March 26, 2025

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Alex Hirtle
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-017-2025 Moratorium on Utility Price Increases

CR-017-2025 (*Proposed by):* Councilmembers Burroughs and Oriadha
(*Sponsored by):* Council Members Burroughs, Oriadha, Blegay, and Dernoga

Assigned to the Transportation, Infrastructure, Energy, and Environment (TIEE) Committee

A RESOLUTION CONCERNING A MORATORIUM ON UTILITY PRICE INCREASES for the purpose of requesting the Public Service Commission to impose a moratorium on utility price increases for the indefinite future.

Fiscal Summary

Direct Impact:

Expenditures: No anticipated County expenditure impact.

Revenues: No anticipated County revenue impact.

Indirect Impact:

Possibly favorable.

Legislative Summary:

CR-017-2025, proposed by Councilmembers Burroughs and Oriadha was introduced and referred to the Transportation, Infrastructure, Energy, and Environment (TIEE) Committee on March 11th, 2025. The Resolution stands as a formal request to the Public Service Commission (PSC) to implement an immediate freeze on utility rates for an indefinite period of time. Once the freeze has commenced, the County Council requests that the PSC conduct a comprehensive review of the factors contributing to the increases and explore all available avenues to mitigate the financial strain on consumers.

Resource Personnel:

- Joel R. Peebles Jr., Legislative Officer
- Pleshette Monroe, Director of Operations, Council District 8

Current Law/Background:

State Law

Under the Maryland Statutes, Articles of Public Utilities, Public Services and Utilities, Division I, Title 2, Subtitle 1, the Maryland General Assembly established the PSC to regulate public utilities and certain passenger transportation companies doing business in Maryland. Title 4, Subtitle 1, Section 4-102 of the Public Utilities Article, Annotated Code of Maryland permits the PSC to set just and reasonable rates for a public service company, as maximum rate, minimum rate, or both.

Utilities, although regulated by the State, are for-profit entities that maximize their profits by spending on infrastructure as part of their strategy for returns to shareholders.[1] One strategy they utilize is spending on infrastructure, such as pipes, towers, wires, and other equipment. Programs passed by the PSC, like the Multi-Year Rate Plans (2020), allow accelerated recovery of all utility costs, which are passed onto the ratepayers in their utility bills.[2]

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[1] Maryland Office of the People's Counsel PowerPoint, Virtual Town Hall Meeting for Prince George's County, March 18th, 2025, page 5.
[2] IBID, page 12.

Rates, in general, have been going up faster than the rate of inflation. There are two major charges that ratepayers are charged by utilities: supply charges, and delivery charges. Because of Maryland's policy of "retail choice," ratepayers can choose the *supplier* of energy such as natural gas or electricity. However, their distributor, in large part, is based on where their residence is located. Distribution charges for two of the larger electric companies have increased, between the years of 2018 and 2025, 36.1% with BGE, and 38.6% with PEPCO.[3] Councilmembers have received numerous concerns from their constituents regarding the high increases and recent spikes in their utility bills. Residents are facing unprecedented challenges in affording essential services, and utility costs are placing an undue burden on low- and moderate-income households.

Discussion/Policy Analysis:

There are numerous reasons why utility rates are going up. For one, the rate of inflation has increased in the U.S. as a whole by approximately 28.2% from 2018 to 2025.[4] Higher inflation creates higher costs for materials, labor, services, and supplies, as well as energy rates, which are a larger part of many utilities' costs.

Additionally, as noted in the Background section, many utility companies have taken advantage of maximizing their infrastructure projects to boost overall profits and increase returns to their shareholders, utilizing recent programs like the Multi-Year Rate Plans have allowed certain utilities to float project costs upfront to ratepayers for longer-term infrastructure upgrades.

Also, Maryland is part of a large electrical transmission network for electricity, operated by an entity called PJM. This regional network serves thirteen states and the District of Columbia, and plans and manages the transfer of electrical power across state lines. PJM also purchases power from electric power suppliers in a wholesale market, and creates charges based on services and practices they implement. This further affects ratepayers with their electric bills. The Maryland Office of the People's Council has recently sent several letters to the Federal Energy Regulatory Commission (FERC), which oversees PJM's practices regarding questionable transmission planning and its associated costs.[5]

Finally, Maryland consumes about 40% more electricity than it produces. This is due to many reasons, but the uptick in power demand, especially from entities such as data centers, and the increased demand for electricity due to more electric vehicles, electrification of houses and commercial buildings, and the closing of several coal-powered plants in the State have created a "more-demand less-supply" situation that has put pressure on electricity prices. Natural gas has

[3] IBID, page 14 and 15.
[4] https://www.usinflationcalculator.com/inflation/current-inflation-rates/
[5] https://opc.maryland.gov/Consumer-Learning/FERC-and-PJM-Issues

also been in strong demand this season due to a colder winter, which again has affected wholesale prices and ultimately resident natural gas bills.

The Council should realize the increase in utility prices is a complex equation of many factors. They should direct financially challenged constituents to programs like the many financial assistance programs the State and utility companies have to offer, as well as non-profit organizations like the Fuel Fund of Maryland. Additionally, working closely with the State Delegation and our associated federal representatives, the Council should advocate for sound energy policies and utility regulation because, ultimately, the bill the consumer receives from every utility is derived from local, State, and federal policies that can determine the final cost to Prince Georgians.

Fiscal Impact:

Direct Impact

Adoption of CR-017-2025 is not likely to have any direct fiscal impact on the County.

Indirect Impact

Adoption of CR-017-2025 may have a favorable indirect fiscal impact on the County by initiating the conversation of energy policy as related to energy rates, making the Council and residents aware of utility regulation and associated programs available to assist low- and moderate-income consumers in paying their utility bills.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

The proposed Legislation shall be effective on the date of adoption.

If you require additional information or have questions about this fiscal impact, statement, please contact me.