

2026_HB1_FAV_Written.pdf

Uploaded by: Brian Crosby

Position: FAV

BRIAN CROSBY
Legislative District 29B
St. Mary's County

DEPUTY MAJORITY LEADER

Economic Matters Committee



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB 1: Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations

Position: FAV

January 27, 2026

Chair Korman, Vice Chair Guyton, and esteemed members of the Environment and Transportation Committee,

For the record, I am Delegate Brian Crosby, presenting HB1 - Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations.

HB1 is a consumer protection measure designed to lower Marylanders' energy bills. HB1 prohibits investor-owned energy companies from using customer rates to pay executive bonuses or compensate executives over 110% of the PSC Commissioners' salary. HB1 also requires energy companies to institute policies limiting non-essential expenditures while excluding employees covered by a collective bargaining agreement.

Throughout my time in office, I have answered countless letters, emails, and phone calls from constituents about their energy bills. I know my colleagues in the House and Senate have similar experiences. As more Maryland families must decide between putting food on the table or having heating in the winter, we must confront the fact that investor-owned energy executives are immune to the hardship faced by Marylanders by their own design.

To summarize, HB1 does not prohibit utility companies from offering bonuses or incentives to their employees; instead, it ensures that ratepayers are not required to subsidize excessive executive compensation. As written, this legislation also excludes health, medical, life insurance, and/or disability benefits and will not impact those with a written contract executed on or before December 31, 2025.

Thank you for consideration of HB1, I respectfully request a favorable report.

Favorable Written Testimony for HB001.pdf

Uploaded by: Brian Terwilliger

Position: FAV



LOCAL UNION 410
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

January 23, 2026

Committee: Environment and Transportation

Testimony on HB0001 – Investor-Owned Electric, Gas, and Gas and Electric Companies – Cost Recovery- Limitations

Position: Favorable

Hearing Date: January 27, 2026

Good afternoon, Chairman Korman, Vice Chair Guyton, and members of the Environment and Transportation Committee:

My name is Brian Terwilliger, and I am the Assistant Business Manager for Local Union 410 of the International Brotherhood of Electrical Workers (“IBEW Local 410” or “the Union”).

On behalf of the International Brotherhood of Electrical Workers (IBEW) Local 410, which proudly represents over 1,400 utility workers in the Baltimore metropolitan area, including employees of Baltimore Gas and Electric, I am writing to express our strong support for House Bill 1. As a union dedicated to advocating for fair wages, safe working conditions, and equitable treatment for our members, we believe this legislation represents a critical step toward ensuring accountability and fairness in the operations of investor-owned utilities in Maryland.

House Bill 1 addresses longstanding concerns about how public service companies recover costs through rates, particularly those related to executive compensation and discretionary expenditures. By prohibiting the recovery of bonuses except in cases where they are protected by pre-existing employment contracts or valid collective bargaining agreements, the bill safeguards the hard-earned benefits of union workers while preventing utilities from passing excessive executive perks onto ratepayers. This provision aligns directly with our union's values, as it respects collective bargaining rights and ensures that bonuses for frontline workers—negotiated through fair labor agreements—are preserved.

Additionally, the bill's limitations on supervisor compensation exceeding 110% of the maximum annual salary payable to a member of the Public Service Commission, along

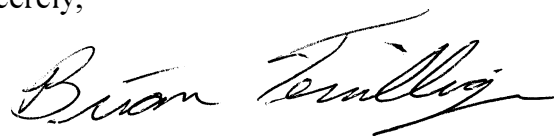
Local 410, Int. Brotherhood of Electrical Workers (IBEW)
Written Testimony on HB 0001 – Investor-Owned Electric, Gas, and Gas and Electric
Companies- Cost Recovery- Limitations
Position: Favorable
January 23, 2026
Page 2 of 2

with the requirement for boards of directors to adopt reasonable cost controls on expenditures such as entertainment, renovations, transportation, and performance incentives, will promote fiscal responsibility. These measures will help keep utility rates affordable for Maryland families and businesses, reducing the burden on working-class consumers who often bear the brunt of unchecked corporate spending. In an era of rising energy costs, this legislation ensures that ratepayer dollars are directed toward essential services and infrastructure improvements rather than lavish executive benefits.

IBEW Local 410 members are on the front lines every day, maintaining and upgrading Maryland's energy infrastructure to provide reliable service. We support policies that foster a balanced approach to utility regulation, protecting both workers and the public from unnecessary cost escalations. House Bill 1 strikes this balance effectively and will contribute to a more equitable energy sector in our state.

We commend you for introducing this important legislation and urge the Environment and Transportation Committee, as well as the full House of Delegates, to pass House Bill 1 without delay. IBEW Local 410 stands ready to provide any additional information or testimony in support of this bill. Please do not hesitate to contact me at the above address or phone number.

Sincerely,

A handwritten signature in black ink, reading "Brian Terwilliger". The signature is fluid and cursive, with the first name "Brian" and last name "Terwilliger" clearly distinguishable.

Brian Terwilliger
IBEW Local 410
Assistant Business Manager

Testimony Utility Cost Recovery HB 0001.pdf

Uploaded by: Debbie Cohn

Position: FAV

Committee: Environment and Transportation
Testimony on: HB 0001 – Investor-Owned Electric, Gas, and Gas and Electric Companies –
Cost Recovery – Limitations
Submitting: Deborah Cohn
Position: Favorable
Hearing Date: January 27, 2026

Dear Chair Korman and Committee Members:

Consumers and businesses are suffering from skyrocketing gas and electric utility rates. HB0001 addresses their pain. The bill does not limit executive compensation. It limits the amount of utility executive compensation (including bonuses) that can be passed on to ratepayers. That amount for a supervisor is 110% of the maximum annual salary of a Maryland Public Service Commissioner in the same year. The bill provides exceptions for employees with a written contract executed before December 21, 2025 and for those covered by a valid collective bargaining agreement. Otherwise, any compensation above that limit must be borne by stockholders.

Investor owned utility companies are regulated monopolies to ensure that ratepayers pay “just and reasonable” rates. Ratepayers should not be asked to pay unlimited executive compensation and SB0001 provides the needed statutory limits on a reasonable limit to be shouldered by ratepayers, leaving additional amounts to be shouldered by investors.

As a matter of simple fairness given the rapid increase in utility rates, I urge this Committee to support HB0001 and issue a favorable report.

Thank you.

HB1_EXECPAY_MDPIRG_FAV.pdf

Uploaded by: Emily Scarr

Position: FAV

Maryland PIRG

HB1: Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations

Environment and Transportation

January 27th, 2026

Emily Scarr, Maryland PIRG

Favorable

Maryland PIRG is a state based, small donor funded public interest advocacy organization with grassroots members across the state. We work to find common ground around common sense solutions that will help ensure a healthier, safer, more secure future.

Marylanders are facing rapidly increasing gas and electric delivery rates from investor-owned utilities, particularly the Exelon subsidiaries Baltimore Gas and Electric (BGE), Pepco, and Delmarva Power. And while ratepayers are paying more, profits are skyrocketing and ratepayers aren't seeing commensurate value for the costs.

Rates:

- Since BGE was acquired by Exelon in 2012, gas delivery charges have more than tripled, about 3 times the rate of inflation. BGE has averaged over 8% yearly gas delivery increases.
- Electric delivery rates for BGE and Pepco have risen faster than inflation as well, with BGE electric delivery rates escalating at an average of 4.9% a year and Pepco rates escalating at an average rate of 6.4% a year since 2010.

Profits:

- BGE profits were consistently under \$150 million until the utility was bought by Exelon in 2012, since profits have rapidly increased to \$527 million in 2024, and are on pace to be even higher in 2025.
- Pepco profits were \$205 million in 2018, the year after the company's merger with Exelon, and have already nearly doubled to \$390 million in 2024.

