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## HB 864's Impact on Customer Bills—What You Need to Know

**What would HB 864 do?** HB 864 will codify and reduce the customer impact of recent PSC decisions important to customers. Residential customers can expect to see small reductions in their surcharges compared to future surcharges under the Commission-approved EmPOWER plans. Collectively, customers will save millions of dollars. Surcharges will rise in the short term under either current PSC orders or HB 864, but then will be reduced because of the elimination of the unpaid balance, to the benefit of customers.

**How does HB 864 build on the Public Service Commission's cost recovery decisions?** In December 2022, the PSC ordered the utilities to transition away from the practice of deferring EmPOWER costs each year—a practice that has led to an unamortized balance of hundreds of millions of dollars that utility customers owe the utilities. The PSC ordered the pay-off of this balance. HB 864 would codify these important PSC decisions and also *reduce* their cost for customers by *lowering the rate of return* that customers pay on the EmPOWER balance.

**How does HB 864 change the way the EmPOWER balance will be paid off?** HB 864 will lower the rate of return (akin to an interest rate) that customers are paying on the EmPOWER balance. The “interest rate” is currently between 9-10 percent (including taxes), but HB 864 reduces the rate to each utility’s much lower average cost of outstanding debt. This change lowers the cost of paying off the EmPOWER balance, saving utility customers millions of dollars. HB 864 also gives the PSC the *flexibility* to extend the payoff period through 2032—which could be used to further reduce short-term surcharge impacts.

**What happens next?** Under HB 864 and recent PSC orders, EmPOWER will transition to a model where all costs are “expensed”—paid in the year they are incurred—while the unpaid balance is paid down. Expensing is a sound financial practice, as it prevents the continued accumulation of what is essentially utility customer debt. It is similar to paying your grocery bills as you incur them, rather than paying them with a credit card and allowing an interest-bearing debt to accumulate over time. HB 864 codifies the PSC’s decision on expensing, permanently preventing a recurrence of the accumulation of an unpaid balance. Note that:

- Over the last two years, utilities have repeatedly challenged the PSC’s orders adopting the expensing framework, which the PSC has denied. Responding to one challenge in December 2022, the PSC observed that the utility’s proposal—basically, reviving the “credit card” model—would cause “dramatic” increases in rates.
- No PSC workgroup or any other proceeding is reconsidering the PSC’s orders to eliminate the unpaid balance and move to an expensing model.

For questions, contact Nicole Zeichner, Assistant People’s Counsel, at 410-245-9816.