



Legislation Limiting Utilities' Political Efforts

By: Falah Al-Falahi, Legislative Research Analyst
August 19th, 2024

Overview

Utility debt is an increasing issue among many Americans. According to the [National Energy Assistance Directors Association](#) (NEADA), more than one out of six households or 16% of all U.S. households are behind on their energy bills. Additionally, high inflation rates continue to exacerbate this issue making it difficult for many Americans to afford essential goods, particularly food and housing. In addressing the increasing costs of energy bills, several states have conducted investigations into the frequent price spikes in volatile methane gas and electricity providers. Their findings reveal that many investor-owned utility companies often charge their customers a fee that is included into the total utility bill. These fees are used to fund the political activities, trade association, and advertising expenses incurred by utility providers, which are then passed on to ratepayers.

Colorado was the first to implement legislation aimed at addressing investor-owned utilities from using customer funds to support political activities. With the passing of [SB23-291](#) in 2023, Colorado prohibited investor-owned companies from charging their ratepayers fees that will fund lobbying activities, dues to trade association, promotional advertising, and other political spending. In addition, SB23-291 established enforcement mechanisms such as “nonrecoverable penalties” that would be determined by the Colorado Public Utilities Commission (PUC). To ensure transparency, SB23-291 also requires investor-owned utilities to submit detailed reports of their political activities and spending to the Colorado PUC, with emphasis on detailing the purpose for their political activity and the payees. Following Colorado, [Connecticut](#), [Maine](#), and [New Hampshire](#) have passed similar legislation. [Eleven](#) other states, including Delaware’s neighboring states ([NY](#), [PA](#), [MD](#)), have since proposed legislation aimed at prohibiting investor-owned utilities from charging ratepayers to fund their political activities.

Critics of the legislation have argued that ratepayers benefit from utility companies’ participation in trade associations and other organizations which are aimed at reducing ratepayer costs by advocating for cleaner energy or other initiatives such as ensuring grid security. Critics argue that by limiting their means of collecting their dues, utility companies are less likely to advocate for policies aimed at climate preparedness and ensuring grid security. Additionally, critics raised concerns that the definitions for political activities and advertising contained in the legislation are overly broad creating a chilling effect for utility companies. Other critics argue that the legislations passed would provide ratepayers with only minimal savings on their utility bills, contending that the amount utility companies charge ratepayers to fund their political activities, charitable donations, and trade association dues are insignificant for ratepayers to realize any substantive savings.

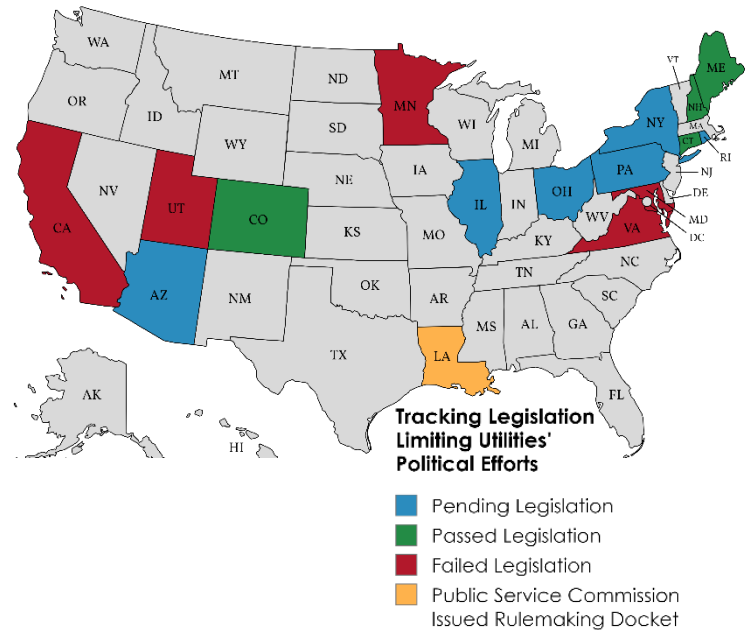
Advantages of Limiting Utilities' Political Efforts

- **Offers Ratepayer Relief.** According to [U.S. Energy Information Administration](#), U.S. residential electricity bills increased by 5% in 2022. Additionally, with increasing heat waves and energy consumption, ratepayers' utility bills are likely to increase. Prohibiting utilities from passing on fees to ratepayers, would alleviate some of the increasing costs ratepayers are seeing in their utility bills.
- **Promotes Accountability.** States currently lack the staff and time needed to review all the expenses of investor-owned utility companies in detail. By requiring investor-owned utilities to be more transparent about their expenses, states would be able to efficiently review utility companies' expenses and ensure ratepayers are not incurring other costs.

Challenges of Limiting Utilities' Political Efforts

- **Clear Definitions.** Overly broad or narrow definitions for political activities or advertisement can create a chilling effect for utility companies.
- **Minimal Savings.** Depending on how much Delaware's investor-owned companies spend on political activities and how much of that is incurred by Delaware ratepayers, it's uncertain how much savings Delaware ratepayers will see on their utility bills.
- **Long-Term Ratepayer Benefits.** Ratepayers benefit from utility companies joining some trade associations and organizations, as some of the trade associations advocate for clean energy and grid security policies.

Tracking Legislation Limiting Utilities' Political Efforts



Considerations for Delaware Legislators

- **Establishing Clear Definitions.** By clearly defining what political activities and advertisements constitutes a violation, Delaware legislators can ensure that utility companies have a clear understanding of the law.
- **Scope of Enforcement.** Many states implementing this type of legislation give discretion to their states' respective utilities commissions. Similarly, Delaware can provide the Delaware Public Service Commission discretion on what type of penalties would be enforced.
- **Incentivizing Transparency.** Delaware legislators can consider requiring annual reports to be produced by utility companies outlining in detail the purpose of their expenses. Additionally, Delaware legislators can require transparent disclosures in advertisements produced by utility companies outlining the source of funding for the advertisements.