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How utilities use customer money to fund lobbying, corporate branding, and luxury lifestyle expenses

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How utilities use customer money to fund lobbying, corporate branding, and luxury lifestyle expenses

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Executive Summary

Monopoly electric and gas utilities across the country routinely seek to charge their customers for lobbying, corporate brand advertising, perks for executives and employees, and engagement with Wall Street – expenses that do not benefit customers, and often work against their interests.

While utilities saddling customers with inappropriate expenses is nothing new, this report provides a fresh examination of the scale and cost of this problem. Additionally, it highlights legislative and regulatory interventions that can bring much-needed transparency and rigor to the utility regulatory process and protect customers from shouldering more than their fair share of costs.

The current prevailing method to fend off improper customer charges relies on consumer advocates and staff from regulatory agencies to sift through thousands of pages of regulatory filings and reports, identify potentially problematic expenses, and then dispute them – often meeting resistance from the utility. It's not a foolproof way to protect customers from picking up the tab for unreasonable costs. To the contrary, it exacerbates the risk that customers' utility bills will include at least some such costs.

Policymakers should pass tighter, updated rules to prevent utilities from even attempting to use customer money for inappropriate lobbying, advertising, and other expenses that do not benefit customers. Policymakers should also require regular, mandatory disclosures that provide greater visibility into utilities' political spending, and set up explicit enforcement regimes to encourage compliance. These policy solutions result in real monetary savings for customers, increased transparency, and regulatory efficiencies.

In Colorado, where such a system was recently put in place, Xcel Energy gas customers will save $775,000 annually that they would have otherwise been forced to spend on the utility's political expenses. More refunds may be in the works, after the Commission said the utility's lobbying disclosures were inadequate, and asked that they be refiled. All these savings are directly attributable to these rules. Likewise, Connecticut's utility regulator recently saved Avangrid's gas customers over $555,000 annually under a new utility accountability law that prohibits cost recovery of industry membership dues, utility board members' travel and meals expenses, and investor relations.

This report builds on previous work by the Energy and Policy Institute (EPI): the 2023 report Getting Politics Out of Utility Bills, which spotlights how utilities use money collected from their customers to fund political activities, influence regulators, and affect election outcomes – sometimes illegally – and the 2017 report Paying for Utility Politics,

which documents how utility customers are forced to fund political organizations including utility trade associations.

This report broadens the universe of such inappropriate and insidious expenses, diving deep into utility lobbying and advertising as well as luxury travel, shareholder services, and more. It also affirms the case for passing legislation to codify which expenses utilities are prohibited from charging customers, and along with rigorous reporting and enforcement to ensure compliance.

Introduction

Americans' utility bills are on the rise, compounding rising costs of living and increasing strain on households and businesses. In 2023, state utility regulators nationwide approved $9.7 billion in net electric rate increases – more than doubling the $4.4 billion in rate hikes they approved the previous year, according to the U.S. Energy Information Administration.[1]

The steady churn of rate increases by utilities threatens to push more Americans into poverty, forcing them to choose between keeping their lights on and paying for other basic necessities like food and medication. It's an untenable balance, and one that is pervasive. In the 12 months preceding November 2024, adults in roughly one-quarter of households reported they were unable to pay an energy bill sometime in the prior year, U.S. Census data shows.[2]

As utility bills go up, most customers assume that these ever-rising costs at least pay for safe, reliable delivery of energy. But a portion of these bills is flowing elsewhere, funding utility lobbying, corporate branding for these monopoly corporations, and even covering the costs of luxury lifestyle expenses for utility executives, board members, and employees.

Across the country, utilities embed in rates the costs of their employees' time spent on political advocacy aimed at advancing their corporate agenda and boosting their bottom line. This activity is a double-whammy cost for ratepayers: first, they pay for the employees' time spent lobbying in their bills, then they're forced to deal with policies and regulatory outcomes that may not align with their interests (and may cost them more).

Additionally, it's not uncommon for customers to shoulder the costs of branded advertising designed to burnish the image of utilities. These ads might appear in sports stadiums or on free branded swag distributed at events. They might include greenwashing claims, framing fossil fuels as clean, or feature cuddly animals. Each of these real-world examples shows how monopoly utilities – despite facing no competition in the marketplace, and no threat that their customers will choose a different provider – spend customer money to bolster their public image.

In other cases, utilities charge their customers for perks exclusively available to their executives and staff. These might include private jet flights, pro sports tickets, air travel upgrades, alcohol purchases, and even spa services. This type of expense extends to Wall Street, where utilities' leadership and other employees court and communicate with shareholders – the constituency most interested in maximizing utility profits, inherently at the expense of utility customers. Yet the tab for these activities, in many cases, falls to customers rather than shareholders.

Ohio-based FirstEnergy offers a particularly striking example of the need for stronger oversight. Its subsidiaries across multiple states have agreed to refund nearly $42 million to customers who were inappropriately charged for "corporate support" expenses that included lobbying, advertising, corporate sponsorships, and donations.[3] [4] [5] This includes refunds totaling $17.5 million in New Jersey, $13.6 million in Pennsylvania, $6.6 million in Ohio, $2.5 million in West Virginia, and $1.7 million in Maryland. The refunds only happened because state and federal utility regulators launched a series of audits and investigations after FirstEnergy was caught exchanging bribes for legislative and regulatory favors in Ohio.[6] More robust reporting and oversight of the costs recovered from ratepayers could have helped prevent the inappropriate charges from happening in the first place.

To the extent that existing utility reporting rules require utilities to enumerate spending across cost categories, filings in most states are neither specific nor easily interpreted. Critical gaps in reporting obscure problematic expenses, inhibiting effective regulation, and amplifying the risk for customers.

Generally speaking, it is up to consumer advocates and regulatory staff – often under-resourced and overmatched by corporate utility lawyers – to ferret out such inappropriate expenses and challenge them as part of regulatory proceedings. It's a less efficient, less reliable, and less fair process than simply prohibiting cost recovery for these costs, and enforcing penalties for violations. Without a statutory prohibition, it is a virtual certainty that at least some such costs will slip through and land in rates.

In several states, lawmakers have in recent years passed protections designed to insulate utility customers from paying for utilities' political and certain other expenses. As of November 2024, states that have passed legislation that prohibits utilities from charging customers for certain political influence expenses include Colorado, Connecticut, and Maine.[7] These laws have already had a measurable impact, saving Connecticut ratepayers at least $555,000 and saving Colorado ratepayers at least $775,000 annually. Eleven more states have introduced similar measures.[8]

The growing momentum behind such legislation comes after a wave of corruption scandals involving utilities, and is fueled by the rising bills exacerbating an affordability crisis for customers. But despite widespread enthusiasm for these common-sense protections, utilities generally fight any such policies tooth and nail, powered by political machines that have perversely grown massive, as utilities have been able to subsidize their political activities through rates. They now wield significant political influence at the federal state and local levels.

Still, policymakers nationwide have the means to put money back in the pockets of families and businesses each month. They can design and pass legislation that includes

effective safeguards: clear prohibitions on cost recovery of inappropriate expenses, rigorous reporting requirements for utilities, and commensurate penalties for utilities that fail to comply.[9]

Greater transparency and accountability for utility spending is of indisputable value to utility customers, but also benefits utility regulators, consumer advocates, and even utilities and their shareholders who come out on the other side at lower risk of experiencing a corruption scandal.

For this analysis, EPI reviewed regulatory filings made by dozens of utilities, scrutinizing expenses that appeared to fall outside the scope of utility service provision. In many instances, these expenses were discovered and disputed by consumer advocates and regulatory staff – analysis upon which this report draws to illustrate the scope and scale of the problem. The standard utility regulatory system puts the onus on under-resourced regulators and intervenors to ferret out inappropriate costs – a framework that has inherent gaps that allow a portion of such expenses to fly under the radar, straight into rates.

Crucially, this report also offers a slate of policy recommendations tailored specifically to address the types of problematic expenses identified herein. These policy solutions can – and do – reduce harm to utility customers, deliver customers real savings, and create efficiencies in the regulatory process.

Utility Staff Lobbying

Most states, either by policy or regulatory practice, have determined that utilities should remove from rates any costs associated with lobbying. But while utilities claim they do so, a combination of shoddy accounting and lack of transparency results in such expenses frequently ending up in rates. The task of scrutinizing and pinpointing problematic costs is generally left to consumer advocates and regulatory staff – a challenge given that utilities tend to offer only sparse description or general characterizations of these expenses in their filings.

In one example, **Southern California Gas** (SoCalGas) routinely charged customers for employees' efforts to influence a wide range of decision makers at the state and local levels, at the California Public Utilities Commission, and at other agencies. A three-year investigation by the California Public Advocates Office, the state's consumer advocate, showed SoCalGas sought to obscure funding sources for pro-gas lobbying activities.[10]

In addition to its employees' lobbying work, **SoCalGas** also intended to charge customers for its contract with a public affairs firm that created a pro-gas front group frequently entangled in scandals.[11] [12] When the City of San Luis Obispo was considering an ordinance to restrict gas hookups in new construction, the group's chairman threatened to bus in protesters possibly infected with COVID-19. In a separate incident, a subcontractor of the public affairs group posed as a Culver City resident on the social media platform Nextdoor to foment outrage over a building electrification ordinance.[13] As it has done repeatedly, SoCalGas claimed the initial above-the-line charges for the public affairs firm and other political activities were mistakes.

Similarly, **Dominion Energy** attempted to improperly charge Virginia customers for $5.3 million in lobbying expenses in its 2021 rate case – even though state utility regulators have deemed utility lobbying expenses unrecoverable.[14] Regulators removed the multimillion-dollar expense from rates that year, yet Dominion returned with a 2023 rate case that once again included improper lobbying expenses – flagged by regulatory staff.[15] The regulatory staff noted the recurrence of Dominion inappropriately seeking to charge customers for lobbying expenses in sequential rate cases, and noted the importance of "proper internal controls and expense charging protocols."[16]

Dubious accounting by **FirstEnergy** resulted in Ohio customers covering $2.9 million in costs related to lobbying done by over two dozen utility employees over a period of several years.[17] This only came to light as part of a review required as part of an audit by the Federal Energy Regulatory Commission (FERC), after FirstEnergy was caught paying millions of dollars in bribes for a now-repealed $1 billion ratepayer-funded bailout of several of its coal and nuclear plants.[18] [19]

Utilities frequently appear to be recovering the salaries for their staffers who engage in lobbying during the course of their jobs, but who may not be registered lobbyists.

In one example, two **National Grid** employees wrote multiple letters aimed at influencing New York state policy and promoting the utility's preferred outcomes, yet a rate case intervenor found that the utility did not record the staffers' time spent on these efforts as below the line.[20] This reinforced the ongoing problem of National Grid's "continued failure to correctly record the costs of political activities, resulting in ratepayers improperly footing the bill for activities that seek to 'influence the decisions of public officials,'" the intervenor wrote in a 2024 filing.[21] Neither of the two National Grid employees were registered as lobbyists in New York or at the federal level.