Investor owned utilities have a right to earn a reasonable profit, but when profits and rates skyrocket and consumers are getting less value there is a regulatory problem that needs to be addressed. The best way to prevent rate hikes is rigorous prudence review of spending and disincentivising wasteful spending to ensure only prudent costs are recovered through rates.. The legislature has a critical role to play as a partner to the PSC by giving them clear, statutory authority to reject excessive and imprudent recovery. This bill does just that.

This bill builds on the Ratepayer Freedom Act of 2025, by adding restrictions on what costs investor-owned utilities can recover through rates, giving direction to the PSC for future rate increase proposals.

The bill focuses primarily on ensuring that the amount of executive pay recovered from ratepayer is necessary to fulfill the job and serve customers, with a recommended cap at 110% of the maximum annual salary of a member of the Public Service Commission for the same calendar year.

The bill also adds some restrictions to bonuses for utility staff and directs utilities to place reasonable limitations on recovery for spending for a variety of items including entertainment, events, office renovations, transportation, etc.

As private companies, investor owned utilities have every right to pay their executives what they see fit; however, as state granted monopolies there should be reasonable limits on how much of these salary costs they can pass on to ratepayers. Tying the recommended cap to the salary of Public Service Commissioners enables utilities to hire qualified leaders with issue expertise and managerial experience to serve as executives to meet the needs of ratepayers. Allowing them to pay salaries above this threshold with shareholder profits gives them the flexibility to recruit talent seeking higher pay.

In order to strengthen the bill and give the PSC the tools they need as regulators we have discussed potential amendments with the sponsor including:

- Adding some clarifying language and guidance to the PSC on how to evaluate reasonable recovery for executive pay. By adding requirements for prudence review on executive pay we can ensure ratepayer dollars for salaries are delivering commensurate benefits.
- Making clear that the PSC has the authority to tie executive pay recovery to specific public interest outcomes and performance expectations for executives.
- Adding clear requirements for prudence review also increases utility accountability by ensuring investor-owned utilities are providing sufficient data, documentation, and justification to the PSC when proposing to recover executive pay through rates.

These restrictions and transparency requirements will save ratepayers money and strengthen accountability for investor-owned utilities in Maryland.

We respectfully request a favorable report.

CCAN Testimony for HB 1.pdf

Uploaded by: Jamie DeMarco

Position: FAV

**Favorable testimony for
Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery -
Limitations.**

HB 1

House Environment and Transportation Committee

1/25/2026

Jamie DeMarco

Chesapeake Climate Action Network Action Fund

Lobbyist

On behalf of the Chesapeake Climate Action Network Action Fund, I urge a favorable report on Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations.

Energy bills are rising to record levels at the same time that utility executives are getting paid more in bonuses than many people make in a year. Right now, these executive bonuses are being paid for by ratepayers and higher energy bills. HB 1 would still allow for employees of utility companies to get paid bonuses, but the money for those bonuses would come from the shareholder profits of the company and would not be put on ratepayers and their energy bills.

Executive bonuses are not the primary reason energy bills are rising, but it is important to pull every lever available to us to make energy more affordable. HB 1 will allow Marylanders to rest easier knowing that their energy bills are not going to pay for exorbitant bonus pay for utility executives.

CONTACT

Jamie DeMarco, Lobbyist

jamie@demarcoavocacy.com, 443-845-5601

HB1_EconAction_fav.pdf

Uploaded by: Jennifer Bevan-Dangel

Position: FAV



**HB1: Investor-Owned Electric, Gas, and Gas and Electric Companies –
Cost Recovery – Limitations**

Position: Favorable

January 27, 2026

The Honorable Marc Korman, Chair
Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, MD 21401
Cc: Members of the Committee

Chair Korman and members of the Environment and Transportation Committee,

Economic Action Maryland Fund urges a favorable report on HB1, which builds on the Ratepayer Freedom Act of 2025 and adds restrictions to what investor-owned utilities can recover through rates, with a particular focus on executive compensation, as well as some limitations on miscellaneous corporate expenditures.

As the members of this committee are painfully aware, energy rates have risen dramatically in recent years due to a variety of factors. Thousands of Marylanders each year face shutoff notices due to nonpayment, while many others are forced to juggle multi-hundred-dollar utility bills alongside the ever-increasing costs of rent, groceries, and other necessities.

Captive ratepayers should not be forced to subsidize expenses that provide them no direct benefit. There is a clear hypocrisy in expecting ratepayers who are struggling to pay for basic necessities to fund lavish compensation packages for top executives, or those who cannot afford their groceries because of utility bills to help pay for company entertainment and events.

In a free market, consumers can comparison shop, providing incentives to corporations to keep costs reasonable. But in our regulated utility market, consumers do not have choice and there must be reasonable limits on the personal and corporate profits that companies can pass on to captive consumers.

HB1 is a commonsense, pro-consumer measure that promotes transparency, prevents unnecessary costs from being passed onto ratepayers, and ensures that Marylanders are not paying more than they should for their essential utility services. For these reasons, we urge a favorable report and would support any technical amendments that would strengthen oversight and implementation by the PSC.

Sincerely,
Jennifer Bevan-Dangel, Deputy Director

Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

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Marceline White · Marceline@EconAction.org | Jennifer Bevan-Dangel · Jennifer@EconAction.org

HB1_FAV_AARPMD.pdf

Uploaded by: Laurel Peltier

Position: FAV



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**HB 1 Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery –
Limitations
Environment and Transportation Committee
January 27, 2026**

FAVORABLE

Good afternoon, Chair Korman, Vice Chair Guyton, and members of the Environment and Transportation Committee. My name is Laurel Peltier, and I am a proud member of AARP Maryland and a resident of Baltimore County. AARP Maryland represents more than 850,000 members across the state, making it one of the largest membership-based organizations advocating for older Marylanders. We appreciate the opportunity to testify in strong support of HB 1. We thank Delegate Crosby for introducing this important legislation on behalf of Maryland ratepayers.

AARP is a nonpartisan, nonprofit organization dedicated to empowering people to live their best lives as they age. Our work focuses on issues that matter most to older adults and their families, including affordable utilities, financial security, health care access, and protection from financial exploitation.

Older Marylanders, like all utility customers, deserve fair and just rates, free from hidden or unnecessary expenses. HB 1 ensures that ratepayer dollars are used responsibly and not to fund excessive expenditures for entertainment and events, office and facility renovations, transportation services, including aviation, staff development, performance incentives, and other activities outside the scope of normal business activities.

These are unusual times for Maryland's older adults, as many find the current electricity and gas rates truly unaffordable. The health and safety of older residents have been negatively affected as they scramble to pay for utilities to avoid terminations and keep the power on. AARP Maryland thinks it's reasonable to require the utilities' Board of Directors to adopt company-wide policies that judiciously spend rate payers' funds on the above business activities.

For these reasons, we respectfully urge the committee to support HB 1.

If you have any questions, please contact Sara Westrick, AARP Maryland Advocacy Director at swestrick@aarp.org or by calling 410-310-0374.



HB001_Investor Owned Gas Elec Company Cost Recover

Uploaded by: Laurie McGilvray

Position: FAV



Testimony on: HB001 – Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations

Committee: Environment and Transportation

Organization: Maryland Legislative Coalition Climate Justice Wing

Submitting: Laurie McGilvray, Co-Chair

Position: Favorable

Hearing Date: January 27, 2025

Dear Chair Korman and Committee Members:

We are providing our testimony in support of HB001, *Investor-Owned Electric, Gas, and Gas and Electric Companies – Cost Recovery - Limitations*. The Maryland Legislative Climate Justice Wing is a statewide coalition of 30 grassroots and professional organizations focused on climate justice and we urge you to vote favorably on HB001.

