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OPPOSE – Senate Bill 506
SB 506 – Public Utilities – Regulatory Assets - Prohibition
Finance Committee
Thursday, February 16, 2021

Potomac Edison opposes **Senate Bill 506 – Public Utilities – Regulatory Assets - Prohibition**. Senate Bill 506 prohibits a public service company from receiving a rate of return on a regulatory asset created as a result of the declaration of a state of emergency by the Governor.

Unfavorable

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 270,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery and Washington Counties). FirstEnergy is dedicated to safety, reliability and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York.

FirstEnergy requests an Unfavorable report on SB 506 for the following reasons.

- Regulatory assets, which are typically put in place to mitigate rate impacts to customers, require a rate of return to be included in order to allow public service companies like Potomac Edison to recover their prudently incurred costs. Public service companies must spend money to provide service to customers but, defer recovery of those monies over some extended future period of time. The inclusion of a rate of return on a regulatory asset does nothing more than make the public service company whole for costs it incurs but cannot recover until some future date.
- Recovery of reasonable and prudent costs is essential to the safe, reliable and cost-effective provision of utility services both during and outside of emergency situations.
- Senate Bill 506 if passed would prohibit a public service company like Potomac Edison from recovering costs it prudently incurs to meet the needs of the customers it has the privilege of serving.
- The passage of SB 506 would negatively impact a public service company's ability to recover the costs it incurs not only because of the COVID-19 pandemic but also because of other emergencies such as a severe weather event. This inability to recover prudently incurred costs would be viewed negatively by the financial community and interfere with a public service company's ability to raise necessary capital or to raise it at a reasonable price.

For the above reasons, Potomac Edison respectfully request an **Unfavorable** vote on Senate Bill 506.