Utilities employ various staffers who intermittently engage in government relations and political influence activities but whose job titles – as executives, community relations representatives, etc. – may obscure this fact. For example, **Avangrid** employees with the titles of "Key Account Manager" and "Gas Sales & Products Supervisor" lobbied the mayors of two Connecticut cities to submit letters written by the utility that supported its proposed gas rate hike, and to send a letter to the governor in support of Avangrid's preferred outcome in another docket.[22]

Further, utility executives also regularly communicate with key officials both formally and informally, despite not typically being registered lobbyists.

Bad accounting, buried expenses pose risk to customers

EPI documented how **Baltimore Gas & Electric** and **Washington Gas** attempted to sway local elected officials against electrification policies in 2022.[23] Employees of BGE and Washington Gas sent talking points and advocacy materials to county officials. Since these employees were not registered as lobbyists and their time spent influencing officials was not otherwise accounted for, it is unclear whether utility customers or shareholders shouldered the costs of these activities, spotlighting the critical gap in utility cost allocations that persists nationwide.

This lobbying is often supported by "community relations" or other similarly classified utility staffers whose duties include political advocacy and influence, even when that's not obvious from their job titles. **DTE Energy**'s gas utility in Michigan does not robustly or transparently track costs related to lobbying of local governments, according to 2024 rate case testimony filed by the City of Ann Arbor.[24] An Ann Arbor city staffer referred to her personal experience being lobbied by DTE and "[responding] to queries from elected officials who were also lobbied by DTE."[25]

The Ann Arbor staffer recommended that the Michigan Public Service Commission "require DTE to keep records of the amount of time employees spend lobbying local

officials so it can ensure such amounts are not included in rates," noting that she "cannot quantify the recommended disallowance because **DTE Gas** said it does not track any costs related to the lobbying of local governments."[26]

When asked as part of the rate case to provide more information on its local lobbying, **DTE Gas** offered a confusing response, refusing to provide data necessary to keep such costs out of rates:

> "Specifically, this request seeks information that does not have any tendency to make the existence of any fact that is of consequence to the determination of this action more probable or less probable, as the referenced expenses are not in DTE Gas rates and are not sought for recovery in DTE Gas rates in this proceeding."[27]

A second DTE Gas testifier in the rate case said the company had removed $220,000 costs for "Regional Relations Expenses Political Advocacy," but did not itemize costs included in that category.[28] [29] The Michigan Public Service Commission ultimately opted not to require DTE to detail its local lobbying amounts.[30] Absent such record keeping, it is virtually impossible to ensure none of these costs are not falling to customers.

Xcel Energy has sought to shift costs of its local government lobbying to customers while offering little visibility into this spending. In its 2023 electric rate case in Minnesota, the Energy and Policy Institute documented how Xcel included a $900,000 expense paid to a public affairs firm that was related to the utility's campaign to apparently slow the state's legislative push to transition to 100% carbon-free electricity.[31] Various Xcel community relations staffers presented the campaign to local government officials, including at public meetings, to solicit their support.

When regulators pressed for more details, **Xcel Energy** could not deny that the expense was related to lobbying. Minnesota Public Utilities Commission Chair Katie Sieben called out Xcel's misleading behavior in a hearing, saying the utility "kind of buried [the expense] in their filing and so it's appropriate to disallow all of those costs because there wasn't sufficient support for it that I saw on the record."[32] While regulators disallowed over $935,000 in public affairs firm expenses, it's unclear how much customers ended up paying for the time that in-house utility employees spent on the campaign.[33]

'Scant information' raises 'serious concerns'

Utilities' general failure to provide detailed accounting breakdowns of these staffers' time spent on lobbying-related activities presents a massive problem in shielding customers from paying these costs. Consumer advocates frequently scrutinize these expenses in rate case proceedings, but are forced to rely on limited information from the utilities –

essentially to take the utility's word – to determine the extent that such lobbying is included in rates. Because the utility holds all the information about its staffers' lobbying and political advocacy activities, it is functionally impossible to rebut their characterizations with certainty even if the utility's numbers rouse suspicion.

Colorado regulators in 2024 criticized **Xcel Energy** for its approach to counting staff lobbying expenses in that state, especially for staff who engage in political influence activities as part of their job but who aren't registered lobbyists.[34] In an annual report disclosing its 2023 lobbying expenses, Xcel only listed three in-house employees, saying that each spent 20.12% of their time lobbying.[35] Xcel admitted to regulators in a rate case hearing for its gas utility in September, 2024 that it tallies time spent lobbying only for staffers who engage in lobbying on a regular basis, and did not dispute that salary costs for staffers who lobby less frequently are left in rates.[36] Colorado Public Utilities Commissioner Megan Gilman noted "serious concerns" about the "scant information provided and the very limited view that it appears the company took as to what constitutes lobbying."[37]

Absent clear legislative and regulatory requirements related to lobbying accounting, consumer advocates and regulatory staff attempt to work around the lack of transparency.

Missouri regulatory staff, for example, conducted a review of **Ameren** executive calendars and itineraries as part of a 2019 rate case to approximate what percentage of their time was spent on lobbying, and consequently, what portion of their salaries should be shifted to shareholders rather than customers.[38] While this is a proactive and useful step, it is onerous for consumer advocates and regulatory staff, and is inherently imprecise. The utilities benefit from this imprecision, as it virtually ensures customers pick up at least part of the tab.

Broadly speaking, the default case-by-case approach to scrutinizing utility lobbying expenses is inherently inconsistent, to the detriment of utility customers.

Policy recommendations

1. **Ban cost recovery of salaries for utility employees who engage in political influence activities.**

Legislators or regulators should set a clear standard that if a utility employee conducts any quantum of political influence activity, then their full salary should be ineligible for recovery. That segmentation would be instantly enforceable. Effectively and reliably partitioning a utility employee's time into political and non-political segments is virtually

impossible for a regulator to do, barring exceptionally good-faith accounting by the utility employee and the utility. It is impossible for even the most determined regulator to adjudicate whether an employee spent 5%, 25%, or 55% of their time on political influence activities. It is eminently possible for a regulator to determine whether an employee conducted political influence activities or not.

Given the utility's incentives to misallocate these costs – every dollar they charge to rates for political influence activities is essentially a new dollar in profits created for Wall Street – regulators should never wholly trust a utility to account for these activities in ways that insulate customers from paying for politics.

The vast majority of utility employees – most lineworkers, plant workers, and other operational staff – do not engage in politics as part of their jobs, and would not be affected. For the management class of utility employees that do engage in political influence activities, utilities would likely adjust to such a rule by attempting to concentrate their political influence operations into a smaller number of staff who would engage with politics with far more of their time.

Legislatures and commissions have applied similar logic to other aspects of utility political operations. For instance, Colorado and New York law hold that if a trade association conducts any amount of lobbying, then the utility cannot recover the costs of its membership in that trade association from rates. The laws do not state that the utility must segment out the lobbying portion of the dues; they recognize implicitly the difficulty of that task, instead setting a bright-line test. The same logic should be applied to the problem of utility employees' political influence activities.

2. Appropriately define lobbying for purposes of utility ratemaking.

Definitions of lobbying vary state by state. Some only cover legislative lobbying. Some include grassroots lobbying, and some do not. Universally, these definitions were passed into statute for purposes unrelated to utility ratemaking. Legislators and regulators should specifically define what political influence activity utility customers should *not* be forced to fund in order to ensure that customers do not pick up the tab.

Helpfully, a guideline for this already exists in the Uniform System of Accounts administered by FERC. This is a collection of account categories designed to standardize how utilities track and account for their various expenses. Among them is Account 426.4, which is comprehensive in addressing lobbying – it encompasses all efforts to influence the decisions of public officials, along with efforts to influence the public to do the same.

Specifically, it requires that utilities "must include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials."

Account 426.4 does include an "exclusion" clause that exempts utilities from reporting efforts that "are directly related to appearances before regulatory or other governmental bodies in connection with an associate utility company's existing or proposed operations." It may be useful to carve out certain types of engagement with utility regulators, such as rate case advocacy. But any definition of lobbying for the purposes of limiting cost recovery should include utility efforts to influence the decisions of utility regulators on policy matters, and efforts to influence all other types of state regulators, such as state or local environmental regulators. This type of activity is deeply political, and customers should not be forced to fund it.

3. Require robust annual disclosures to ensure comprehensive accounting of lobbying expenses, including:

- A list of every business unit within the utility or its affiliates that houses employees who have conducted political influence activities, and a list of each of those employees;
- The amount of time each of those employees spent on political influence activities and on activities charged to ratepayers, with the associated FERC account codes for each;
- An itemized list of contracts with vendors who performed any lobbying or political influence activities, such as those for law firms and public relations consultants, along with the FERC account codes to which those contracts were booked;
- An itemized list of specific matters for which outside legal costs were incurred, including the specific case number for any expenses related to litigation; and
- Copies of contracts and invoices for each firm, along with a list of each judicial or administrative docket/proceeding associated with each contract.

In a proposed decision in October, the California Public Utilities Commission imposed many of these annual report requirements on **SoCalGas** after the utility repeatedly charged customers for political influence activities conducted by its employees and contracted law firms.[39]

Advertising

Policies curbing utilities' use of ratepayer money to pay for advertising are common across the board and appear both on the state and federal levels. Many have been in place for decades.

A major shift in the approach toward advertising expenses occurred during the national energy crisis of the 1970s. As policymakers grappled with ways to reduce consumption, many utility commissions began to disallow rate recovery of institutional advertising meant to enhance the utility's image. They included Arkansas, California, Colorado, Georgia, Missouri, North Dakota, South Dakota, West Virginia, and Wyoming.[40]

Then, in a landmark federal effort to encourage energy conservation, Congress passed in 1978 the Public Utility Regulatory Policies Act (PURPA), which prohibited utilities from charging customers for promotional and political advertising. Instead, the Act determined, those costs must be borne by the companies' shareholders.[41]

In the context of the energy crisis, PURPA's definition of "promotional advertising" pertained to marketing messages that encouraged the uses of energy ("any advertising for the purpose of encouraging any person to select or use the service or additional service of an electric utility regulated by the department, or the selection or installation of any appliance or equipment designed to use such utility's service.") The Act defined "political advertising" as "any advertising for the purpose of influencing public opinion with respect to legislative, administrative, or electoral matters, or with respect to any controversial issue of public importance."

At the same time, PURPA was silent on the institutional kind of brand- or image-enhancing "good will" advertising that many state commissions had been ruling non-recoverable.

