

KUMAR P. BARVE  
CHAIR

FREDERICK H. HOOVER, JR.  
BONNIE A. SUCHMAN  
ODOGWU OBI LINTON  
RYAN C. MCLEAN



## PUBLIC SERVICE COMMISSION

Chair Marc Korman  
Environment and Transportation Committee  
250 Taylor House Office Building  
Annapolis, MD 21401

### **RE: HB 521 – Information – Public Service Commission - Electric Companies and Gas Companies - Customer Bill Surcharge - Repeal**

Dear Chair Korman and Committee Members:

The Public Service Commission (the “Commission”) provides the following informational comments on HB 521 for your consideration.

The proposed legislation strikes provisions of the Public Utilities Article that provide guidance to the Commission regarding how to recover costs related to the energy efficiency, demand response, and beneficial electrification programs of EmPOWER. Additionally, the proposed legislation strikes a related provision from the State Government Article that allows the Maryland Energy Administration (MEA) to use funds from the Maryland Strategic Energy Investment Fund (SEIF) to offset EmPOWER surcharges.

Effectively, this bill will render the Public Utilities Article silent as to how utilities recover EmPOWER program costs from customers. The bill does not modify any other part of the statute enabling EmPOWER, so the utilities will still need to operate EmPOWER programs and incur program costs. This means the Commission will need to determine how costs are recovered from ratepayers. Because the proposed legislation removes the requirement that EmPOWER costs be listed as a separate line item on a customer’s utility bill, utilities could propose—and the Commission could approve—recovery either through a surcharge or in base rates.

The Commission notes importantly that the bill also removes the statutory requirement that limits the return rate applied to any unpaid program costs incurred prior to January 1, 2028 to a utility’s average cost of outstanding debt. Prior to the enactment of this provision, the utilities used their weighted average cost of *capital* as a return on unpaid program costs. Utility cost of capital is more expensive than cost of debt because it includes the utility’s return on equity.

Additionally, removing the provision of the State Government Article that allows MEA to allocate SEIF funds to cover EmPOWER costs precludes the opportunity for SEIF funds to offset amounts that are charged to ratepayers for these programs. Accordingly, this could cause an increase in customer rates.

The Commission appreciates the opportunity to provide testimony on HB 521. Please contact the Commission's Director of Legislative Affairs, Niki Wiggins, if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kumar", with a stylized flourish at the end.

Kumar P. Barve  
Chair, Maryland Public Service Commission