HB001 is a consumer-friendly bill that is urgently needed at a time when gas and electric utility rates are skyrocketing. The bill does not limit utility executive compensation, but rather limits the amount of compensation, including bonuses, that can be recovered through rates (i.e., gas and electric customers' bills). It sets the amount of compensation that a supervisor can recover through rates to 110% of the maximum annual salary of a Maryland Public Service Commissioner in the same year. There are exceptions for employees with a written contract that was executed before December 21, 2025 and those who are covered by a valid collective bargaining agreement.

Maryland's investor-owned utilities are regulated monopolies. As such, they have a responsibility to ensure that ratepayers are charged "just and reasonable rates" for their gas and electricity. Ratepayers should not bear the cost of exorbitant executive compensation. While our utilities express their concern about rate-basing the cost of energy efficiency and other programs that advance Maryland's climate goals, they do not seem similarly concerned about the ratepayer impacts of their own compensation. This bill does not limit executive compensation, but simply caps the portion that is charged to customers, offering a better balance in who pays for what – ratepayers or shareholders. This is why the Minnesota Public Utilities Commission has taken similar steps.

For these reasons, we urge the Committee to vote favorably on HB001.

350MoCo

Adat Shalom Climate Action

Cedar Lane Unitarian Universalist Church Environmental Justice Ministry
Chesapeake Earth Holders
Chesapeake Physicians for Social Responsibility
Climate Parents of Prince George's
Climate Reality Greater Maryland
ClimateXChange – Rebuild Maryland Coalition
Coming Clean Network, Union of Concerned Scientists
DoTheMostGood Montgomery County
Echotopia
Elders Climate Action
Fix Maryland Rail
Glen Echo Heights Mobilization
Greenbelt Climate Action Network
HoCoClimateAction
IndivisibleHoCoMD
Maryland Legislative Coalition
Maryland Third Act
Mizrahi Family Charitable Fund
Mobilize Frederick
Montgomery County Faith Alliance for Climate Solutions
Montgomery Countryside Alliance
Mountain Maryland Movement
Nuclear Information & Resource Service
Progressive Maryland
Safe & Healthy Playing Fields
Takoma Park Mobilization Environment Committee
The Climate Mobilization MoCo Chapter
Unitarian Universalist Legislative Ministry of Maryland

HB 1 - MDLCV FAV_ Investor-Owned Electric, Gas, an

Uploaded by: Rebecca Rehr

Position: FAV



MARYLAND LEAGUE OF CONSERVATION VOTERS

Maryland LCV Board of Directors

Patrick Miller
Chair

Honorable Nancy Kopp
Treasurer
Bonnie Norman
Secretary

Kimberly Armstrong
Caroline Baker
Joe Gill
Lynn Heller
Honorable Steve Lafferty
Kevin Loeb

Kim Coble
Executive Director

January 27, 2026

SUPPORT Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations

Mr. Chairman and Members of the Committee:

Maryland LCV supports HB 1 Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations. We thank Delegate Crosby for his leadership on this issue.

Maryland LCV is committed to advancing clean energy solutions that increase grid reliability and decrease ratepayer impacts while achieving the state's climate targets.

HB 1 will ensure much needed protections to ratepayers from utility expenses that do not directly improve service, reliability, or affordability. This bill places reasonable limits on the costs that investor-owned electric and gas utilities may recover through customer rates, particularly around excessive compensation and discretionary corporate spending. The bill focuses on ensuring the amount of executive pay recovered from ratepayers is reasonable, with a recommended cap at 110% of the maximum annual salary of a member of the Public Service Commission. HB 1 draws a clear line between legitimate operational costs and expenses that should remain the responsibility of utility shareholders, not customers. This is an important step to reduce electricity bills.

The bill requires utility boards to limit spending on entertainment, office renovations, transportation services, staff development and incentive programs. These guardrails are essential to ensure that ratepayer dollars are being used responsibly and in ways that provide real value to customers. This legislation helps correct the imbalance that currently allows corporate expenses to be shifted onto already struggling consumers.

Maryland has made clear commitments to protecting consumers and ensuring fairness in utility regulation. This bill reinforces those commitments by prioritizing transparency and accountability. We support clarifying amendments from the to align legislative language with the bill's intent.

Maryland LCV wants to Power Maryland Forward, supporting **energy affordability** through **deployment of solar and storage, defense against more fossil fuels** and **unchecked utility profits**, while **getting the most out of the electricity grid we have**. Maryland LCV urges a favorable report on this important bill as part of this framework.

30 West Street, Suite C
Annapolis, MD 21401
Phone: 410-280-9855

www.mdldcv.org

Earthjustice HB 01 Support Comments Public Service

Uploaded by: Susan Miller

Position: FAV



January 23, 2026

Chair Delegate Marc Korman
Members of the House Environment and Transportation Committee

Re: Earthjustice **support** of HB 01:
Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery –
Limitations

Earthjustice¹ supports the passage of HB 01, Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations. HB 01 would prohibit any public service company employee from receiving a bonus; prohibits any public service company supervisor from receiving compensation that exceeds 110% of the maximum annual salary payable to a member of the Commission for the same calendar year; and requires each public service company board of directors to adopt a company-wide policy placing reasonable cost limitations on certain expenditures. HB 01 is a step toward lowering utility rates and ensuring that ratepayers only pay for fair costs and expenditures.

Maryland residents are facing an energy affordability crisis. Utility bills are rising as the cost of living increases, further straining already stretched households and businesses. The gas rates of BGE and Columbia Gas have increased significantly since 2010, with BGE's rates tripling during the period and Columbia Gas rates increasing more than three times the rate of inflation.² Electric rates for Maryland's Exelon utilities have also increased well above the inflation rate.³ Unfortunately, this problem isn't going to get better soon. Fortunately, the Environment and Transportation Committee can pass HB 01, which will begin the process of reining in public service company spending and be a step toward energy affordability.

Investor-owned utilities ("IOUs") are granted regional franchises and are not subject to competition. In principle, utility rates must be "just and reasonable," sufficient to recover only the actual and prudent costs incurred in providing service to their captive customers. This creates an inherent tension in the utility regulatory model. As investor-owned businesses, IOUs seek to maximize their profits, which often runs headlong into regulators' goal of achieving just and reasonable rates. Over the last three years, IOU residential electricity rates nationally have increased 49% more than inflation.

¹ Earthjustice is a non-profit public interest environmental law organization that represents other non-profits free of charge. Earthjustice uses the power of law and the strength of partnerships to advance clean energy, combat climate change, protect people's health and preserve magnificent places and wildlife.

² Maryland's Utility Rates and Charges, Report of the Maryland Office of People's Counsel, at 6 (June 2024).

³ Id. at 10.

While Maryland public service companies voiced concerns regarding energy affordability, they have failed to offer any long-term concrete solutions for the problem they helped create. Essentially, the public service companies simply deflect the blame for higher rates to other allegedly “out of their control” factors.

Compensation, particularly executive compensation, is driven in significant part by shareholder interests. Thus, it is reasonable to limit the public service company’s ability to recover compensation through rates. Moreover, the manner in which public service companies justify their compensation requests to the Public Service Commission is flawed. Most compensation market comparisons are based on the compensation paid to corporate officers who have a duty of care to shareholders, but not to ratepayers. Even where the public service company uses compensation packages from other utilities, this practice is merely circular. The utilities at the low end of the scale respond by increasing their own compensation, which simply places upward pressure on all executive compensation. Thus, a continuous upward spiral is created. Finally, the public service company’s subjective selection of the utilities used for comparison skews the conclusion toward ever-increasing compensation.

The Committee should note that any public service company that wishes to pay supervisors above the statutory limit may use shareholder funds to further compensate those employees. Similarly, when the Board of Directors places cost limitations on expenditures for the items listed in subsection E of HB 01, those limitations will only apply to spending ratepayer funds. If a public service company wishes to spend more than the cost limits, the company is free to spend shareholder dollars.

Because public service companies are not subject to the pressure that market forces may place on salaries, the General Assembly needs to act as a check on ever-increasing compensation packages. HB 01 is necessary to protect ratepayers from paying these exorbitant costs.

