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OPPOSE – House Bill 0981

HB0981 – Investor-Owned Public Service Companies - Base Rate Proceeding - Equity Market Return
Environment and Transportation Committee
Tuesday, February 24, 2026

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 293,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Maryland, Ohio, Pennsylvania, New Jersey, New York, and West Virginia.

<u>Unfavorable</u>

Potomac Edison / FirstEnergy requests an <u>Unfavorable</u> report on HB-981 – *Investor-Owned Public Service Companies - Base Rate Proceeding - Equity Market Return.* While the legislation intends to introduce additional structure and transparency into rate-setting, it instead risks undermining the stable and predictable regulatory environment essential for attracting long-term utility investment in the State of Maryland.

The bill would require the Maryland Public Service Commission (Commission) to calculate the "current average expected 10-year United States equity market return" using multiple sources, and then authorize the Commission to adjust utility rates based not on the facts presented, examined, and deliberated in a traditional rate case, but rather on how each company's risks compare to the Commission-calculated market return. This concerning approach would pin return on equity (ROE) to broad market indicators and a potentially imperfect or incomplete calculation rather than on a Maryland utility's unique capital needs, reliability obligations, and exposure to policy-driven infrastructure requirements. Customers would pay a rate not directly correlated to investment in Maryland, but rather to a concocted calculation.

The Commission already has a sound, longstanding system for determining ROE, one that reflects utility-specific risks and supports a stable, predictable regulatory environment. HB-981 would move Maryland away from this proven approach by anchoring ROE to a rigid formula, based on broad equity-market expectations, a method not used anywhere in prevailing state practice. This shift would make Maryland an outlier nationally, introducing uncertainty into an otherwise predictable framework. Such regulatory divergence can create hesitation among investors, who place high value on consistency with established norms when deciding where to commit long-term capital for critical utility infrastructure. Investment in Maryland's reliable and secure grid could falter.

The rigidity of HB-981 could also introduce volatility into ROE determinations -- potentially increasing financing costs and diminishing access to affordable capital needed for modernization and reliability investments in the electric distribution system. Any increase in Potomac Edison / FirstEnergy's cost of capital would ultimately challenge our ability to deliver cost-effective, dependable service to our customers.

Although framed as an affordability measure, the premise that tying utility rate proceedings to equity market returns can lower customer rates is unproven. Maintaining flexible regulatory tools that preserve the Commission's discretion to evaluate utility-specific risks and ensure financially sustainable operations is the proven method to provide reliable electric service and ensure value for customers.

For these reasons, Potomac Edison / FirstEnergy respectfully requests an <u>Unfavorable</u> report on HB-981.