PURPA also did not bar the recovery of all advertising expenses. The Act stated that promotional and political advertising did not encompass other classes of advertising, including that which informs consumers how they can conserve energy or can reduce peak demand for electric energy; is required by law or regulation; regards service interruptions, safety measures, or emergency conditions; concerns employment opportunities with the utility; promotes the use of energy efficient appliances, equipment or services; and provides any explanation or justification of existing or proposed rate schedules or notifications of hearings.

PURPA further instructed all state utility regulatory agencies to conduct a public hearing on these advertising standards within two years of the passage of the Act. In this timeframe, state regulators were supposed to have either adopted the standards or

declare in writing that they have determined not to adopt the standards, along with the reasons for such a determination.

In the years immediately following PURPA's passage, 20 states and the District of Columbia adopted the Act's particular prohibitions on promotional and political advertising, either through legislation or utility commission precedent. They include: Alaska, Arkansas, Connecticut, Hawaii, Illinois, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, North Carolina, North Dakota, Rhode Island, Tennessee, Utah, Washington, and Wyoming.[42] 11 of those states added a prohibition on "institutional advertising," typically defined as a utility's effort to enhance or sustain its image or goodwill with the public.

Other than PURPA's original standards, many states have since passed laws or rules limiting utilities' ability to use ratepayer money to fund advertising. In other cases, states rely on utility regulators' precedent decisions or policy statements.

- In Massachusetts, other than the PURPA-based law[43] prohibiting utilities from using ratepayer money to fund political or promotional advertising, the state's Department of Public Utilities generally denies recovery of "image-related" advertising based on long-standing precedent.[44] Additionally, in a recent "Future of Gas" investigation decision, the DPU ordered the state's gas utilities to stop using ratepayer money to fund marketing costs for gas expansions, along with a broader prohibition on recovering costs associated with "indirect efforts to promote either natural gas expansion or *policies* geared toward promoting natural gas expansion."[45] (emphasis added)

- New York state relies on a Public Service Commission policy statement from 1977 when deciding whether or not to allow recovery for certain advertising expenses.[46] The statement determined that "political advertising" (advertising "in support of, or opposed to, governmental action of any kind") would be unrecoverable. Yet the statement provides a large middle ground of what it considers institutional advertising, which falls between benefiting customers and the political. This allows the PSC great discretion on the question of recoverability. Generally, the PSC determined, companies would be allowed very small amounts in rates to cover both purely informational and any intermediate categories of other institutional advertising.

- Connecticut law disallows utilities from using promotional, institutional, and political advertising as an operating expense for the purpose of ratemaking.[47] The statute also requires utilities to "conspicuously indicate" on all of its advertising whether the "costs of the advertising are being paid for by the company's shareholders, its customers or both." In 2022, the state's utility

regulator ordered utilities to wind down the gas system expansion program, including the marketing and advertising of the program, a portion of which was funded by ratepayers.[48] These prohibitions were expanded in 2023 with the passing of a law prohibiting the use of ratepayer money to fund any direct or indirect cost associated with advertising, marketing, communications "that seek to influence public opinion or any other related costs identified by the authority."[49]

- Virginia law generally prohibits utilities from recovering the costs of advertising from customers, unless those ads promote the public interest, energy conservation or more efficient use of energy.[50]

- Iowa law bars utilities from charging customers for the costs of advertising, other than advertising which is required or which the Iowa Utilities Board deems "necessary."[51] The law also requires utilities to "include a statement" in advertisements charged to customers that the costs are being charged to them.

- The New Mexico Public Regulation Commission enacted a rule in 2001, expanding on earlier rules from 1979 and 1988, which prohibits the recovery from customers of all advertising that promote usage, sales, "seek to establish a favorable public image of the company," "advocate a position," or "justify a request for higher rates" or higher plant or service costs.[52]

- The Missouri Public Service Commission, in a rule from 1986, prohibited utilities from recovering the cost of institutional or political advertisements. Additionally, the costs of promotional advertisements can be recovered "only to the extent that the utility can provide cost-justification for the advertisement."[53]

- An administrative regulation in Maryland prohibits utilities from recovering promotional, community affairs, and institutional advertising costs from ratepayers, unless a utility "demonstrates… that a particular item of advertising or promotional expenditure was directly beneficial to the ratepayer and in the public interest."[54]

- An administrative rule in Oregon states that utilities "carry the burden of showing that any" institutional advertising expenses are "just and reasonable for rate-making purposes."[55]

- California law prohibits recovery of advertisements that "encourage increased consumption" of a utility's services or commodities.[56] A California Public Utilities Commission precedent bars charging ratepayers for institutional advertising.[57]

- Minnesota's Public Utilities Commission's policy statement[58] and state law[59] prohibits recovery of advertising which is: designed to influence or has the effect

of influencing public attitudes toward legislation or proposed legislation, or toward a rule, proposed rule, authorization or proposed authorization of the Public Utilities Commission or other agency of government responsible for regulating a public utility; designed to justify or otherwise support or defend a rate, proposed rate, practice or proposed practice of a public utility; designed primarily to promote consumption of the services of the utility; designed primarily to promote good will for the public utility or improve the utility's public image; or designed to promote the use of nuclear power or to promote a nuclear waste storage facility.

- Indiana prohibits promotional advertising based on the Utility Regulatory Commission's precedent decision.[60]
- Oklahoma law generally prohibits including advertising costs in ratemaking, other than for the dissemination of information on energy conservation and education, warning of dangerous or hazardous conditions, informational inserts in customers' bills, information on energy-efficient appliances and equipment, and conservation or load management programs.[61]
- Pennsylvania law prohibits political advertising, based on PURPA's definition. The statute adds that "[T]he term includes money spent for lobbying."[62]
- A North Carolina law prohibiting PURPA-based promotional and political advertising also requires utilities to accompany such advertisements by the following statement or a statement substantially to the following effect: "THIS MESSAGE IS NOT PAID FOR BY THE CUSTOMERS OF (the electric or natural gas utility sponsoring the advertisement)."[63]
- South Carolina relies on a Public Service Commission precedent to generally allow for recovery of advertising costs "related to energy conservation or information dissemination."[64] Such advertising "must be of benefit to the ratepayers in order to be deemed appropriate for ratemaking purposes." In 2019, the PSC opened a procedural docket to address non-allowable utility expenses such as lobbying, political spending, advertising, and charitable donations, but there has been little progress in the docket since then.[65]
- Georgia relies on a long-standing Public Service Commission precedent to exclude institutional and goodwill advertising expenses for ratemaking purposes.[66]
- In Florida, the Public Service Commission relies on its order from a 1975 investigation on promotional practices of electric utilities, which expressly disallowed, for ratemaking purposes, advertising "which has as its primary objective the enhancement of or preservation of the corporate image of the

utility."[67] In addition, the PSC relies on a precedent to exclude "promotional advertising" expenses for ratemaking purposes.[68]

- Ohio prohibits recovery from ratepayers of institutional and promotional advertising based on a 1980 court decision, "unless the utility can clearly demonstrate a direct, primary benefit to its customers from such ads."[69]

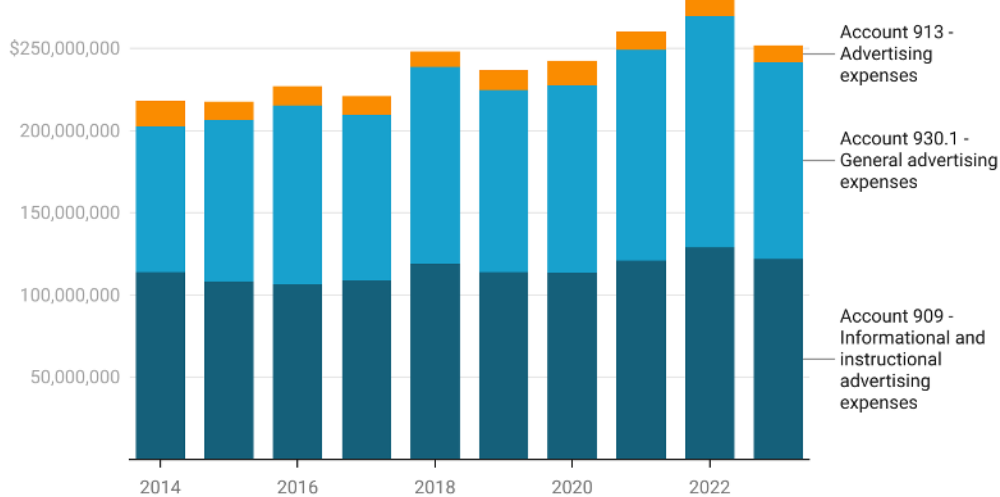
In short, policies curbing utilities' use of ratepayer money to pay for advertising are widespread and many have been in place for decades.

Over $1.1 billion spent on image-boosting ads

The FERC's Uniform System of Accounts (USofA), which is an accounting system utilities typically follow to maintain books and records in a unified manner, includes a number of different categories utilities classify specific advertising costs. These accounts are 909, "Informational and instructional advertising expenses";[70] 913, "Advertising expenses";[71] 930.1, "General advertising expenses."[72] Each USofA code has requirements for how to properly classify expenses, including advertisement codes. As previously detailed, when it comes to retail rates regulated by state commissions, regulators then follow existing state law, regulatory rule, and rate case materials to determine what is allowed to be included in rates. Electric utilities submit this information they record in these accounts annually to FERC, in a document called Form 1.

There are examples of utilities seeking to recover advertisements that do not benefit customers in each account code, such as **ComEd's** advertising campaigns that promote its sponsorship of STEM programs expensed to Account 909,[73] **Washington Gas'** promotional materials of gas in Account 913,[74] and **American Electric Power's** Ohio subsidiary's attempt to include $130,000 in promotional advertisements classified to Account 930.1 in rates.[75]

The following chart illustrates the significant amount of money utilities spend annually on various advertisements.[76] Not all of this money is paid for by customers but policymakers should ensure the prohibition of the recovery through rates of any direct or indirect costs associated with advertising unless it is purely informational in nature and clearly serves the utility customers' and the broader public's interest. Other recommendations are detailed at the end of this chapter.



As shown in the chart, utilities spent billions of dollars on advertising under Accounts 930.1, 909, and 913 over the 10-year period between 2014 to 2023. Account 930.1 includes utility image-promoting costs, defined as "advertising activities on a local or national basis of a good will or institutional nature, which is primarily designed to improve the image of the associate utility company or the industry."[77] It is an expense category that can be abused by utilities and warrant examination, along with Accounts 909 and 913, to ensure customers do not pay for image-boosting expenses and other unneeded advertisements.

EPI collected and analyzed the costs utilities classify as Account 930.1 for some of the largest electric utilities between 2014 through 2023, as illustrated in the below chart.