Finally, Earthjustice thanks Delegate Crosby for his leadership on this important issue.

Earthjustice urges a favorable report for HB 01.

Thank you in advance for your support. Should you have any questions, please contact me at smiller@earthjustice.org.

Respectfully submitted,



Susan Stevens Miller
Senior Attorney
Earthjustice

HB0001 & SB0002 - OPC Testimony.pdf

Uploaded by: David Lapp

Position: FWA

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BRANDI NIELAND
DIRECTOR, CONSUMER
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CARISSA RALBOVSKY
CHIEF OPERATING OFFICER

BILL NO.: Senate Bill 0002/House Bill 0001 – Investor-Owned Electric,
Gas, and Gas and Electric Companies - Cost Recovery -
Limitations

COMMITTEE: Education, Energy, and the Environment
Environment and Transportation

HEARING DATE: January 27, 2026 (ENT)

SPONSOR: Senator Hester
Delegate Crosby

POSITION: Favorable with amendments

The Office of People's Counsel ("OPC") respectfully offers the following comments in support of Senate Bill 0002/House Bill 0001 with the amendments described below. SB 0002/HB 0001 seeks to prohibit an investor-owned utility from charging its customers for certain corporate costs that are not directly tied to the performance of core utility functions, and ultimately reduce customer bills.

Specifically, SB 0002/HB 0001 would prohibit investor-owned utilities from passing on to customers the costs associated with (1) "bonus" compensation, defined in the bill as "any form of incentive compensation" and other payments "in addition to base pay that are contingent on the occurrence of one or more events or conditions"¹; and (2) total compensation for any "supervisor" that "exceeds 110% of the maximum annual salary payable to a member of the [Public Service] Commission for the same calendar year." *Notably, the bill does not prohibit an investor-owned utility from providing such compensation to its employees but rather shifts from customers to shareholders the*

¹ This restriction would *not* apply to an employee who "has a written employment contract that was executed on or before December 31, 2025" or an employee "covered by a valid collective bargaining unit."

responsibility to pay for any compensation above and beyond the proposed limits. SB 0002/HB 0001 would also direct the board of directors of each investor-owned utility to “adopt a company-wide policy placing reasonable cost limitations” on other corporate costs that are unrelated to core utility functions and generally benefit shareholders rather than customers.

OPC supports expanding limitations on ratepayer recovery for executive compensation. While customers are reeling from increasingly unaffordable bills, utility executives are rewarded with high pay and bonuses tied to exorbitant utility profits. For example, the compensation for Exelon’s chief executive officer, Calvin Butler Jr., totaled \$14.66 million in 2024.² The combined base salary for BGE’s executive officers in 2024 exceeded \$4 million,³ and BGE’s executive-incentive compensation for 2024 exceeded \$3 million.⁴

Commission precedent requires the recovery of incentive compensation to have some nexus with operational performance—including customer satisfaction, safety and reliability—and to deliver value to rate payers.⁵ To comply with this policy, investor-owned utilities typically include adjustments in their applications for new rates that remove the non-recoverable amount of incentive compensation from the operation and maintenance expenses that the company seeks to recover from customers. In BGE’s most recent application for a multi-year rate plan (MRP), for example, the company proposed a ratemaking adjustment to remove incentive compensation costs totaling \$15.1 million from operations and maintenance expense over its three-year MRP.⁶

SB 0002/HB 0001 would expand this restriction by limiting ratepayer-funded recovery of *total* compensation—including base salaries—and by applying the restrictions on cost recovery to a broader class of “supervisors” as defined in the bill, rather than just executives.⁷ It is appropriate—and consistent with existing policy—to require only shareholders to shoulder those costs.

² Exelon Corporation, 2025 Proxy Statement and Notice of Annual Shareholder Meeting, at 60 (March 19, 2025), *available at* https://investors.exeloncorp.com/node/40291/html#ic02730017c21445ea307ebfaea53a141_1039.

³ Baltimore, Gas and Electric Company, 2024 FERC Form 1 (March 27, 2025), *available at* <https://ecollection.ferc.gov/submissionDetails/236922>.

⁴ Baltimore Gas and Electric Company, 2024 *Annual Information Filing*, ML# 317299, (Case No. 9692, March 31, 2025).

⁵ *See, e.g.,* Md. Pub. Serv. Com’n, Order No. 86060, *Application of Baltimore Gas and Electric Company for Adjustments to Its Electric and Gas Base Rates*, (Case No. 9323, Dec. 13, 2013), 2013 Md. PSC LEXIS 46, at *63–65.

⁶ Baltimore Gas and Electric Company, *Direct Testimony of John C. Frain*, Exhibit JCF 4-E, Operating Income Adjustment 4E and 4G, ML# 301409 (Case No. 9692, Feb. 17, 2023).

⁷ It is not clear whether any utility employees other than managers or executives receive financial or growth-based incentive payments, or how many utility employees—other than executives—earn total compensation above the proposed cap.

OPC recommends a favorable report on SB 0002/HB 0001 with three amendments to better align the bill with existing Commission policy and the public interest.

First, it is not in the public interest for ratepayers to pay for incentive compensation tied to utility financial performance—i.e., achieving shareholder goals—but it is in the public interest for utility employees to be incentivized to provide exemplary service to Maryland customers. To that end, OPC recommends that utilities be allowed to recover the reasonable costs associated with a “bonus” that are tied to the performance of core utility functions. OPC recommends *adding to* (d) as follows:

(D) A PUBLIC SERVICE COMPANY MAY RECOVER THE COSTS ASSOCIATED WITH PAYING AN EMPLOYEE A BONUS THROUGH RATES IF THE PUBLIC SERVICE COMPANY PROVIDES CLEAR AND CONVINCING EVIDENCE THAT:

(1) THE EMPLOYEE HAS A WRITTEN EMPLOYMENT CONTRACT THAT WAS EXECUTED ON OR BEFORE DECEMBER 31, 2025; ~~OR~~

(2) THE EMPLOYEE IS COVERED BY A VALID COLLECTIVE BARGAINING AGREEMENT; ~~OR~~

(3) THE BONUS IS TIED TO THE ACHIEVEMENT OF OPERATIONAL PERFORMANCE FOR CUSTOMER SERVICE, SAFETY, AND RELIABILITY OR OTHERWISE ADVANCES THE ACCOUNTABILITY OF THE EMPLOYEE, OFFICER, OR EXECUTIVE TO CUSTOMERS AND IS NOT RELATED TO FINANCIAL OR GROWTH-BASED METRICS;

Second, OPC recommends expanding the scope of SB 0002/HB 0001 to apply to compensation costs allocated to a Maryland utility from its parent company. Compensation costs incurred by a parent company are allocated across the parent company’s different subsidiary utilities. Because corporate costs incurred at the level of the parent company or another affiliate are generally billed to the utility through a business services company, the bill as drafted excludes those costs from any restriction on ratepayer recovery. OPC recommends the following amendment to ensure that parent-company executive compensation and bonuses are excluded from ratepayer-funded recovery:

(A) (4) “Supervisor” means an individual EMPLOYEE OF A PUBLIC SERVICE COMPANY, ITS PARENT COMPANY OR ANY OTHER AFFILIATE who:

...

(C) (3) Except as provided in subsection (D) of this section, paying a bonus to an employee of a public service company, **INCLUDING ITS PARENT COMPANY OR ANY OTHER AFFILIATE**; or . . .

