February 20th, 2026

Delegate Mark Korman, Chair
Delegate Michele Guyton, Vice Chair
Maryland House of Delegates
Committee on Environment and Transportation
250 Taylor House Office Building
251 Taylor House Office Building
Annapolis, Maryland 21401

Chair Korman and Vice Chair Guyton:

The Baltimore Public Power Campaign (BPP) writes in support of H.B. 981, which would require the Maryland Public Service Commission (PSC) to use the average U.S. equity market return to inform the base rate for investor-owned utilities in Maryland.

BPP is a grassroots campaign to transition away from Baltimore's reliance on Baltimore Gas & Electric's (BGE) exploitative monopoly. Specifically, BPP is organizing to fight for a publicly-owned utility that will ensure lower bills, cleaner energy, and local control for Baltimore residents. BPP believes that energy is a human right, not a commodity from which corporations like BGE should profit.[1]

Investor-owned utilities, like BGE, are granted state-sanctioned monopolies under the rationale that it is most efficient for a single entity to provide utility service, like electricity. In return for their treatment as a monopoly, state regulators, like the PSC are charged with ensuring the rates they charge are "just and reasonable."[2] Unfortunately, investor-owned utilities have an unfair advantage in advocating for what the PSC should consider just and reasonable.

Utilities like BGE dedicate tremendous amounts of time and resources to making their case that their "return on equity," or how much profit they are allowed to collect from customer bills, is compliant with the just and reasonable standard. Utilities also control when they file applications for rate increases and have far more resources than the advocacy groups who oppose their proposals. What is more, enormous deference is given to corporate expert witnesses' calculated comparisons to what other regulators have approved, creating a self-fulfilling prophecy for increased rates.[3]

---

[1] Baltimore Public Power, Instagram, https://www.instagram.com/baltimore_public_power/.
[2] Md. Code Ann., Pub. Util. § 4-102.
[3] *See, e.g.*, *In re* Application of Balt. Gas & Elec. Co. for an Elec. & Gas Multi-Year Plan, Case No. 9692, Order No. 90948 (Md. Pub. Serv. Comm'n Dec. 14, 2023),

Maryland's utility regulator needs a new model. H.B. 981 proposes an elegant solution. It would tie the return on equity for utilities like BGE's to the minimum return that a reasonable investor would expect to earn from investing in the company (also called the cost of capital). That is, BGE's rates would need to more closely match what the market broadly projects is needed to attract investment.

In 2023, the PSC approved a return on equity of 9.5% for BGE's electric distribution service. That same year, the cost of capital was analyzed at an average of around 7%.[4] This gap earns BGE's parent Exelon billions more than what it should reasonably expect to profit on its investments in any other industry. This gap must be closed.

We look forward to helping shape this important legislation, and enthusiastically request a favorable report.

Sincerely,

The Baltimore Public Power Campaign

https://www.pscmaryland.com/wp-content/uploads/Order-No.-90948-BGE-Rate-Order-1-2.pdf at 235. *See also*, Matthew Bandyk, *Utility Returns on Equity: A Self-Fulfilling Prophecy?*, Synapse Energy (Jan. 14, 2026), https://www.synapse-energy.com/utility-returns-equity-self-fulfilling-prophecy.

[4] Mark Ellis, *Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public*, Am. Econ. Liberties Project (Jan. 2025), https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf at 7.