Top 15 utilities spending on goodwill, image boosting advertisements (2014-2023)

Data is based on expenses categorized by utilities to Account 930.1 of the Uniform System of Accounts

	Utility	Amount Spent
1	Georgia Power (Southern Company)	$149,256,848
2	Southern California Edison	$92,484,395
3	Arizona Public Service	$68,348,108
4	Commonwealth Edison (Exelon)	$59,075,337
5	DTE Electric	$51,648,927
6	Alabama Power Power (Southern Company)	$51,621,051
7	Duke Energy Carolinas	$48,547,224
8	Virginia Electric and Power (Dominion)	$36,858,233
9	Northern States Power Company (Xcel)	$35,209,048
10	Duke Energy Florida	$33,064,971
11	Public Service Electric and Gas	$32,161,122
12	Duke Energy Progress	$31,348,976
13	Public Service Company of Colorado (Xcel)	$30,636,539
14	Ohio Power Company (AEP)	$24,774,933
15	Consolidated Edison	$17,001,261

Table: Energy and Policy Institute • Source: FERC Form 1 data. Catalyst Cooperative's Public Utility Data Liberation (PUDL) Project • Created with Datawrapper

In the 10-year period between 2014 and 2023, the utilities that submitted FERC Form 1 filings reported spending over $1.1 billion on goodwill or institutional advertising aimed at promoting the utilities' corporate brands.[78] Southern Company's **Georgia Power** spent the highest amount, with almost $150 million in the 10-year time period. Southern Company's **Alabama Power** is also a top spender along with several of **Duke Energy** subsidiaries.

This total figure is likely an undercount since the data are incomplete and selective. Only electric utilities are required to submit Form 1 to FERC, which means that similar data pertaining to gas only utilities or the gas side of mixed-fuel utilities are not readily available.

In its jurisdiction over setting electric transmission rates, FERC presumptively considers line 930.1 as "above-the-line," that is, an expense a utility can recover from ratepayers.[79] And yet while FERC's Uniform System of Accounts is a useful tool to scrutinize a utility's cost allocations, decisions on whether to allow cost recovery for the various advertising expenses ultimately remain in the hands of state utility regulators who have the authority to adjudicate such expenses within the rate case process.

From "clean" gas to cuddly pets: examining actual advertisements

Utilities' brand advertisements reviewed for this report advanced the company's corporate image in a number of recurring ways, in particular by greenwashing the harms of fossil fuels and extolling false decarbonization solutions.

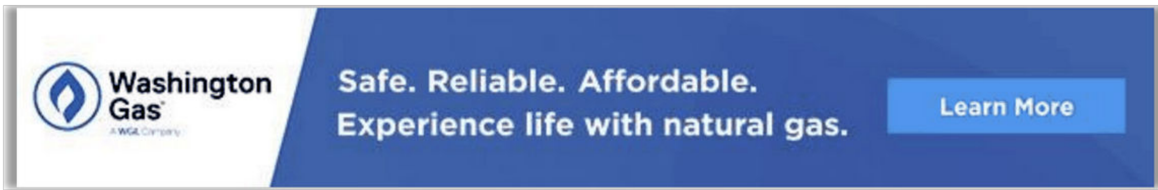
Southern Company's "Better Solutions" advertisement

Utilities also regularly inserted self-promoting messages in informational advertising, commingling them with messages that might be legitimate for recovery, such as educating customers about energy efficiency or safety measures. Image-enhancing advertising appeared on a variety of marketing platforms, from large billboards and expensive television campaigns to small trinkets and conference swag.

Greenwashing

Polluting utilities that still rely heavily on fossil fuels for power generation and sell methane gas as distributors often incorporate images of rolling green hills, vast landscape expanses, and solar panels and wind turbines in an effort to distract from their pollution-laced practices.

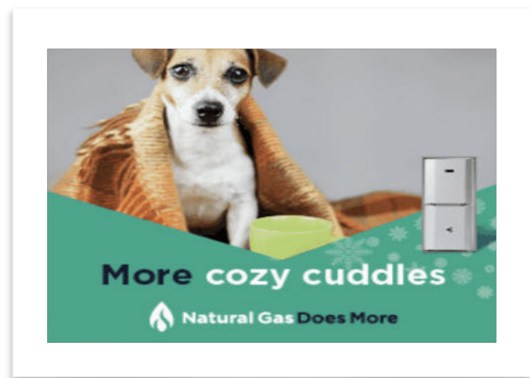
Southern Company's "Better Solutions" public relations campaign is a case in point. Under the banner of "Building a Clean, Bright Energy Future," the company imbues ads with renewable energy technology and white lab-coat wearing scientists holding test tubes and pipettes, supposedly developing cutting edge clean energy.[80] These ads are meant to distract from the fact that the company still relies on polluting gas and coal for over 70% of its power generation.[81] EPI could not determine whether ratepayers funded this advertising campaign.



Washington Gas wanted customers to pay for its promotional advertisements displayed on ESPN.

Other advertising campaigns greenwash methane gas, a fossil fuel. In its recent ads sponsoring the Washington Nationals baseball team, **Washington Gas** portrayed gas as "safe," a misleading characterization.[82]

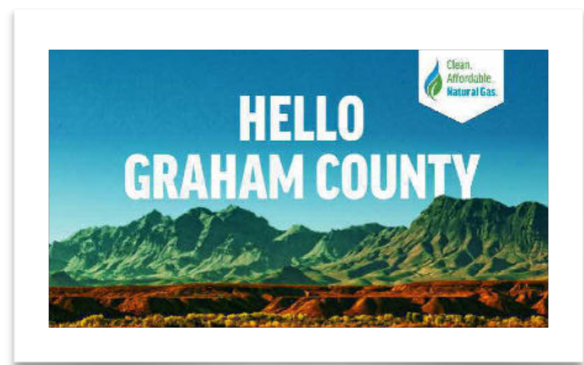
Methane gas is an extremely flammable and leaky fossil fuel.[83] According to federal data, 270 people died as a result of pipeline incidents between 2004-2023.[84] Such incidents occur at an alarming frequency. According to recent estimates,[85] a serious methane gas incident happens every 40 hours in the US. Methane, a greenhouse gas significantly more potent than carbon dioxide in trapping heat, is also a major driver of global warming and its ensuing climate catastrophes, from extreme storms and droughts to biodiversity loss and sea level rise.[86]



Chesapeake Utilities wanted customers to pay for promotional advertisements

At times, utility ads employ subtle symbolism to invoke gas's supposed "green" and "safe" qualities. In its "Natural Gas Does More" ad campaign, **Chesapeake Utilities** used cuddly and wholesome images placed behind a green background.[87]

The company sought to recover the costs for these ads, which the Maryland Office of People's Counsel deemed "promotional" and not in the public interest.[88]



A Southwest Gas promotional ad in customer bills

Utilities also continue to advertise methane gas as if it is a clean fuel. Against a backdrop of desert prairie and vast mountain ranges, **Southwest Gas** included the logo "Clean. Affordable. Natural Gas" in bill inserts announcing the company's acquisition of a local county utility, alongside informational messages about safety and bill payment

options.[89] The Arizona Corporation Commission ordered the company to make the announcement in a bill insert, the costs of which are typically recovered from ratepayers.

In another case, **Chesapeake Utilities** tried to recover from ratepayers its image-building ads showing the company's support for the American Heart Association.[90] The ads portray elated people exercising outdoors, along with the slogan "Chesapeake Utilities Empowers You to Live Fierce."

Decades of scientific research shows that emitting gas facilities – power plants, compressor stations, fracking wells, and LNG terminals - are highly polluting.[91] Additionally, a growing body of research[92] has found that gas stoves emit dangerous pollution inside homes and businesses – a fact the gas industry has known for decades but sought to obfuscate.[93]

In a further variation on greenwashing, utility ads promote false solutions to decarbonization. Here, companies portray themselves as environmentally friendly by highlighting technologies of dubious practicality and ecological benefit, and whose primary function for the utility is brand enhancement as a seemingly environmentally-minded corporation.

In recent years, **SoCalGas** engaged in an elaborate advertising and public relations campaign to promote its "hydrogen home" project. A promotional video for the hydrogen home claims that the project places the utility at the forefront of "the clean energy transition."[94] This is unfounded. Powering homes and appliances by hydrogen is an unproven and costly idea, and will do little to reduce the company's greenhouse emissions.[95]

The company attempted to recover from ratepayers costs associated with the hydrogen home project, including a portion of its advertising and promotional costs.[96]

SoCalGas' "Hydrogen Home" ad campaign

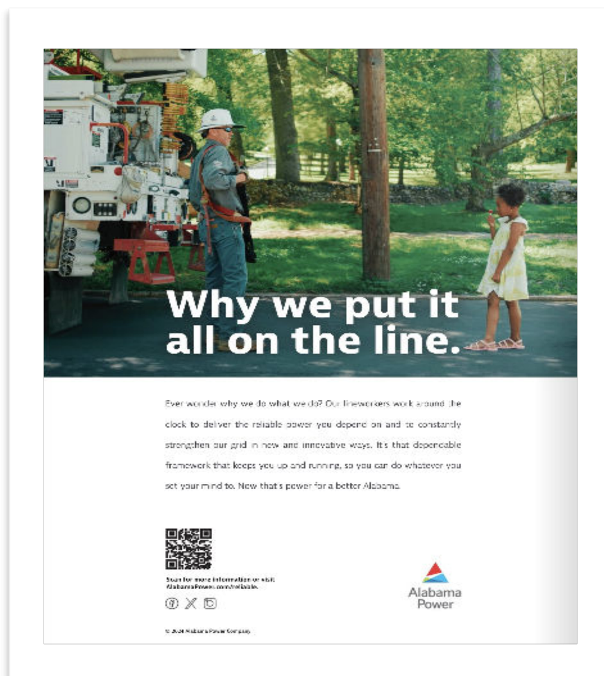
In **NW Natural**'s years-long "Less We Can" campaign, the company used more than $1 million of its customers' money to push its decarbonization plan, including promoting so-called Renewable Natural Gas (RNG) as an alternative fuel to replace geologic gas in

its system and reduce emissions. Filled with rosy images, pastel green, and lots of sunshine, the ad series promised customers that RNG is "on the way." But seven years after the campaign launched, the company hardly incorporates any of the fuel in its system and in fact sells more methane gas than ever.[97]

NW National's "Less We Can" renewable natural gas ad campaign

Self-promotion, swag, logos, corporate identification

Companies which operate in competitive retail markets may find it advantageous to run advertising campaigns promoting their own brands as a way of attracting customers and gaining market share. But as state-chartered monopolies, utilities do not need to promote themselves to vie for business – they already have a captive customer base. Since ratepayers in a given service territory do not have an option of choosing a competing utility "brand," such advertising makes little business sense. It certainly provides no benefit to customers. Instead, utility brand promotion's main goal is to fortify the company's standing in the community, insulating it against political threats.



Alabama Power's image-boosting ad campaign

Examples abound. **Southern Company's** advertising campaign in Alabama, under the slogan, "Why we put it all on the line," ostensibly focuses on reliability, service restoration, and the company's field workers. Yet the ads do nothing to actually increase reliability or service restoration. Instead, they promote the company's image. EPI could not determine whether ratepayers funded these ads, as Southern Company's subsidiary **Alabama Power** has not had a litigated rate case in Alabama since 1981.

