



House Bill 981

Date: February 24, 2026

Committee: House Environment & Transportation

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees, and families.

House Bill 981 (HB 981) would require the Public Service Commission, in utility base rate cases, to rely on a projected 10-year U.S. equity market return when determining a utility's authorized return on equity, effectively constraining how the Commission determines what constitutes a "just and reasonable" rate.

While we agree protecting ratepayers is important, we are concerned that HB 981 would fundamentally undermine long-standing constitutional and regulatory principles governing utility ratemaking.

Utilities are constitutionally guaranteed the opportunity to earn a just and reasonable rate. What is "just and reasonable," however, is not something that can be defined in statute by reference to a single market metric. That determination has always depended on a full evidentiary record developed through base rate proceedings, including factual findings, expert testimony, and cross-examination. HB 981 attempts to predetermine that outcome by tying rates to a projected 10-year equity market return, effectively redefining a constitutional standard through legislation.

The bill also raises serious practical concerns. There will be periods when forward-looking 10-year equity market return forecasts are extremely low or even negative, depending on market conditions and the forecasting methodology used, yet the bill provides no guidance for how rates would be set in those circumstances. Market forecasts fluctuate based on economic cycles, inflation, recessions, and broader financial conditions that are unrelated to a utility's actual costs or its obligation to provide safe and reliable service. As a result, this proposal would inject instability into the rate-setting process and lead to artificial up-and-down movements in rates that have nothing to do with utility operations or cost of service.

By tying utility returns to fluctuating equity market forecasts, the bill could lead to rate increases or decreases driven by broader market conditions rather than a utility's actual costs, introducing unnecessary volatility into rates. Maryland's current framework appropriately entrusts the Public

Service Commission to weigh all relevant facts and risks in determining just and reasonable rates on a case-by-case basis. Replacing that judgment with a rigid, market-driven formula would erode regulatory certainty and conflict with well-established constitutional protections.

For these reasons, the Chamber respectfully requests an **unfavorable report** on **HB 981**.