Third, OPC supports placing additional restrictions on an investor-owned utility's ability to charge its customers for other corporate activities that are unrelated to core utility functions and benefit shareholders over customers, like those listed in subpart (e) of the proposed legislation. Given, however, that any such restrictions would come at the direct expense of shareholders, putting a utility's board of directors in charge of adopting a "company-wide policy placing reasonable cost limitations" on these expenses may be an ineffective means of achieving reasonable improvements. Instead, OPC recommends striking subsection (E) as drafted and replacing it with a straight prohibition against recovery of those costs unless the public service company provides clear and convincing evidence that the costs are necessary and appropriate for the public service company to meet its performance obligations to customers. *Like the limitations on compensation that can be recovered, this change would not prohibit an investor-owned utility from incurring such costs but rather shifts from customers to shareholders the responsibility to pay for them.* OPC would be happy to work with the sponsors to incorporate this change into the proposed legislation.

With the three amendments discussed above, SB 0002/HB 0001 is an important step toward ensuring that cash-strapped customers do not pay for corporate expenses that are not directly tied to the performance of core utility functions.

Recommendation: OPC requests a favorable Committee report on SB 0002/HB 0001 with the amendments described above.

PHI - HB1 - OPP - E&T Final.pdf

Uploaded by: Anne Klase

Position: UNF

January 27, 2026

112 West Street
Annapolis, MD 21401

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

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **House Bill 1 - Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations**. House Bill 1 would, among other things, prohibit investor-owned electric and gas utilities from recovering through rates costs related to:

- employee bonuses, as defined, except under specified conditions, or
- “compensation” for supervisors that exceeds 110% of the maximum annual salary payable to a member of the Public Service Commission (PSC)

The bill also requires the board of directors of each investor owned electric, gas, and combination gas and electric company to adopt a companywide policy placing reasonable cost limitations on expenditures for entertainment and events, office and facility renovations, transportation services, staff development activities or events, performance incentives, and other activities outside the scope of the normal course of business operations.

Pepco and Delmarva Power have significant concerns regarding House Bill 1 as it represents a considerable shift from longstanding utility regulatory practices and would create unintended and adverse consequences for customers, employees, long-term system reliability and the state’s business competitiveness. House Bill 1 is inconsistent with the basic principles of the regulatory compact that governs Maryland’s relationship with its utilities. House Bill 1 is not just unnecessary but, if adopted, could adversely harm the ratepayers it aims to protect.

By prohibiting recovery of compensation that is necessary to provide safe, efficient, and reliable service, House Bill 1 violates the fundamental principles of utility regulation and Maryland’s regulatory compact—and threatens to harm ratepayers. The regulatory compact is simple: Utilities are required to “furnish equipment, services, and facilities that are safe, adequate, just, reasonable, economical, and efficient.” And the Maryland Public Service Commission (PSC) is charged with setting “just and reasonable rates” that cover utilities’ costs of carrying out that job. This “just and reasonable” standard includes “necessary and proper expenses.”

To provide reliable, safe service, utilities must provide compensation that attracts employees with the skills and expertise needed to run their systems, which are incredibly complex yet must operate with exceptional reliability. Utilities rely on highly skilled engineers, cybersecurity specialists, line workers, and technical professionals to operate critical infrastructure. These skills employees are in high demand across disciplines, 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 standards. 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. House Bill 1 represents a substantial and unprecedented departure from the well-established principles that have guided public utility ratemaking in Maryland for decades.

At the same time, the PSC has consistently authorized the recovery of incentive compensation when such costs have been shown to improve customer outcomes. In multiple prior investor-owned utility rate cases, incentive compensation has been demonstrated to enhance operational safety, service reliability, customer satisfaction, and overall performance. In those instances, the PSC determined such costs to be reasonable and therefore appropriately recoverable in rates. There is no credible basis for removing these expenses from the PSC's authority to evaluate reasonableness and prudence. Consistent with PSC directives, 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 compensation is unjustified, including by denying recovery of supplemental executive retirement plan (SERP) expenses.

House Bill as drafted, imposes a statutory cap on the level of supervisory compensation recoverable in rates, tying that cap to the salaries of PSC employees. Such a cap would represent an inappropriate encroachment upon the PSC's exclusive authority to determine just and reasonable rates under Maryland law. Establishing an externally imposed and arbitrary benchmark for labor-cost recovery would create structural distortions, leaving Maryland utilities at a competitive disadvantage nationally.

Pepco and Delmarva Power's incentive compensation programs are carefully designed to support and strengthen core operational objectives, including safety, operational excellence, customer satisfaction, workforce sustainability, cost containment, and to provide safe and reliable service. These programs are critical to motivating employees, improving performance, and fostering a culture of accountability. By disallowing the recovery of these costs, House Bill 1 would erode the very mechanisms that drive operational improvements and would ultimately produce adverse effects on service quality, efficiency, and customer outcomes.

Although House Bill 1 appears to be directed at concerns related to executive compensation, the bill's definition of "supervisor" captures a far broader set of employees. This definition includes any individual with authority to hire, discipline, promote, assign, or reward employees, direct the work of others, or respond to employee complaints. Under this expansive definition, a substantial number of Pepco and Delmarva Power's personnel—many of whom are not executives—would fall within the bill's scope.

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Based on our research, no other state currently has a law that dictates how private utilities must structure employee bonuses or wages. Additionally, House Bill 1 introduces an unprecedented form of state involvement in how private employers structure compensation for specialized staff. Article III, Section 33 of the Maryland Constitution specifies that the “General Assembly shall pass no special Law, for any case, for which provision has been made, by an existing General Law. House Bill 1 is a “special law” targeting only Maryland’s electric and gas investor-owned utilities, and it conflicts with previously enacted general legislation covering the same subject — namely, the general “just and reasonable” standard. House Bill 1 raises concerns because, as just explained, its distinctions “are arbitrary and without any reasonable basis,” and because there has been no showing that the “general law” is “inadequate ... to serve th[e] interest” in protecting ratepayers from unwarranted costs.

At a time when Maryland is working to rebuild its economy following the loss of 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. Finally, the fiscal note for the legislation notes that Gas and/or electric utility rates **may** decrease – or future rate increases may be minimized – as a result of the bill’s prohibitions on rate recovery. **The extent to which the bill results in a decrease in rates cannot be reliably estimated at this time.**

Pepco and Delmarva Power respectfully request an unfavorable report on House Bill 1. We look forward to working with the committee on advancing long-term solutions that meaningfully address the state’s energy challenges.

PHI - HB1 - OPP - ET.pdf

Uploaded by: Anne Klase

Position: UNF

January 27, 2026

112 West Street
Annapolis, MD 21401

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

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PHI - HB1 - OPP - ET.pdf

Uploaded by: Anne Klase

Position: UNF

January 27, 2026

112 West Street
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Pepco and Delmarva Power respectfully request an unfavorable report on House Bill 1. We look forward to working with the committee on advancing long-term solutions that meaningfully address the state’s energy challenges.

HB0001 -- Investor-Owned Electric, Gas, and Gas an

Uploaded by: Brian Levine

Position: UNF



House Bill 1 -- *Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations*
House Environment and Transportation Committee
January 28, 2026
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 1 -- *Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery – Limitations*.

House Bill 1 prohibits an investor-owned electric, gas, or combination gas and electric company from recovering through rates any costs associated with employee bonuses or “compensation” for supervisors that exceeds 110% of the maximum annual salary payable to a member of the Public Service Commission (PSC). The bill further requires that the board of directors of each investor-owned electric, gas, and combination gas and electric company to adopt a company-wide policy placing reasonable cost limitations on a variety of expenditures.

While the Chamber appreciates the goal of reducing gas and electric utility rates, we oppose implementing measures in Maryland that would make the state less competitive than its neighboring and competitor states, none of which have these requirements. No other state in the country has a law dictating how utilities must compensate their workers.

MCCC is concerned that this legislation represents a significant departure from long-standing utility regulatory practices and could ultimately harm Maryland’s business competitiveness. Although the bill’s intent is well-meaning, it may create unintended consequences that negatively impact ratepayers. It is essential for utilities to maintain the ability to offer competitive compensation so they can attract and retain a skilled workforce capable of delivering high-quality service.

