Position Statement

Oppose
Environment & Transportation
1/27/2026

House Bill 1 - Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations

Baltimore Gas and Electric Company (BGE) opposes **House Bill 1(HB1) – Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations**. House Bill 1 prohibits investor-owned utilities from recovering through rates costs related to paying a bonus to any employee, unless the employee has "a written employment contract that was executed on or before Dec. 31, 2025" or if the employee is "covered by a valid collective bargaining agreement." The bill also prohibits utilities from recovering in rates compensation for a "supervisor" that exceeds 110% of the maximum annual salary payable to a member of the Maryland Public Service Commission ("PSC") for the same calendar year.

Marylanders deserve and expect a safe, resilient, and expertly maintained electric grid and gas system. That level of quality cannot be delivered by relying on the lowest cost labor or by eliminating customer benefits that come from incentivizing strong employee performance. It requires trained, experienced professionals who understand the complexities of critical energy infrastructure and who work every day to keep homes, businesses, and communities powered and protected. While we appreciate the intent behind *HB1*, we have significant concerns. The bill represents a major departure from longstanding utility regulatory practices and would create serious unintended consequences for customers, employees, and the long-term reliability of Maryland's energy systems.

Top Talent drives Top Reliability and Safety Performance that Customers Expect

BGE employs more than 3,300 highly skilled professionals, with the vast majority being Marylanders, who work tirelessly to serve our 1.3 million customers with safe, reliable energy every day. Their tireless work has ensured that Exelon utilities in Maryland rank among the highest in the nation for performance.

Utilities rely on highly skilled professionals – like engineers, cybersecurity specialists, data scientists, load forecasting analysts, and field workers – to design, operate, and maintain complex transmission and distribution systems. These workers are in high demand across the

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economy, and we compete directly with technology companies, engineering firms, construction leaders, and other major industries for the same talent. In every one of these sectors, competitive base salaries and short-term incentive compensation are the standard. These tools are not just bonuses; they are essential mechanisms to recruit, reward, and retain the top performers who keep the grid safe, reliable, and resilient – which is a direct benefit to customers.

HB1 imposes compensation rules that apply only to investor-owned utilities and not to our competitors and puts us at an immediate and severe disadvantage. Limiting recovery of market-based compensation would make it hard to attract and retain the skilled experts our customers rely on, leading to slower repairs, weaker oversight, higher turnover, and increased long-term costs. BGE employees receive competitive offers today from. If utilities cannot offer competitive pay and performance-based incentives, they may be forced to rely more heavily on outside contractors, which is often more expensive and less efficient than maintaining a strong in-house workforce. Safe, reliable, and affordable service depends on having the right people with the right skills.

Base salary is what keeps us competitive in the talent market. Short-term incentives allow us to incentivize and reward strong performance without permanently raising fixed costs, creating a responsible balance that protects ratepayers while ensuring we meet the state's safety, reliability, and customer service expectations. *HB 1* would disrupt this balance, making it harder for utilities to maintain the workforce needed to deliver Maryland's energy, resiliency, and customer service goals. At a time when the grid is becoming more complex, what is needed are policies that strengthen, not weaken, the ability to recruit and retain the people who keep our infrastructure running.

Compensation is Heavily Regulated by the Public Service Commission

HB1 would also disrupt the long-established framework under which the Maryland Public Service Commission (PSC) oversees utility operations and costs. State law requires utilities to provide safe, adequate, and efficient service, and the PSC is responsible for setting just and reasonable rates that cover the necessary expenses of doing so, including compensation. Consistent with PSC directives, BGE's incentive compensation is carefully allocated: incentives tied to operational performance are recoverable from customers; incentives tied to net income, earnings per share, or the Exelon stock price are borne exclusively by shareholders; and restricted stock awards are split evenly between shareholders and customers. The PSC evaluates these costs through detailed market analyses and has disallowed recovery when it is determined compensation is unjustified. An example of this involved the denial of the recovery of supplemental executive retirement plan (SERP) expenses.

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For the average residential electric and gas customer, using monthly usage of approximately 876 kWh and 55 therms, the total bill impact of incentive compensation is about $1.70 per month, representing less than one percent of the overall bill. This existing oversight structure is functioning as intended, and *HB1* would replace it with a new mandate that restricts the PSC's ability to rely on the full range of tools and evidence it currently uses to evaluate utility expenditures.

Legal Challenges

Preemption

HB1 establishes unprecedented restrictions and raises grave legal questions that render the bill vulnerable to challenge. The bill would create an imbalance by safeguarding wages and bonuses for employees covered under a collective bargaining agreement, while leaving non-bargaining employees without equivalent protections – ultimately politicizing internal management decisions in a way no other industry experiences. It also raises questions under the National Labor Relations Act. Utilities may recover bonuses set in collective bargaining agreements but not otherwise, absent grandfathering. Thus, *HB1* has the effect of encouraging employees to seek, and employer utilities to promote, unionization. While BGE respects the rights of employees to choose to be represented, the United States Supreme Court has explained that states may not regulate conduct Congress intended "to be controlled by the free play of economic forces," including the decision of whether to unionize or not[1]. *HB1* does just that, in a manner the Supreme Court has made clear is problematic.[2]

Takings Clause

HB1 does not remove or reduce the utilities' obligation to provide "safe, adequate, and efficient service," as defined in the Maryland Code Public Utilities Article.[3] Yet, it adds restrictions on employee compensation despite that compensation previously being deemed prudent and necessary to provide this level of service by the PSC. The Supreme Court explained in Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591[4], a valid rate must "enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed. HB1 expressly and specifically prohibits utilities from recovery amounts needed to operate successfully.

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[1] *Machinists v. Wisconsin Employment Relations Comm'n*, 427 U.S. 132 (1976).

[2] *See, e.g.*, *Chamber of Commerce v. Brown*, 554 U.S. 60 (2008) (invalidating state law that prevented recipients of grants from using the funds to advocate on union organizing).

[3] Md. Code Pub. Utils. § 5-303

[4] *Id.* at 605.

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Maryland's Local Economy

HB1 would introduce an unprecedented form of state involvement in how private employers structure compensation for specialized staff. At a time when Maryland is working to rebuild its economy following the loss of nearly 25,000 federal jobs in 2025 and is actively seeking to attract high growth industries, creating a unique regulatory burden for one sector may raise broader concerns for companies evaluating long-term investment in the state. No other state imposes compensation design mandates on private utilities, and even heavily regulated industries like hospitals and health insurers, which are central to life, health, and public safety, face no such requirements.

Exelon is a Fortune 200 company with BGE proudly headquartered in downtown Baltimore. Establishing this precedent for one industry could create uncertainty for any sector that relies on specialized talent and is considering Maryland as a place to grow. *HB1* may weaken Maryland's ability to attract top talent, undermine the PSC's established regulatory authority, threatens safety and reliability, and sends a discouraging signal to businesses across the state.

In closing, the General Assembly continues to rely on its investor-owned utilities to support innovative pilots focused on electrifying the grid and enabling new technologies. It is imperative that we continue to recruit, hire, and retain the best talent to meet these expectations and, most importantly, serve our customers in a safe and reliable manner with the continued oversight of the PSC. BGE respectfully urges the Committee for an unfavorable report for *HB1*.

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