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February 24, 2026

Support: HB 981 Investor-Owned Public Service Companies - Base Rate Proceeding - Equity Market Return

Mr. Chair and Members of the Committee:

Maryland LCV Supports HB 981 Investor-Owned Public Service Companies - Base Rate Proceeding - Equity Market Return and we thank Delegate Johnson for his leadership on this issue.

Maryland LCV is working to Power Maryland Forward, supporting **energy affordability** through **deployment of solar and storage, defense against more fossil fuels** and **unchecked utility profits**, while **getting the most out of the electricity grid we have**. HB 981 supports these priorities by introducing reasonable adjustments to how utilities earn profit.

HB 981 directs the Maryland Public Service Commission (PSC) to set a just and reasonable rate of return on equity (ROE) for investor-owned-utilities (IOUs) by determining the current average expected 10-year equity market return in the US. ROE is a major driver of utility profits and customer costs, accounting for [15-20% of customer bills](#). Because ROE is eventually paid by ratepayers, even small differences can have significant impacts on electricity affordability.

In the past 30 years, authorized ROEs have been substantially higher than market-based returns. The average expected long-term equity market return is [6.06%](#). In Maryland, the most recent ROEs were set at 9.45% for [Baltimore Gas and Electric](#) and 9.5% for [Washington Gas Light](#) and [Pepco](#). Utilities operate in a regulated environment with guaranteed cost recovery, making them significantly lower risk than most private-sector investments. The discrepancy between utility ROEs and market rate of return points to a need for regulatory change.

The core responsibility of regulators is to set ROE equal to a utility's cost of equity (COE) - the minimum return necessary to attract investment. When ROEs are set higher than COE, customers end up paying more. In fact, this disparity creates incentives for utilities to favor expensive capital investments, increasing overall system costs. Research has

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indicated that a one-percentage-point increase in ROE can [increase utility capital expenditures by 3-4%](#), driving up customer bills.

HB 981 provides clear, market-based guidance to ensure utility profits reflect actual economic conditions and risk levels. Aligning utility ROEs more closely with broader market returns will help protect ratepayers from excessive costs. Maryland LCV urges a favorable report on this bill.