Additionally, the bill would affect thousands of workers at a time when many families are already grappling with affordability challenges. By placing limits on compensation, the legislation could impose a financial burden on these workers and undermine their economic stability.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 1 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

*Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mccc.md.com*

SB2_HB1_UNF_ENT_BGE_ Investor-Owned Electric, Gas,

Uploaded by: Brittany Jones

Position: UNF



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

BGE, headquartered in Baltimore, is Maryland’s largest gas and electric utility, delivering power to more than 1.3 million electric customers and more than 700,000 natural gas customers in central Maryland. The company’s approximately 3,300 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Exelon Corporation (NYSE: EXC), the nation’s largest energy delivery company.

John Haysbert | Brittany Jones | Guy Andes | Dytonia Reed | 410.269.5281



Position Statement

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.

HBI 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

HBI 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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Position Statement

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 *HBI* 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

HBI 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, *HBI* 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 not¹. *HBI* does just that, in a manner the Supreme Court has made clear is problematic.²

Takings Clause

HBI 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. 591⁴, 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. *HBI* expressly and specifically prohibits utilities from recovery amounts needed to operate successfully.

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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Position Statement

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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SB2_HB1_UNF_ENT_BGE_ Investor-Owned Electric, Gas,

Uploaded by: Brittany Jones

Position: UNF



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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Position Statement

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.

HBI 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 our suppliers and contractors. 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

HBI 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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Position Statement

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 *HBI* 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

HBI 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, *HBI* 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 not¹. *HBI* does just that, in a manner the Supreme Court has made clear is problematic.²

Takings Clause

HBI 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. 591⁴, 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. *HBI* expressly and specifically prohibits utilities from recovery amounts needed to operate successfully.

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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Uploaded by: Kimberly Patrick

Position: UNF

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Kimberly Patrick

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North East, MD 21901

HB0001_WGL_Crossley_UNF.pdf

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COMMITTEE: ENVIRONMENT AND TRANSPORTATION COMMITTEE

TESTIMONY ON: INVESTOR-OWNED ELECTRIC, GAS, AND GAS AND ELECTRIC COMPANIES – COST RECOVERY – LIMITATIONS

POSITION: OPPOSE

HEARING DATE: JANUARY 27 AT 3:00 PM

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **OPPOSITION** TO **HOUSE BILL 1 – INVESTOR-OWNED ELECTRIC, GAS, AND GAS AND ELECTRIC COMPANIES – COST RECOVERY – LIMITATIONS (2025)**

The Commitment to Affordability

Washington Gas Light Company (“Company” or “WGL”) acknowledges its shared commitment with the Public Service Commission (“Commission”) to pursue affordability and accountability regarding utility expenditures that are recovered from customers. WGL has a sustained record of affordability thanks to prudent management of capital costs and operations and maintenance expense, targeted investment in safety and workforce development, and rigorous energy acquisition protocols.

Capping Compensation and Other Expense in Rates

HB 1 would preempt Commission authority over base rate recovery of bonus and compensation expense associated with utility company “Supervisors,” and directs utilities to adopt “reasonable cost limitations” on expenditures for entertainment, renovations, travel, and performance incentives, among other items.

HB 1 proposes to eliminate bonus expense from rates altogether, and to cap recovery of compensation for public service company Supervisors at 110% of the maximum annual salary payable to a member of the Commission. This law change represents a departure from traditional ratemaking, in which the Commission exercises broad discretion over inclusion of bonus and compensation expense in base rates. The standard the Commission uses in judging whether to include expense in rates is that customers should fund expense that is necessary, prudent and directly related to providing service. Further, bonuses and compensation for utility employees must be comparable to similar jobs in the utility sector and geographic area.

HB1 also directs utility boards of directors to adopt “reasonable cost limitations” on expenditures for entertainment, renovations, transportation, staff development, performance incentives or other activities “outside the scope of the normal course of business operations.”

Bill Analysis

HB 1 undermines Maryland's proven regulatory model and replaces Commission expertise with rigid statutory mandates. Under the Public Utilities Article, the Commission already has the authority to (i) review compensation for prudence; (ii) disallow unreasonable or excessive costs; (iii) balance affordability, reliability, and performance. In short, HB 1 substitutes legislative judgment for case-by-case, evidence-based review by the Commission.

Unfortunately, HB 1 weakens, rather than strengthens, ratepayer protections by prejudging entire categories of costs as unreasonable and preventing the Commission from considering context, outcomes, or performance. HB 1's mechanical approach limits the Commission's ability to protect customers effectively. For example, as written, HB 1 proscribes the Commission from reviewing any and all Supervisor salaries included in rates that are at or below the level of 110% of the highest paid Commissioner. This approach effectively guarantees rate recovery for the vast majority of utility Supervisor salaries, no matter the actual performance of those Supervisors. Some utilities may reclassify current non-Supervisors as Supervisors to take advantage of automatic salary recovery in rates.

With respect to corporate policies regarding expenditures for entertainment, renovations, travel and other items, HB 1 appears to attempt to extend Maryland law over expenditures that are not recovered in regulated rates and fails to define the concept of reasonableness or how the new law might be implemented or enforced for public service companies. The current overreaching and vague language invites potential legal challenges and avoidable disputes before the Commission.

HB 1 will not lower customer bills because compensation is not a material driver of energy costs. Customer bills are driven primarily by: (i) fuel and supply costs; (ii) infrastructure; investment; transmission congestion (for electric); and (iv) demand growth and weather volatility. Employee bonuses and incentive compensation represent a small fraction of total costs. For a multi-jurisdiction utility like WGL, compensation allocated or assigned to our Maryland jurisdiction has an even smaller impact on rates, *i.e.*, approximately 40% of total compensation. In sum, Maryland ratepayers will not see any benefit from HB 1 in rates.

HB 1 does not address the real and complex causes of Maryland's energy cost increases – which are largely outside the control of management – including PJM capacity constraints (for electric), data center load growth, inflationary construction costs, and compliance mandates such as local paving requirements for gas projects. Instead, HB 1 would penalize WGL for upward pressure on rates that the Company cannot control, and for which WGL has a strong track record of prudent cost management, thanks in part to well-trained, cost-disciplined Supervisors.

HB 1 introduces workforce instability, which raises long-term costs. Compensation restrictions can lead to higher turnover; greater reliance on costly contractors; project delays; increased training and recruitment costs. In sum, a less stable workforce is a more expensive workforce.

HB 1's arbitrary compensation caps also ignore market realities. Tying recoverable compensation to public-sector salaries ignores private-sector labor markets, disregards operational risk and accountability, and impairs recruitment and retention of skilled professionals.

Allowing costs in rates for union employees under CBAs and pre-2025 contracts will also disrupt a stable workforce, creating internal inequities, morale issues, distort workforce planning and may lead to unnecessary litigation related to workplace discrimination.

Further, HB 1's formulaic approach compares bonuses and compensation for dissimilar jobs. Utility Supervisors—which number in the hundreds at WGL—and Commission members do not perform the same roles. The supervisory role at WGL is wide-ranging, including field supervisors overseeing Operator Qualified construction crews and outside contractors engaged in specialized activities, supervisors overseeing employees engaged in customer communications and emergency dispatch services, safety supervisors who work with the Commission's pipeline safety staff, process and personnel supervisors, leak detection and repair supervisors, construction and security supervisors, accounting and supply chain supervisors, with senior management supervisors overseeing them all.

Commission members unquestionably provide vital oversight of Maryland's utilities to assure just and reasonable rates and must have a working knowledge of most utility operations. But Commissioners are not expected to have the detailed or specialized knowledge of utility Supervisors. Given these material differences in job skills and expectations, there is no rational basis to tie bonus and compensation for utility Supervisors to an appointed State of Maryland appointee.

From the utility perspective, performance incentives are cost-control and QOS tools. Traditionally Maryland utilities have tied performance incentives to enhanced safety outcomes; improved reliability metrics; operational efficiency; and customer service performance. By constraining what portion of Supervisor salaries can be included in rates, HB 1 inadvertently reduces accountability to customers, discourages innovation and increases long-term system costs.

