January 23, 2026

Chair Delegate Marc Korman
Members of the House Environment and Transportation Committee

Re: Earthjustice **support** of HB 01:
Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations

Earthjustice[1] supports the passage of HB 01, Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations. HB 01 would prohibit any public service company employee from receiving a bonus; prohibits any public service company supervisor from receiving compensation that exceeds 110% of the maximum annual salary payable to a member of the Commission for the same calendar year; and requires each public service company board of directors to adopt a company-wide policy placing reasonable cost limitations on certain expenditures. HB 01 is a step toward lowering utility rates and ensuring that ratepayers only pay for fair costs and expenditures.

Maryland residents are facing an energy affordability crisis. Utility bills are rising as the cost of living increases, further straining already stretched households and businesses. The gas rates of BGE and Columbia Gas have increased significantly since 2010, with BGE's rates tripling during the period and Columbia Gas rates increasing more than three times the rate of inflation.[2] Electric rates for Maryland's Exelon utilities have also increased well above the inflation rate.[3] Unfortunately, this problem isn't going to get better soon. Fortunately, the Environment and Transportation Committee can pass HB 01, which will begin the process of reining in public service company spending and be a step toward energy affordability.

Investor-owned utilities ("IOUs") are granted regional franchises and are not subject to competition. In principle, utility rates must be "just and reasonable," sufficient to recover only the actual and prudent costs incurred in providing service to their captive customers. This creates an inherent tension in the utility regulatory model. As investor-owned businesses, IOUs seek to maximize their profits, which often runs headlong into regulators' goal of achieving just and reasonable rates. Over the last three years, IOU residential electricity rates nationally have increased 49% more than inflation.

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[1] Earthjustice is a non-profit public interest environmental law organization that represents other non-profits free of charge. Earthjustice uses the power of law and the strength of partnerships to advance clean energy, combat climate change, protect people's health and preserve magnificent places and wildlife.
[2] Maryland's Utility Rates and Charges, Report of the Maryland Office of People's Counsel, at 6 (June 2024).
[3] Id. at 10.

While Maryland public service companies voiced concerns regarding energy affordability, they have failed to offer any long-term concrete solutions for the problem they helped create. Essentially, the public service companies simply deflect the blame for higher rates to other allegedly "out of their control" factors.

Compensation, particularly executive compensation, is driven in significant part by shareholder interests. Thus, it is reasonable to limit the public service company's ability to recover compensation through rates. Moreover, the manner in which public service companies justify their compensation requests to the Public Service Commission is flawed. Most compensation market comparisons are based on the compensation paid to corporate officers who have a duty of care to shareholders, but not to ratepayers. Even where the public service company uses compensation packages from other utilities, this practice is merely circular. The utilities at the low end of the scale respond by increasing their own compensation, which simply places upward pressure on all executive compensation. Thus, a continuous upward spiral is created. Finally, the public service company's subjective selection of the utilities used for comparison skews the conclusion toward ever-increasing compensation.

The Committee should note that any public service company that wishes to pay supervisors above the statutory limit may use shareholder funds to further compensate those employees. Similarly, when the Board of Directors places cost limitations on expenditures for the items listed in subsection E of HB 01, those limitations will only apply to spending ratepayer funds. If a public service company wishes to spend more than the cost limits, the company is free to spend shareholder dollars.

Because public service companies are not subject to the pressure that market forces may place on salaries, the General Assembly needs to act as a check on ever-increasing compensation packages. HB 01 is necessary to protect ratepayers from paying these exorbitant costs.

Finally, Earthjustice thanks Delegate Crosby for his leadership on this important issue.

Earthjustice urges a favorable report for HB 01.

Thank you in advance for your support. Should you have any questions, please contact me at smiller@earthjustice.org.

Respectfully submitted,

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