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112 West Street
Annapolis, MD 21401

Letter of Information – House Bill 54- Task Force to Study Restructuring Maryland’s Electric Utility Industry

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) respectfully submit this letter of information for **HB 54 Task Force to Study Restructuring Maryland’s Electric Utility Industry**. HB 54 would establish a task force to study alternative utility ownership models – including municipalization – and submit recommendations to the General Assembly by November 1, 2027. Pepco and Delmarva Power recognize the interest in exploring different models and the underlying policy concerns related to affordability, accountability, and long-term sustainability. Our purpose in providing this letter is to highlight key considerations policymakers should ensure are fully evaluated as part of the Task Force’s work.

Any evaluation of municipalization or restructuring should include a comprehensive review of all costs, not only the “purchase price” of physical assets. Key cost elements can include:

- Acquisition or condemnation costs (including litigation, expert valuation, and transaction expenses)
- Assumption or replacement of information technology systems, operational tools, and control systems
- Transition of workforce, benefits, training, and specialized operational capabilities
- Ongoing obligations under contracts, vendor agreements, and regional operating requirements
- “One-time” transition costs that can become significant and ultimately affect customers and/or taxpayers

2) Risk allocation shifts – and taxpayers may become the backstop

Under an investor-owned utility (IOU) framework, utilities operate under comprehensive regulation and must meet performance obligations while making large, long-term infrastructure investments. Under municipal ownership, key risks can shift materially, including:

- Storm restoration and emergency response costs
- Capital investment needs and cost overruns
- Cybersecurity and system-hardening requirements
- Operational and financial performance risks

Pepco Holdings, the parent company of Pepco, an electric utility serving Washington, D.C., and suburban Maryland; Delmarva Power, an electric and gas utility serving Delaware and portions of the Delmarva Peninsula; and Atlantic City Electric, an electric utility serving southern New Jersey. Anthony and his team are responsible for guiding the company's delivery of reliable and excellent service to more than two million customers in the Mid-Atlantic. Pepco Holdings is a subsidiary of Exelon Corporation, one of the nation's leading energy services companies.

3. Municipalization is uncommon at scale and can be difficult to complete

We encourage the Task Force to review the available research on municipalization outcomes nationwide. For example, a January 2025 Brattle Group review (cited in stakeholder discussions) indicates municipalization efforts are infrequent and often do not reach completion, with successful outcomes typically involving smaller systems rather than large, complex networks serving substantial customer bases. The Task Force should evaluate these outcomes alongside Maryland's specific context.

Pepco and Delmarva Power support informed discussion. At the same time, establishing a Task Force specifically focused on restructuring can introduce uncertainty that may affect stakeholder perceptions and complicate long-term planning. If HB 54 moves forward, we encourage clear guardrails so the study is fact-based, considers all costs and risks, and avoids creating uncertainty that could impede essential infrastructure investments.

Pepco and Delmarva Power appreciate the Committee's attention to affordability and accountability and supports a thoughtful, evidence-based review of Maryland's electric utility structure. This Letter of Information is intended to ensure the Task Force's work – if established – fully evaluates the financial, operational, and reliability implications of restructuring and municipalization, particularly for large, integrated systems serving Maryland residents and businesses.