About Washington Gas

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. Washington Gas has been providing energy to residential, commercial, government, and industrial customers for more than 177 years, and currently serves nearly 520,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 600 employees in Maryland, and hundreds of outside contractors, plumbers, union workers, and other skilled tradespeople. The Company strives to improve the quality of life in our communities by maintaining a locally-based workforce, working with suppliers that represent and reflect the communities we serve, and giving back through its charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.

Contact:

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MD 2026 HB 1 Columbia Gas Testimony Final.pdf

Uploaded by: Scott Waitlevertch

Position: UNF

**OPPOSE House Bill 1
Investor-Owned Electric, Gas, and Gas and Electric Companies –
Cost Recovery Limitations
House Environment and Transportation Committee**

Columbia Gas of Maryland, Inc. (Columbia Gas) opposes House Bill 1 (HB 1), which prohibits cost recovery by investor-owned electric, gas, and combination gas and electric companies through rates of certain labor costs and costs associated with paying certain levels of compensation and bonuses to employees. Further, HB 1 would require boards of directors to adopt policies to place “reasonable” cost limitations on certain expenditures for recovery through rates by these companies.

The proposed legislation will significantly impact investor-owned utilities’ (IOUs) abilities to attract and retain high-quality talented employees, putting IOUs at high risk of losing talented employees if certain levels of compensation and bonuses are no longer paid because the costs are no longer recoverable in rates. Losing high-quality talent will have a significant financial impact in the form of increased costs associated with employee turnover including recruiting costs and training costs, which are recoverable in rates.

Further, the legislation will not immediately reduce customer utility bills because it requires a utility to go through a rate case¹ in order to implement the change. In fact, the legislation may not reduce utility bills at all. The fiscal and policy note for HB 1 states “Gas and/or electric utility rates **may** decrease – or future rate increases **may** be minimized – as a result of the bill’s prohibitions on rate recovery. **The extent to which the bill results in a decrease in rates cannot be reliably estimated at this time.**”

The proposed legislation is very broad and a significant departure from decades of utility ratemaking principles and processes where the Maryland Public Service Commission (PSC) comprehensively reviews reasonable and prudent utility costs in a base rate or make whole proceeding. This PSC review includes the IOU’s operation and maintenance (O&M) expenses, which include labor costs, as well as incentive/bonus compensation. The PSC and the intervening parties always scrutinize compensation of employees and routinely disallow rate recovery of certain bonus payments.

However, the PSC has approved the recovery of costs it finds to be appropriate and beneficial to customers as it relates to incentive compensation. In prior IOU base rate cases adjudicated with the PSC, incentive compensation/bonuses have been demonstrated to provide ratepayer benefits and therefore have been appropriately and properly recovered in rates. There is no valid justification to remove these items from the PSC’s authority to review and determine the reasonableness of recovery, and the legislation attempts to solve a problem that does not exist.

Columbia Gas submits that implementing a cap on the amount of supervisor compensation that an IOU can recover in rates usurps the PSC’s authority to determine just and reasonable rates. In addition, using an arbitrary moving target, such as PSC salaries, as the limit for recovery is also inappropriate because it drives IOUs to file rate cases in order to recover typical increases in labor expense.

¹ Rate cases are time-consuming and expensive, and rate case expenses are recoverable in rates.

The PSC is the agency with specialized expertise in utility ratemaking. The legislature should allow the PSC to continue reviewing all aspects of an IOU's capital expenditures, O&M, depreciation, tax expense and return in determining just and reasonable rates. To our knowledge, no other state in the country is currently considering a proposal comparable to HB 1. The legislature should not assume the responsibility of utility ratemaking when it established the PSC decades ago to perform this function.

While HB 1 may be targeted to rein in the recovery of executive compensation from utility ratepayers, the impact of HB 1 goes far beyond chief executive compensation and bonuses. The legislation's impact includes any employee considered a "supervisor" which is defined as an individual who is authorized to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employee; directs the work performance of other employees; and is responsible for responding to employee complaints. For Columbia Gas this could include employees like engineers, crew leaders, and meter and regulator specialists all of whom are non-executive positions.

For Columbia Gas, incentive compensation/bonuses are designed to drive and reinforce company goals in occupational health and safety, operational excellence, customer satisfaction, workforce sustainability, cost containment and providing safe and reliable service to customers. It is a critical tool for motivating employees to improve performance, create efficiencies, and promote strong safety and customer service practices. HB 1 undermines these goals, leading to possible material and adverse impacts on the quality and efficiency of service provided to customers.

To remain competitive in the labor market and provide high-quality service to customers, Columbia must offer incentive compensation to employees as part of their total compensation packages. Competitive base pay alone is not sufficient; without incentives, total compensation would fall behind peer utilities, increasing the risk that employees will leave for better-paying opportunities.

Further, the presence of multiple utilities in three neighboring states within 30 miles of Columbia's service territory - states that do not impose similar compensation restrictions - increases the risk of employee migration to utilities to other states for compensation that meets market expectations.

With the challenges facing the energy industry in Maryland, Maryland's utilities need to attract the best and brightest talent to move the state through these challenges. HB 1 will have a chilling effect on attracting high-quality talent to the State of Maryland. In addition, the legislation may create a fractured employee culture at utilities between represented and non-represented employees who may be treated differently on compensation issues due to the requirements of HB 1. The treatment of employees fairly and equally on compensation is foundational to the effective and successful operation of utilities and any other business organization.

Consequently, Columbia Gas cannot support House Bill 1 as appropriately crafted policy for the efficient and effective operations of IOUs and therefore urges an unfavorable report.

January 27, 2026

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HB 1_Chesapeake Utilities_Unfav (01-27-26) (Final)

Uploaded by: Steve Baccino

Position: UNF



January 27, 2026

HOUSE ENVIRONMENT & TRANSPORTATION COMMITTEE
HB 1 – Investor-Owned Electric, Gas, and Gas and Electric Companies – Cost Recovery -
Limitations

Statement in Opposition

Chesapeake Utilities of Maryland, Inc. (“Chesapeake”) provides natural gas local distribution service to approximately 33,000 customers across Maryland's Eastern Shore (including Cecil, Dorchester, Caroline, Wicomico, Worcester and Somerset counties). Chesapeake respectfully **OPPOSES** HB 1 which seeks to prohibit any electric or gas public utility from recovering through rates any costs associated with bonuses paid to any utility company “Supervisor” or any “Employee” who is not covered by a collective bargaining agreement. In addition, HB 1 requires the board of directors of each Maryland gas or electric company to adopt policies that place reasonable cost limitations on expenditures for certain activities including entertainment, performance incentives and other activities outside the scope of the normal course of business operations. For the reasons explained herein, HB 1 is unnecessary, misguided and could harm utility customers by hindering the ability of gas and electric utilities to hire and retain qualified employees.

HB 1 is unnecessary and usurps the authority of Maryland's utility regulator. Under Maryland law, the Maryland Public Service Commission (the “Commission”) approves the rates charged by all public utility companies. In return for monopoly service territories (that also prevent unnecessary duplication of utility services), public utilities (by law) have an obligation to serve all customers who request service.¹

Over 100 years ago, the General Assembly established the Commission as the State agency with specialized knowledge in public utility ratemaking. The rates set by the Commission must be “just and reasonable” and allow the utility to recover its reasonable operating and maintenance expenses (including labor costs) and earn a reasonable return on the company's property used and useful in providing service.² Moreover, the Commission's long-standing regulatory practice allows utilities to recover in rates employee salaries and incentive compensation – but only if the bonus is teathered directly to demonstrated customer benefits. For example, under current Commission practice – an employee bonus tied to the stock performance of the utility would not be allowed in rates. On the other hand, a bonus tied to a customer service, safety or cybersecurity metric would be appropriate for consideration in rates (e.g., incentives tied to improved customer service call wait times, reductions in preventable accidents, or phishing prevention rates). Also, the Commission may already deny recovery of any expenses (including employee compensation) that it finds to be imprudent.