In another example of corporate self-promotion, **National Grid** recovered from its Massachusetts ratepayers over $33,000 for company swag handed out at events between 2020-2022.[98] As part of its "BeFit

Challenge" campaign with the Boston Bruins, fans received a company hockey puck stress reliever. Similarly, at a Heroes Cup hockey tournament, ZooLights happenings, and the Worcester minor league team games, attendees were given National Grid tote bags, cooling towels, key chains, flashlights, and sports packs.

Utilities often advertise their brands at conferences or public events by imprinting their corporate logo and slogans on a variety of paraphernalia. **NV Energy**, as part of its sponsorship of a lithium conference[99] in Nevada, provided attendees with swag bags, including a cell phone charging bank imprinted with "NVEnergy" and the website www.nvenergy.com/psom, which is NV Energy's Public Safety Management site for addressing wildfire safety. The summit did not address wildfire safety. At least 100 cell phone charging banks were provided to attendees at the conference.

Corporate swag provided by NV Energy

When utilities advertise their charitable efforts, the advertising costs for such campaigns – which utilities often attempt to charge to ratepayers – at times greatly outstrip the donations themselves. **Ameren** spent nearly $2 million on its "Power Play Goals for Kids," a campaign featured at St. Louis Blues' games and ostensibly intended to support children in need.[100] Yet the company only spent a fraction of the money on the actual charities for kids; most of the funds supported its image-enhancing advertising of the program.

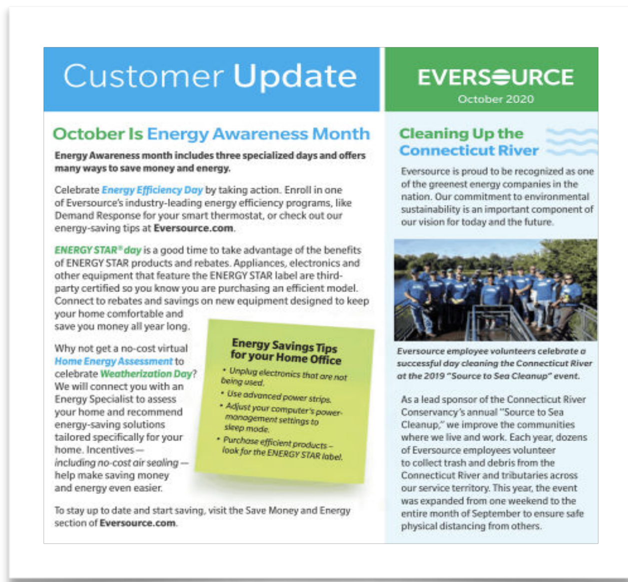
Ameren's image-enhancing ad campaign

PR mixed into informational messages

As noted above, utility regulators usually allow companies to charge ratepayers for advertising that provides useful information to customers, or information as part of commission-approved or required programs. These may include messages educating customers about energy efficiency technologies or practices, bill payment assistance, safety tips such as identifying gas leaks, storm preparedness, call-before-you-dig

information, and planned outages. Such informational advertising, unlike goodwill, institutional or promotional advertising, can support the public interest.

Yet this analysis has found that utilities often insert into informational advertising other messages, namely those that promote the utility's image and serve its public relations needs. By that commingling of message types, utilities are able to exploit their enormous public reach through their captive customer base to advertise the company brand.



Customer Update

EVERSOURCE
October 2020

October Is Energy Awareness Month

Energy Awareness month includes three specialized days and offers many ways to save money and energy.

Celebrate *Energy Efficiency Day* by taking action. Enroll in one of Eversource's industry-leading energy efficiency programs, like Demand Response for your smart thermostat, or check out our energy-saving tips at **Eversource.com**.

ENERGY STAR® day is a good time to take advantage of the benefits of ENERGY STAR products and rebates. Appliances, electronics and other equipment that feature the ENERGY STAR label are third-party certified so you know you are purchasing an efficient model. Connect to rebates and savings on new equipment designed to keep your home comfortable and save you money all year long.

Why not get a no-cost virtual **Home Energy Assessment** to celebrate *Weatherization Day*? We will connect you with an Energy Specialist to assess your home and recommend energy-saving solutions tailored specifically for your home. Incentives— *including no-cost air sealing* — help make saving money and energy even easier.

Energy Savings Tips for your Home Office

- *Unplug electronics that are not being used.*
- *Use advanced power strips.*
- *Adjust your computer's power-management settings to sleep mode.*
- *Purchase efficient products – look for the ENERGY STAR label.*

To stay up to date and start saving, visit the Save Money and Energy section of **Eversource.com**.

Cleaning Up the Connecticut River

Eversource is proud to be recognized as one of the greenest energy companies in the nation. Our commitment to environmental sustainability is an important component of our vision for today and the future.

Eversource employee volunteers celebrate a successful day cleaning the Connecticut River at the 2019 "Source to Sea Cleanup" event.

As a lead sponsor of the Connecticut River Conservancy's annual "Source to Sea Cleanup," we improve the communities where we live and work. Each year, dozens of Eversource employees volunteer to collect trash and debris from the Connecticut River and tributaries across our service territory. This year, the event was expanded from one weekend to the entire month of September to ensure safe physical distancing from others.

Eversource newsletter that mixes corporate public relations with useful information

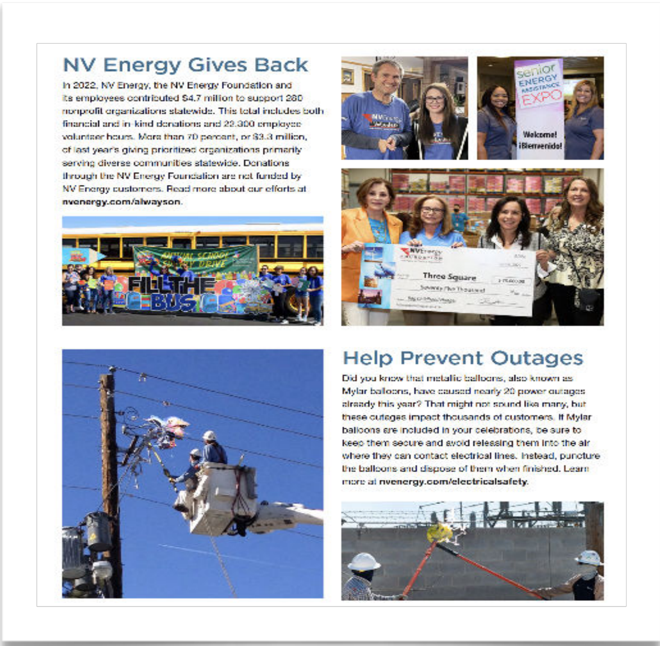
Bill inserts are a common vehicle for this tactic. In a recent rate case, **Eversource**'s electric subsidiary in Massachusetts recovered[101] from ratepayers the cost of its advertising in the sum of over $230,000.[102] The company claimed that the advertisements were informational by nature.[103] Yet EPI's review of those ads shows that many featured self-aggrandizing messages.[104] For instance, in the October 2020 "Customer Update" bill insert, alongside energy conservation and weatherization tips, Eversource included a vignette box which lauded its employees' volunteer work with a local nonprofit organization to collect trash from the Connecticut River. The text claimed that "Eversource is proud to be recognized as one of the greenest energy companies in the nation."

Similarly, **National Grid**'s electric subsidiary in Massachusetts tried to recover the costs associated with the newsletter it sends to customers, WeConnect. Together with information on power outages and tips on how to avoid heat stress, the company inserted into the newsletter the logo "Leading the Way to a Clean Energy Future," along with a QR code that directs customers to National Grid's "Fossil Free Vision" webpage, the company's politically controversial decarbonization plan.[105]

As noted above, Massachusetts already prohibits utilities from using ratepayer funds to pay for promotional advertising and the Department of Public Utilities generally disallows recovery of "image-related" advertising. But the current rules are silent on cases where utilities mix in such advertising in their informational advertising.

In **NV Energy**'s bill inserts, alongside ads providing useful tips on preventing outages and energy efficiency, image-polishing messages highlight the utility's benevolence, as the company recounts its "investments in the community." NV Energy generally attempts

to recover the costs of these bill inserts as part of its Demand Side Management plan (e.g. energy efficiency) expenses.[106] In a recent rate case, Nevada's Bureau of Consumer Protection recommended that the Public Utilities Commission require NV Energy to ensure that its education materials for the DSM program are "designed to convey specific messages about the benefits and functionalities" of the program and "not merely corporate image building or goodwill advertising."[107]



NV Energy included image-boosting materials in bill inserts paid by customers

At times, utilities use other media to mix institutional advertising with informational messages. **Dominion Energy**'s subsidiary in South Carolina runs a YouTube channel that includes a number of informational advertisements on storm preparedness, auto-pay options and paperless billing, and energy efficiency tips. But the channel hosts many other videos that primarily promote the company's image. For example, as part of its "Actions Speak Louder" public relations campaign, a Dominion Energy South Carolina clip highlights the company's contributions to civil society. The video extols the company's donation to the state's Civil Rights Museum, where speakers showered Dominion Energy with praise for its benevolence. In a rate adjustment a year after the video appeared, Dominion tried to recover "advertising" expenses from ratepayers, but PSC staff entrusted with representing consumer interests recommended disallowing these costs.[108] Dominion regularly attempts to recover advertising expenses, including for "image building," many of which PSC staff reject as non-allowable for recovery.[109]

Dominion Energy's YouTube channel mixes image-boosting ads with information ads

In an earlier case, **Dominion Energy** attempted to charge ratepayers for its "Every Day" multi-million dollar campaign, which exploited the work its employees carry out to insure service restoration and reliability to promote the company's brand.[110] As noted above, Virginia law generally prohibits utilities from recovering the costs of advertising from

customers, unless those ads promote the public interest, conservation or more efficient use of energy.[111]

promote the Company's image. The "Every Day Restoration" ad states,

> Every day Dominion lineman Randy Harless helps deliver reliable power, even when Mother Nature has other ideas. When the weather threatens, it can get cold and dark fast. And nothing's more important to us than keeping our customers warm and their lights on. That's why we begin preparing long before the storm arrives. So linemen like Randy – as well as hundreds of others working to restore service – can do what they do best; get the power back on quickly and safely. This job isn't for everyone. But the linemen who do it can't imagine doing anything else.[243]

Dominion Energy's description of its "Every Day" ad campaign

Some utilities have used cynical rationalizations to try to argue that ads which are clearly designed to promote the corporate brand are actually in service of public safety or other recoverable purposes.

