operations, reliability improvements, and customer service resulting in outcomes that are inconsistent with customer interests.

Finally, eliminating the option to use forecasted test years would put Maryland at odds with prevailing regulatory practice in the country. In fact, 29 of 53 U.S. regulatory jurisdictions (55%) allow the use of a partial or fully forecast test year period. For example, Illinois, Maine, Minnesota, New York, Washington, and Vermont (as well as Ontario and British Columbia in the Canadian territories) have implemented rate plans that rely on a forecasted cost of service approach and include customer protection tools intended to smooth rate impacts for customers. Furthermore, Ohio and Indiana are both moving in the direction of forecasted multi-year rate plans.

CONCLUSION

Maryland regulators already possess robust tools to protect customers, including prudence reviews, litigated rate proceedings, earnings tests, and reconciliation mechanisms. If improvements are needed in how forward-looking ratemaking is implemented, those refinements can be addressed through clearer standards and safeguards, rather than through a categorical statutory ban.

Accordingly, I respectfully urge the Committee to consider clarifying the legislation to ensure it does not unintentionally eliminate a common ratemaking tool that, when properly designed and overseen, can promote rate stability, transparency, and long-term affordability. At a time when Maryland faces potential increasing load growth, infrastructure transition, and evolving policy mandates, preserving the Commission’s ability to select among a range of well-established ratemaking tools is particularly important. Statutorily removing a proven set of tools, rather than allowing for Commission discretion to refine their use, risks constraining solutions at a time when flexibility is most needed.



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ABOUT CONCENTRIC ENERGY ADVISORS, INC.

Concentric Energy Advisors is a mid-sized management consulting and financial advisory firm dedicated to the North American energy sector. Founded in 2002, our energy industry experts have held positions with utility companies, regulatory agencies, integrated energy companies, regional transmission organizations, retail marketing companies, and utility management consulting firms.

Concentric provides a comprehensive and integrated suite of services to every segment of the energy sector including strategic, financial, regulatory, planning, and ratemaking services. We have evolved with the industry and actively support stakeholders as they navigate the regulatory and operational challenges and opportunities facing the industry. Our experts stay apprised of the latest developments in regulatory policy and routinely testify before U.S. and Canadian regulators. Concentric has more than 25 experts who have appeared in regulatory proceedings across North America addressing policy and nuanced analytical topics, backed up by a team of consultants who are experienced in all aspects of developing the financial, economic, and technical data filed as part of regulatory proceedings.