¹ See Public Utilities Article (“PUA”) § 5-303.

² See, PUA §§ 4-101 and 4-201.



Chesapeake is not aware of any evidence or examples of the Commission allowing inappropriate or exorbitant bonuses to be recovered through rates.³ Nevertheless, HB 1 would completely usurp the Commission's authority to determine just and reasonable rates. Under the U.S. Constitution (and State law), a regulator may only deny a utility rate recovery of a particular operating expense (such as employee compensation) if the expense is found to be imprudent and then, only after appropriate due process fact finding (i.e., a Commission rate case). However, HB 1 simply and presumptively declares by fiat that all incentive compensation is imprudent (and unrecoverable). However, the General Assembly delegated its power in this area by creating the Commission to be the expert regulator in the complex area of utility regulation. HB 1 is wholly inconsistent with the reason the Commission was created in the first place and its on-going statutory responsibilities. We note that the Commission (and the intervening parties in rate cases) heavily scrutinize all capital investments and operating expenses incurred by regulated utilities. Indeed, Commission rate case orders consistently grant utilities some of the lowest rates of return when compared to other state commissions.

HB 1 seems to be motivated by a narrative that Maryland public utilities are continuously increasing rates or somehow earning excessive profits. As it relates to Chesapeake, this is a false narrative. Prior to last year, Chesapeake's Maryland division had not filed a rate case for over 16 years. More importantly, over the period of 2005 to 2025 - the actual annual bill for the average Chesapeake customer has tracked lower than inflation. Given Chesapeake's history of providing excellent customer service while operating within its means (without the need for numerous rate increases), we are unclear as to the problem HB 1 is attempting to solve.⁴

HB 1 could hinder utility performance. Similar to any non-regulated companies, public utilities must attract talented employees in order to provide outstanding and safe service to customers. Although gas companies operate as monopolies; gas customers are not "captive" *per se*. Customers are not required to sign up for gas service – any customer is free to disconnect from the gas system and convert their home/business to propane, fuel oil, or all-electric. Safety is Chesapeake's top priority, yet HB1 would deny any bonus tied to safety metrics, harming a helpful incentive that protects both customers and our employees. Customer service is another prime concern for our Company and HB 1 would prohibit all incentive compensation (even incentives tied to customer benefits that work to further motivate employees).

Most public utilities (and non-utilities) compensate employees through a combination of salary and incentive compensation. Qualified employees with experience operating a public utility business are becoming an increasingly scarce commodity. Maryland utilities must compete with out-of-state utilities to retain and recruit top talent. Simply put, prohibiting all incentive compensation sends a negative message to Maryland utility employees and out-of-state workers considering employment

³ Moreover, a separate existing statute already prohibits public utilities from charging excessive rates. See PUA § 4-502.

⁴ Also, we are unclear as to the logic supporting the distinction in HB 1 that would allow bonuses to be recovered in rates for employees covered by a collective bargaining agreement – but prohibit those same bonuses for other non-union employees.



with a Maryland utility. The ability to attract and retain strong executive leadership has an absolute impact on a utility's credit rating and ability to attract capital and borrow at preferable rates. HB1 lays the ground work to negatively impact those credit ratings, driving up costs that would flow through to customers in rates, ultimately harming rate payers.

On behalf of Chesapeake, and our thousands of employees and their families who contribute every day in the communities where they live, work and serve, we respectfully request an unfavorable report on HB 1.

Chesapeake Utilities Corporation
Steve Baccino, Governmental Affairs Director
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HB1_Information_PSC.pdf

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Position: INFO

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PUBLIC SERVICE COMMISSION

Chair Marc Korman
Environment and Transportation Committee
250 Taylor House Office Building
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RE: HB 1 - Information - Investor-Owned Electric, Gas, and Gas and Electric Companies - Cost Recovery - Limitations

Dear Chair Korman and Committee Members:

The Public Service Commission (the “Commission”) appreciates the opportunity to provide this informational testimony for HB 1. Below, the Commission outlines its current practice for evaluating whether expenses related to certain categories of employee compensation are eligible to be recovered by utilities in rates and probable changes to this practice if HB 1 is passed. The Commission also notes potential impacts to ratepayers

Pursuant to its statutory authority to regulate public service companies to ensure just and reasonable rates and under established Maryland ratemaking principles, the Commission determines whether costs proposed for recovery in rates are prudent, proper, and were necessarily incurred in the provision of utility service. This authority includes reviewing executive compensation, incentive compensation, and other employee-related costs to determine whether such costs should appropriately be borne by ratepayers or shareholders.

In line with these ratemaking principles, the Commission’s established precedent is to disallow utility recovery of employee bonuses in rates if the compensation incentivizes the attainment of financial goals that benefit shareholders rather than ratepayers. A utility has the opportunity to recover employee bonuses in rates if the compensation benefits ratepayers by encouraging attainment of customer-related goals, including safety, reliability, and customer service.¹ The Commission must still ensure that all requested expenses are necessary and proper, and will disallow recovery of bonus compensation that does not meet those standards even if its claimed purpose is to benefit ratepayers.² These determinations are predicated upon the unique evidentiary record of each case when it comes before the Commission.

¹ See *In the Matter of the Application of Potomac Electric Power Company for Authority to Increase its Rates and Charges for Electric Distribution Service*, Case No. 9286, Order No. 85028, p. 66 (July 20, 2012).

² See e.g. *The Potomac Edison Company’s Application for Adjustments to its Retail Rates for the Distribution of Electric Energy*, Case No. 9695, Order No. 90847, p. 14 (Oct. 18, 2023) (where the Commission rejected the utility’s request to recover COVID-related bonuses to front-line employees because they were discretionary and not necessary for the provision of service); *In the Matter of the Application of Washington Gas Light Co. for Authority*

If codified, HB 1 would impact the Commission's current treatment of certain public service company employee compensation in a few ways. For bonuses, HB 1 would require the Commission to disallow all incentive compensation from being included in rates. Because the Commission already does not allow rate recovery of incentive compensation that benefits shareholders, the function of HB 1 would be to preclude the Commission's discretion to allow recovery of bonus expenditures designed to benefit ratepayers if they meet the Commission's requirements for reasonableness and prudence.

For supervisory compensation, HB 1 would require the Commission to limit supervisor pay as defined in the bill to no more than 110% of the maximum salary payable to a Commission employee. Essentially, this would establish a public-sector salary benchmark in place of the Commission's consideration of the private-sector labor market conditions applicable to the utility's labor force when determining compensation expenditures that can reasonably be included in rates.

HB 1 may impact ratepayers in a number of ways. It could reduce utility rates or minimize rate increases in the future because of certain compensation expenses being removed from rate recovery. The bill could also encourage utilities to shift some incentive-based compensation into employee base salaries, which would increase fixed operating expenses and temper any decrease in customer rates. Additionally, to the extent that the bill's provisions present talent attraction and retention issues for the utilities resulting from capped compensation, it could decrease the quality of services being provided to ratepayers. However, because HB 1 only prevents a utility from recouping these expenses from ratepayers, this concern could be addressed by the utility recovering the expenses in excess of what is permitted by statute from shareholders.

Please contact Niki Wiggins, Director of Legislative Affairs, at irene.wiggins3@maryland.gov if you have any questions related to this informational testimony.

Sincerely,



Kumar P. Barve
Chair, Maryland Public Service Commission

to Increase Existing Rates and Charges, Case No. 9481, Order No. 88944, p. 82 (Dec. 11, 2018) (where the Commission rejected the utility's request to recover certain incentive compensation in rates because the bonus expenses in the historical test year were related to circumstances unlikely to recur).

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