Pacific Gas & Electric has filed to charge customers at least $6 million since April, 2022 for a television advertisement titled, "Undergrounding 10,000 miles of Powerlines for Safety."[112]

In the ad,[113] which plays routinely on sports and news broadcasts in Northern California and has over 1.4 million views on YouTube, the utility's CEO Patti Poppe dons a hard hat and promotes the company's plan to invest billions of dollars in line burials, which **PG&E** says will reduce the risk of wildfire ignitions from its equipment.[114] The topic is politically controversial, having generated debate at the California Public Utilities Commission and legislature.

"Undergrounding power lines in the highest fire threat areas makes us safer, and it's less expensive in the long run," Poppe says.

PG&E attempted to charge customers for an ad campaign that does nothing to inform customers about wildfire risks

In reporting by the Sacramento Bee, the utility conceded that it was attempting to recover the costs of the ad in a ratepayer-funded "fire risk mitigation memorandum account" that was established in legislation.[115]

But the advertisement itself does nothing to actually mitigate the risk of fire. It simply touts the company's claimed efforts to do so.

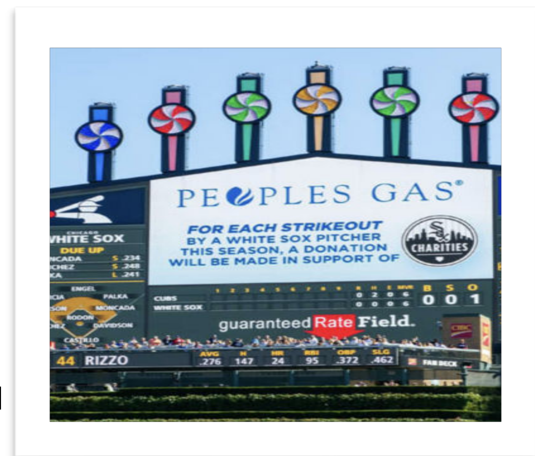
PG&E said that the ad “falls into the category of safety communications, which are legally allowed to be covered by customers,” according to the Bee. But while the ad may nominally be about safety-related topics, it is not like a “Call Before You Dig” educational advertisement; it does not contribute to public safety in any meaningful way.

Sports and other large public venues

Not only do utilities exploit their substantial public reach using direct communications to their captive customer base, they also seek to promote their brand in mass events and high visibility platforms – often using ratepayers’ money.

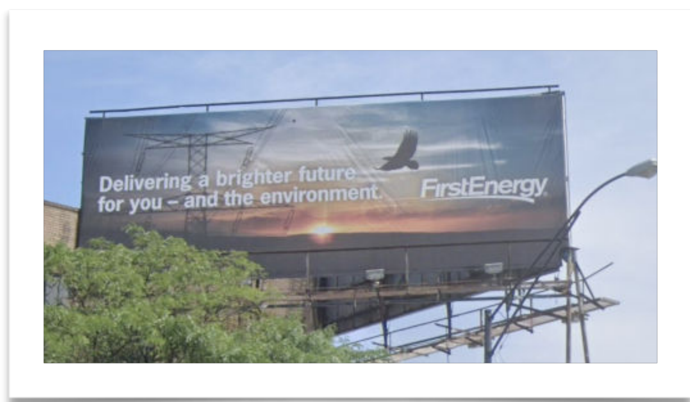
In its recent rate case noted above, **Washington Gas** sought to recover from its Maryland ratepayers advertisement costs at the Washington Nationals baseball games.[116] These included ads placed around the stadium and on digital billboards, while similar ads were used digitally in the ESPN app, and on ESPN's website.

Peoples Gas frequently advertises at Wrigley Field, the home stadium for the Chicago Cubs baseball team. During the 2024 season, after an opposing player struck out, the outfield screens read “STRIKE OUT” with the Peoples Gas logo featured, and text that reminded attendees to download the utility’s app to pay bills and set alerts. In a recent rate case, the company sought to recover from its ratepayers nearly $800,000 in sponsorship costs in an account for “informational and instructional advertising.”[117] The company was also able to use ratepayer money to support the Chicago White Sox and Cubs charities.[118] The utility has had an enormous ad featured at the White Sox stadium to promote these specific donations in front of tens of thousands of people.[119]



People’s Gas promoted its charitable contributions at the Chicago White Sox stadium

FirstEnergy, the Ohio-based utility caught in a multimillion-dollar bribery scheme to charge ratepayers for the billion-dollar bailout of coal and nuclear plants, also paid millions of dollars to the advertising firm Eric Mower & Associates, which was behind the utility’s “Brighter Future”



FirstEnergy’s “Brighter Future” ad campaign

and Cleveland Browns Stadium ad campaigns.[120] [121] [122] The Browns Stadium ads were pure corporate public relations, often showing crazed football fans under the company logo and such slogans as "Unleash Your Energy".

FirstEnergy's Cleveland Browns ad campaign expenses were charged to customers in Maryland and West Virginia

The "Brighter Future"[123] ad campaign included a large billboard in Cleveland that claimed the company is "[D]elivering a brighter future for you - and the environment."

FirstEnergy paid[124] Eric Mower & Associates at least $6 million in 2019 for the "Brighter Future"[125] ad, the Browns ads, and other advertising campaigns. A spokesperson for FirstEnergy did not respond to an inquiry from EPI asking if the cost of the utility's payments to the ad firm were recovered from ratepayers.

Potomac Edison, a FirstEnergy utility that operates in Maryland and West Virginia, included the cost of approximately $1 million in payments to Eric Mower & Associates[126] in Account 923,[127] an above-the-line utility regulatory account reserved for "outside services" costs that are presumptively recoverable from ratepayers.

In response to an audit by FERC, **FirstEnergy** utilities have been forced to work with utility regulators in multiple states to refund millions in corporate costs that were mischarged to ratepayers, including advertising costs.[128]

Policy recommendations

1. **Prohibit the recovery through rates of any direct or indirect costs associated with advertising.[129]**

Here, advertising means the act of publishing, disseminating, soliciting, or circulating written, online, video, or audio communication intended to induce a person to patronize a product, service, business, or industry; promote a business's brand; otherwise emphasize desirable qualities about a product, service, business, or industry; or influence public opinion with respect to legislative, administrative, or electoral matters.

Advertising also includes activities undertaken in support of the activities listed above, including research, analysis, preparation, or planning, or any other related costs identified by the utility regulator.

Advertising allowable for recovery from ratepayers must be purely informational in nature and clearly serve the utility customers' and the broader public's interest. It includes: public communication required by law, regulation or order; public communication with the primary purpose of communicating service interruptions, safety measures, or emergency conditions; public communication with the primary purpose of communicating employment opportunities with the utility; public communication directly related to a program approved by the utility regulator regarding income-based service, special rates, or energy conservation.

2. **Consider a communication as non-recoverable advertising if *any* portion of the communication is "advertising" as defined above.**

This will address situations where utilities use informational advertising as a vehicle to insert image-promoting messages.

3. **Proper disclosure should require utilities to itemize all expenses with details about the advertising campaigns they support.**

This includes both the payments to third parties such as marketing firms and advertising buyers, and compensation for all time spent by employees working on advertising and marketing.

For employees who work on advertising and marketing, disclosure should include the amount of time each of those employees spent on both advertising activities charged to ratepayers and shareholders, labeled with the associated FERC account codes for each.

4. **Policies should require utilities to disclose prominently on *every* advertisement whether shareholders or ratepayers are funding the ad.**

This is the current policy in Connecticut, Iowa, and North Carolina. Violation of this rule should be met with fines, as Connecticut's Attorney General exacted against **Eversource** in 2022.[130]

Extravagant Expenses

In their rate hike requests, utilities often bury costs related to high-end club memberships, private jet travel, professional sports games, and other amenities and experiences that appear to cater exclusively to utility executives and employees, with no discernible purpose or benefit for customers.

Such expenses reinforce the sharp divide between corporate executives and employees who have access to the benefits, and cash-strapped customers struggling to keep up with rising utility bills.

Michigan Attorney General Dana Nessel has recently zeroed in on these expenses, lambasting **DTE Energy** for trying to sneak such costs into rates.

"These are the kind of expenditures they hope we don't notice, that drive up ratepayer bills, and offer zero improvement to service or reliability," Nessel said.[131] "This is why we scrutinize these rate hike requests, to look out for the interests of the customers these corporations consistently try to squeeze for more."

Private jets

Private jet travel is commonly defended by utilities as a standard way to streamline executive travel. Utilities claim executives need private aviation to move efficiently between service territories and work in transit. But not only does the use of private jets contradict commitments utilities might have made to reduce emissions, it can also run up significant expenses for customers – especially when jet usage goes beyond business as usual.

In 2024, **DTE Energy**'s bid to charge customers for nearly a quarter-million dollars in private jet expenses in a gas rate case drew a sharp response from Michigan officials and DTE customers. Attorney General Nessel said the request was "downright insulting to customers," and one DTE customer at a public hearing equated it to "corporate greed, plain and simple."[132] [133]

While the Michigan utility has caught particular flak recently for its private jet use and associated customer charges, it is hardly the only utility seeking to pass off such expenses to customers.

When **Duke Energy Indiana** sought to recover $1.9 million in private aircraft expenses in 2024, a consumer advocate noted that limited information provided by the utility raised questions that it was charging customers "for the cost of unknown executives — and possibly politicians, celebrities, family members, and other guests" to use private planes.[134] Duke initially refused to answer requests for details about the use of private

aircraft for basic non-business transportation, eventually admitting it had charged ratepayers more than $5 million between 2021 and 2023 for such private jet trips.[135]

Georgia Power showed how pernicious private jet expenses can be. The utility appears to have charged customers for $8 million in such expenses in 2018, billing $0.8 million of that total to an account for which customers also pay an extra rate of return.[136] In other words, the utility not only recovered the $8 million it spent on private jets that year – it also appears to have turned a profit on it, all at customers' expense.

Xcel Energy also noted private jet travel in its 2023 electric rate case. In a filing that it said was initially "inadvertently omitted," the utility included charges for alcohol purchases apparently made by its corporate jet pilot and for dues paid to corporate aviation trade groups in both Minnesota and Colorado.[137] In the same case, Xcel listed charges for private jet travel between Minnesota, where it is headquartered, and Naples, Florida.[138] Xcel does not have business operations in Florida, though its then-Chairman and CEO has a home in Naples.[139]

Luxury lifestyle expenses

This analysis identified several utilities tucking luxury lifestyle expenses for their executives and employees into rates. These include memberships to clubs, travel upgrades, alcohol, and more.

