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**Testimony Before the House Environment and Transportation Committee
HB 981 – Investor-Owned Public Service Companies – Base Rate Proceeding – Equity
Market Return
*Favorable Report***

The American Economic Liberties Project (Economic Liberties) is a research and advocacy organization focused on issues of corporate power and consolidation, in pursuit of economic liberty for all.

Economic Liberties recommends a favorable report on HB 981, with sponsor amendments. As amended, the legislation will better align utility investor incentives with the public interest.

The American utility market is based on a social contract. The government sanctions private, for-profit monopolies under the rationale that their services can be provided most efficiently by a single entity. In return, these monopolies – known as “investor-owned utilities” – provide essential services to Maryland households and businesses and agree to be regulated by the state through its Public Service Commission.

Unfortunately, utilities across the country, including here in Maryland, have repeatedly sought record rate increases while earning extraordinarily high profits – in part because existing regulatory mechanisms allow monopoly utilities to seek returns based on financial models skewed toward investor profits rather than public affordability.

Nationally, investor-owned utilities requested a record [\\$31 billion in rate hikes](#) during 2025 alone – double that of 2024. These rate hikes serve to further bolster executive bonuses and investor profits – and [CEOs already pocketed \\$3 billion](#) in salaries and bonuses between 2019 and 2023 – with the median ROE authorized in all electric utility rate cases climbing to 9.75 percent in the first quarter of 2025 and closing in on 10.0 percent by year-end.

Contrast that with empirical data published by Economic Liberties in our groundbreaking 2025 policy brief, [“Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities from Overcharging the Public.”](#) As documented in our paper, major asset managers project long-term returns for U.S. equities of approximately 6-7 percent. Additionally, market signals consistently prove that authorized returns exceed what investors actually require, given that publicly-trading utility holding companies typically trade at 2.0 to 2.3 times their book value.

[Multiple academic studies](#) support this finding, noting that returns authorized by state utility commissions are much higher than the utilities’ actual cost of equity. This means utilities are receiving a much better deal from regulators than they would receive on the open market.

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This disparity is further borne out in a comparison between these for-profit utilities compared to their publicly-owned counterparts. Between 2020 and 2023, average residential electricity rates charged by investor-owned utilities increased nearly 50 percent *more* than inflation. In contrast, their publicly-owned counterparts increased 44 percent *less* than inflation.

HB 981 takes an important step toward rebalancing this dynamic by requiring the Maryland Public Service Commission to rely on *real market signals* to determine a just and reasonable rate of return.

What's at stake here goes beyond abstract economics: When utilities are permitted to collect excessive returns, Maryland households pay for it in their monthly bills. These costs disproportionately burden low- and moderate-income families, forcing tough choices between energy and other basic needs such as groceries or medication.

Economywide, excess returns cost utility customers approximately **\$50 billion per year**. The cost to individual households averages more than **\$300 per year**.

This is pure excess utility profits for which customers receive no benefit whatsoever. When the stock market values the excess profits regulators are awarding utilities at an approximately **\$1 trillion wealth transfer**, it is long past time to act.

Opponents of this bill may argue that stronger scrutiny of returns could make it harder for utilities to attract capital or finance necessary infrastructure investments. We respectfully disagree. Capital markets function every day based on market benchmarks – so can investor-owned utilities.

Opponents of this bill may also argue that a lower return will impair the utility's credit rating, resulting in a higher cost of debt and eroding customer savings. As documented extensively in [our paper](#), this argument is false. Even if taken at face value (that a downgrade may be triggered), any incremental increase in the cost of debt is overwhelmed by the customer savings on utility profits – as a basic understanding of utility ratemaking and credit markets bears out.

This issue boils down to whether Marylanders deserve another \$300 per year to put toward groceries or other basic needs, or if these increasingly excessive monopoly utility profits should keep heading to out-of-state corporations and their investors.

We strongly support HB 981, with the sponsor's amendments, and urge the Committee to give it a favorable report.

We look forward to working with the sponsor and members of this Committee to refine the legislation.