Examples of such charges include:

- **Dominion Energy** subsidiaries have repeatedly attempted to make their customers pay for memberships at exclusive golf and country clubs for employees. In 2019, **Dominion South Carolina** sought to charge customers $924,151 for such expenses.[140] The same year, the utility also attempted to recover from customers the costs of first-class plane tickets and valet parking.[141]
- **Peoples Gas**, a subsidiary of **WEC Energy Group**, includes extravagant expenses and unnecessary club dues payments in rate case documents to forecast the amount of money it needs from customers. These charges include several exclusive clubs in the Chicago area, including the Chicago Club, Commercial Club of Chicago, the Economic Club of Chicago, and the Executives' Club of Chicago.[142]
- In its latest rate case, **Southern Company** subsidiary **Georgia Power** put customers on the hook for the cost of several dozen memberships to a private dining club as well as $8,000 in corporate memberships to additional semi-private upscale dining clubs.[143] It's also Southern Company's policy that alcohol can be expensed to customers if consumed as part of a business meal.[144]

- **National Grid's** Massachusetts electric utilities charged customers for thousands of dollars in expenses covering employees' business class travel to France, and business class travel on another trip, to London.[145][146] [147] [148]

- **Southwest Gas** sought to charge Nevada customers for the costs of weekly and biweekly massages from the European Massage Therapy School, per its 2018 rate case.[149] The same rate hike request also included costs associated with a golf course membership and a bartender.[150]

Pro sports, parties, and drinks

This analysis identified numerous examples of utilities attempting to charge customers for expenses for employees' attendance at professional sports games, employee parties and celebrations, and other similar employee perks. Though these activities are not accessible to customers, the utilities sought to make them pay.

In its bid to charge customers for a skybox at the Baltimore Orioles baseball stadium, **Baltimore Gas & Electric** argued that these "employee activity costs" benefit customers by improving employee morale and productivity.[151] After the expense was identified, regulators ruled that a private suite at a professional baseball game bears no relationship to utility service or performance – it only benefits company executives and their guests.[152] Similar logic applies to the range of extravagant employee expenses identified in this analysis. And while the Baltimore case dates back to 2013, utilities continue to seek recovery of such costs.

More recently, **Southwest Gas** in 2020 sought to charge Nevada customers for expenses paid to a company called Camelback Adventures, which offers zip-lining, dining and other attractions.[153] In the same case, the utility also included charges apparently for catering and entertainment at T-Mobile Arena, where the Las Vegas professional hockey team plays, and did not respond when consumer advocates pressed for further details on the expense.[154]

It's not only sports outings at issue. **National Grid** subsidiary **Brooklyn Gas** included in its 2023 rate case filing over $1,170 in expenses that appear to be related to an employee's wedding celebration.[155]

Ameren Missouri parroted questionable logic seen in other cases in attempting to justify cost recovery of meal expenses for retirement parties, birthdays, and other holiday festivities, saying that these events "[improve] employee engagement and morale" and that "customers ultimately benefit when Ameren Missouri coworkers are engaged, and working safely and more efficiently."[156] The utility did not explain specifically how office parties are necessary to achieve these baseline job expectations for utility workers.

“Evergy has not [presented] any explanation for how alcohol consumption helps ratepayers receive reliable and safe energy” and “ratepayers are not getting the benefit of consuming any of the alcohol so they should not be responsible for paying for the reimbursement.”

Also in Missouri, **Evergy** sought to charge customers for a suite of expenses disputed by a consumer advocate because they “do not have proper documentation for recovery or [do] not provide ratepayers reliable, safe energy.”[157] This included meal expenses (without receipts) that appeared higher than they should have, indicating that they likely included alcohol.[158]

The consumer advocate noted that such alcohol purchases should be shifted to shareholders, as “**Evergy** has not [presented] any explanation for how alcohol consumption helps ratepayers receive reliable and safe energy” and “ratepayers are not getting the benefit of consuming any of the alcohol so they should not be responsible for paying for the reimbursement.”[159]

Details obscured in regulatory filings

This section features an array of extravagant and questionable expenses utilities sought to charge to customers. Virtually none of them were made obvious by utilities in their rate case applications; rather, these charges came to light as part of the discovery process, only after questioning by rate case intervenors – including consumer advocates and regulatory staff – and other watchdogs.

It is a costly and time-intensive process for consumer advocates to participate in rate cases, and especially to unbury and challenge such charges. It requires considerable resources for rate case intervenors and regulatory staff to discover and dispute problematic expenses. And they often only know about them if they find the right breadcrumbs and ask the right questions.

Relying on this approach delivers uneven outcomes from case to case, thereby increasing the likelihood that similar expenses go undetected and end up embedded in customers’ utility bills.

Policy recommendations

1. **Ban cost recovery of extravagant expenses, including but not necessarily limited to the following:**

- Any owned, leased or chartered aircraft for the utility’s board of directors and officers or the board of directors and officers of a utility affiliate; and

- Travel, lodging or food and beverage expenses for a utility's board of directors and officers or the board of directors of a utility affiliate.

2. Require robust annual disclosures to illuminate expenses and ensure compliance, including an itemized list of expenses paid to:

- Vendors;
- Utility employees in the form of compensation or reimbursement; and
- Utility affiliates, in which case the utility must also provide an itemized list of any payments or uses of said expenses by the utility affiliate.

Itemized lists should include the billing amount, billing date, identity of payee, and an explanation of the expense sufficient to describe its purpose.

3. Use regulatory enforcement if monitoring and investigation of required disclosures shows that a utility improperly charged customers for a prohibited expense.

Enforcement mechanisms should include:

- A non-recoverable penalty against the utility in an amount that is at least the total amount of the cost that the utility improperly sought to recover from customers, with the funds collected through the penalty to be distributed to customers and/or used to support regulatory enforcement; and
- An order that the utility refund any amount improperly recovered, plus interest, to customers.

Wall Street Expenses

Like any other publicly traded company, investor-owned utilities are driven by maximizing profits for their shareholders. Utility directors and executives, in fact, have a legal obligation to maximize shareholders' profits. More often than not, utilities' need to grow profits for their investors conflicts directly with their customers' interest in having lower rates.

Utility customers shoulder the costs of capital expenditures, along with associated rates of return. Rate hikes that include capital expenditures increase the burden on customers and returns for shareholders. Still, despite obligations to Wall Street being in direct and irrevocable tension with their obligations to customers, utilities routinely attempt to charge customers for costs associated with catering to Wall Street.

Utility executives meet regularly with shareholders and Wall Street analysts to talk business, and specifically, to explain how they will create value for shareholders. Utility boards of directors are selected by shareholders, and serve the primary objective of safeguarding shareholder interests. It is common that utility executives and board members are themselves expected to hold substantial amounts of utility stock. This explicitly aligns their personal interests, and professional actions, with shareholders. When utility shareholders make money, so do utility board members and executives.

While investor-owned utilities have a fiduciary duty to their shareholders, there is no comparable responsibility to their customers. And while the framework through which utilities align leadership with shareholders' interests is common among publicly traded companies, what sets them apart is that they are monopoly corporations whose customers have no option to select a different provider.

From international travel to spas and manicures

Wall Street costs inappropriately shifted to customers vary widely across utilities. This analysis identified Wall Street-focused expenses that range from lavish expenses for board members, to meetings with Wall Street analysts, to seven-figure liability insurance against shareholder claims. These expenses trace back to boards which serve at the pleasure of utility shareholders, and bear no clear relationship to provision of safe, reliable utility service.

Southwest Gas sought to bill Nevada customers for board members' spa services including a manicure and pedicure, for food and beverages purchased during a Las Vegas Golden Knights professional hockey game, and for in-room hotel movies and mini-bar expenses.[160] A senior executive at the utility added a charge for their spouse to travel to meetings of the utility's board of directors. The utility has a history of shifting

Wall Street costs onto customers, including sticking its Arizona customers with $560,000 annually for “costs associated with maintaining investor relations” in a 2019 rate case, and $217,870 in investor relations expenses including air travel, meals, and car rentals in a 2016 case.[161] [162]

Ameren sought reimbursement from Missouri customers for then-Chairman and CEO Warren Baxter’s domestic and international travel, including a trip to Europe in 2018 as part of his efforts to “meet with investors around the globe.”[163] The utility sought to recover from customers “all costs to participate in [capital] markets,” and specifically named “communication and meeting with investors.”[164]

Chesapeake Utilities in Maryland booked $16,976 for investor relations costs, with the lion’s share – $10,320 – for a “retirement gift” that was not further described in filings.[165] The remainder covered costs associated with Wall Street events, earnings conference calls for shareholders and Wall Street analysts, and other “shareholder expenses.”[166]

Avangrid sought to recover from ratepayers a total of $174,731 in investor relations expenses for its two gas utilities in Connecticut – despite the state’s law prohibiting recovery of such costs. These investor relations expenses included payroll, benefits, outside services, and travel and meals for staff engaged in these activities.[167] Connecticut’s Public Utilities Regulatory Authority denied this attempt.[168]

In addition to seeking to charge customers for $2.8 million in board compensation, **Arizona Public Service** also folded into its 2023 rate hike proposal an insurance policy priced at $1 million to protect its board members from any claims made against them by the utility’s shareholders.[169] [170]

‘These costs must stop coming in’

Wall Street-related charges are routinely disputed by consumer advocates, including those working within state agencies, and regulatory staff. They argue that utilities frequently fail to show how these costs deliver tangible and specific benefits to customers.

When **Xcel Energy** attempted to charge customers for various board-related expenses as part of a rate hike proposed in 2023, the Minnesota Attorney General’s Office noted that “the board’s primary purpose is to further shareholder interests” and that board members “have significant incentives to prioritize shareholder interests because of their legal duties … and their status as shareholders.”[171] As part of the dispute, Xcel admitted that its board members “do not have formal job descriptions at Xcel Energy” while failing to explain how board expenses benefit ratepayers.[172]

A Nevada regulatory staffer who ferreted out board members' spa, mini-bar, and pro hockey expenses as part of **Southwest Gas**' 2020 rate case, noted that while these costs may be individually small in the scheme of a multimillion-dollar rate case, overlooking them can have significant ramifications. "The issue with ignoring these costs is that the costs are inappropriate, and if later brought to light would lessen the public's confidence in the regulatory process," the staffer wrote.[173]

"The issue with ignoring these costs is that the costs are inappropriate, and if later brought to light would lessen the public's confidence in the regulatory process."

When defending the charges, utilities often rely on broad generalizations about how customers benefit from the financial health of the company, which they say is linked to the board and robust investor relations. This fallback argument is not sufficient. It puts customers at risk of footing the bill for costs that serve shareholders, which are appropriately charged to shareholders.

Further, it is resource-intensive for consumer advocates to identify problematic board expenses on a case-by-case basis. The Nevada regulatory staffer highlighted the difficulties of a system where the utility seeks to charge customers for inappropriate costs, thus requiring consumer advocates to "[spend] large amounts of time and resources to find those costs and remove them, with the process repeating in the next [rate case]."[174] The staffer added: "These costs must stop coming in as part of [Southwest Gas'] filings."[175]

Many states have established a default precedent to divide utility board and/or investor relations expenses between customers and shareholders. However, such an approach is insufficient. Relying on a blanket percentage disallowance across all utility board or investor relations expenses does not provide precision or clarity about which Wall Street expenses are borne by customers, or demonstrate how those particular expenses benefit customers.

Policy recommendations

1. Ban cost recovery of Wall Street expenses, including the following:

- Travel, lodging or food and beverage expenses for a utility's board of directors and officers or the board of directors of a utility affiliate;

- Compensation for a utility's board of directors or the board of directors of a utility affiliate; and
- Investor relations expenses.

The Minnesota Public Utilities Commission has used the current annual compensation for the governor as a benchmark for limiting recoverable compensation of a utility's 10 highest-paid executives, restricting the recoverable expense to that amount.[176] Utilities could offer additional compensation to its most senior and highest-paid officers, to be paid by the shareholders whose interests they primarily serve. In states with intervenor compensation programs, the intervenor compensation budget may also be used to set the limit for what is recoverable.

2. Require robust annual disclosures to ensure compliance, including an itemized list of expenses associated with investor relations paid to:

- Utility employees in the form of compensation or reimbursement;
- Utility affiliates, in which case the utility must also provide an itemized list of any payments or uses of said expenses by the utility affiliate;
- Vendors; and

An additional list of:

- Utility employees (and employees of utility affiliates) who performed any work associated with investor relations that includes each employee's job title, job description sufficient to describe their responsibilities, each investor relations activity in which the employee engaged and and a description of that work with FERC account codes, and total annual compensation for work and activities associated with investor relations.

Itemized lists should include the billing amount, billing date, identity of payee, and an explanation of the expense sufficient to describe its purpose.

3. Use regulatory enforcement including ongoing monitoring and investigation of required disclosures.

Enforcement mechanisms for violations should include:

- A non-recoverable penalty against the utility in an amount that is at least the total amount of the cost that the utility improperly sought to recover from customers,

with the funds collected through the penalty to be distributed to customers and/or used to support regulatory enforcement; and

- An order that the utility refund any amount improperly recovered, plus interest, to customers.

The examples of inappropriate expenses highlighted in this section particularly reinforce the need for robust, regular disclosures and associated enforcement. As Nevada regulatory staff noted, utilities routinely and repeatedly attempt to seek cost recovery for expenses previously disallowed or flagged as concerns. Routine disclosures provide increased transparency into such problematic expenses. Pairing clear rules and disclosures with meaningful enforcement of violations are the most effective tools to ensure compliance.

New Accountability Laws and Regulatory Interventions

In an effort to address ever-rising energy bills and stunt utilities' use of customers' money to advance the companies' political interests, policymakers have in the past few years introduced several key new restrictions.

In 2019, New Hampshire passed a law prohibiting utilities from recovering the costs of lobbying and political activities that support or oppose candidates and committees.[177] New York state followed suit in 2021 by passing a law barring cost recovery of utilities' legislative lobbying and membership dues for any organization, association, institution, corporation, or other entity that engages in legislative lobbying.[178]

Then, a major shift in utility accountability legislation occurred in 2023, when three states – Connecticut, Colorado, and Maine – passed more expansive laws aimed at curbing utilities' use of ratepayer money to fund a host of political influence activities. The three laws also included reporting requirements that allow for greater transparency over utility spending on such activities. In Colorado, the law includes an enforcement mechanism that is open to the utility regulator's discretion. A year after their passage, the statutes are already having a material impact on utility customers.

New accountability legislation

Connecticut's law bars recovery of any direct or indirect cost associated with membership, dues, sponsorships or contributions to a business or industry trade association, group or related entity incorporated under Section 501 of the Internal Revenue Code; lobbying or legislative action as defined expansively in current state law; advertising, marketing, and communications that seek to influence public opinion; travel, lodging or food and beverage expenses for the board of directors; entertainment or gifts; owned, leased or chartered aircraft for the board of directors and officers; and investor relations. The law also prohibits the recovery of costs associated with utilities' attendance in, participation in, preparation for, or appeal of any rate proceeding conducted before the state utility regulatory authority. These include attorneys' fees, fees to engage expert witnesses or consultants, the portion of employee salaries associated with such attendance, participation, preparation or appeal of a rate proceeding, and related costs identified by the regulatory authority.[179]

Additionally, the law requires utilities to submit to the state's regulatory authority an itemized list of costs associated with the above activities prohibited from recovery. This includes the title, job description, and salary of any employees of the public service company who performed work associated with those activities, hours attributed to such

work, and payments to all third-party vendors for any expenses associated with these activities.

Maine's law prohibits utilities from including in rates any direct or indirect costs associated with contributions or gifts to political candidates, political parties, political or legislative committees or any committee or organization working to influence referendum petitions or elections; contributions to a trade association, chamber of commerce or public charity; lobbying or grassroots lobbying; educational expenditures, as defined by the commission, unless approved by the commission as serving a public interest.[180]

The law also requires utilities to file an annual report disclosing political, charitable and educational expenses. The report, which utilities submit to the state Public Utilities Commission, must contain a written, itemized description of any expenses that may not be recovered by the law, as well as the date, the payee, the amount and a description of the purpose of the expense. The report must be made available for public inspection.

Colorado's law prohibits utilities from recovering a number of costs from its customers, including image-related and goodwill advertising and public relations; lobbying intended to influence the outcome of local, state, or federal legislation or ballot measures; organizational or membership dues, or other contributions, to an organization, association, institution or corporation that engages in lobbying or other activities intended to influence the outcome of any local, state, or federal legislation, ordinance, resolution, rule, ballot measure or other regulatory decision; charitable giving; travel, lodging, food, or beverage for the utility's board of directors and officers; gifts or entertainment; aircraft for the utility's board of directors and officers.[181]

The law also instructs the Public Utility Commission to place limits on utilities' ability to charge customers for regulatory advocacy at the PUC. These include limitations on the recoverability of expenses for outside experts, consultants, and legal resources, and setting an overall percentage of the utility's expenses in a rate case that are not recoverable.

The law requires utilities to annually report to the PUC the purpose, payee, and amount of any expenses associated with the activities prohibited from recovery.

While the law reinforces the PUC's ability to fine utilities for violations of the prohibitions, it does not mandate it.

Following the three states' passage of their 2023 utility accountability laws, 11 other states have proposed similar bills. They include Arizona, California, Illinois, Maryland, Minnesota, New York, Ohio, Pennsylvania, Rhode Island, Utah, and Virginia. The California bill contains strong mandatory enforcement provisions, including assessing a

civil penalty against the utility for every violation, a portion of which will go toward assisting low-income households in transitioning to zero-emission appliances to mitigate air quality and public health impacts of using combustion appliances. The bill also requires utilities to "clearly and conspicuously disclose" in all of their public messaging and advertising whether the costs are being paid for by shareholders or ratepayers.[182] The bill introduced in Illinois can save utility customers more $50 million a year, according to an analysis of the most recent utility rate cases by the Citizens Utility Board.[183]

Suggested model language, which was crafted by a number of climate and clean energy advocacy organizations, serves as a public resource for policymakers. It relies on the latest versions of utility accountability bills and is focused on closing loopholes. The model bill language provides an exhaustive list of political activities that should not be charged to ratepayers, together with expansive definitions of such activities as "advertising" and "political influence." The language also includes both a detailed reporting mechanism and an enforcement mechanism to ensure such bills have robust transparency tools and teeth.[184]

Making a difference

Customers in states that have passed the recent utility accountability bills are already seeing real material benefits as utilities are directed to remove costs that ratepayers otherwise would have paid for. In a current gas rate case in Colorado, the PUC has disallowed more than $775,000 in annual costs for lobbying fees, trade association dues, and investor relations that **Xcel Energy** tried to recover.[185] The PUC made clear that these costs were prohibited for recovery by the accountability law.

In **Avangrid's** latest gas rate case in Connecticut, PURA removed over $555,000 of prohibited costs, including industry dues, Board of Directors' travel and meals expenses, and investor relations. PURA has specifically cited the state's new utility accountability law as the source authority for these decisions.[186]

The compliance reports utilities are required to file pursuant Connecticut's accountability law show savings of hundreds of thousands of dollars in total for all the state's ratepayers. According to the first installment of these reports (which cover a three month period in late 2023), **Eversource's** customers were spared of $651,811 in total in the now-prohibited costs, while **Avangrid's** customers saved at least $695,621 during this timeframe.[187]

Following New York's 2021 prohibition of recovery of trade association dues, the customers of Consolidated Edison of New York and Orange & Rockland have saved $2 million in annual dues to the Edison Electric Institute (EEI), the national trade

association for electric utilities, and to the American Gas Association (AGA), the national gas utility trade association – costs that would have otherwise been charged to them, to cite one example in that state.[188]

Other than these recent laws, state consumer advocates and regulatory staff utility routinely disputed trade association dues based on the fact that these groups engage heavily in political influence activities.

In 2021, the Kentucky Public Service Commission disallowed **Kentucky Utilities** from recovering from customers the $400,000 in dues paid to EEI, the national trade association for electric utilities, after the utility failed to provide specific detail on how trade association funds are spent – including what portion is spent on regulatory advocacy and public relations.[189] Similarly, in 2024, the Arizona Corporation Commission prohibited **Arizona Public Service Company** from recovering $1.1 million in EEI dues, calling the trade group an “advocacy organization.”[190] [191]

At times, regulators remove utility trade association dues as part of a rate case settlement, after consumer advocates or regulatory staff dispute the dues expenses. The Oregon Public Utility Commission in 2023 approved a settlement removing “gas industry association dues” that **Avista Utilities** had sought to charge to customers, referring to an argument from intervenors “that it is in the public interest for shareholders to shoulder political expenses that do not align with state policy or the public interest.”[192] In Minnesota, **Xcel Energy** agreed to a settlement in its 2024 gas rate case that entirely removes $300,000 in dues paid to AGA after intervenors noted the group’s wide-reaching political influence activities.[193]

Conclusion

Despite the widespread understanding that utilities should not use ratepayer money for political influence and image-building advertising, this report found that the practice persists across the country.

Utility employees, including those whose pay is charged to customers, engage in a variety of political influence activities. This makes monitoring especially problematic, as consumer advocates, regulatory staff, and watchdog groups usually discover these activities after the fact, and at times, incidentally. Robust transparency mechanisms are key to holding utilities to account on this matter, together with clear policy that prohibits the recovery from ratepayers of the salary of any utility employee who performs political influence activities. Customers should not be forced to fund this kind of labor.

Utilities recover or attempt to recover costs of various institutional or goodwill advertising campaigns, often by exploiting ambiguities in existing rules. One prime way they do so is by mixing image-enhancing ads into informational messages, the latter of which can generally be charged to customers. Policymakers must close this loophole by prohibiting from recovery advertising messages if any portion of the message is designed to build goodwill for the utility and its brand rather than promote safety or share necessary information. Another way utilities advertise is through various public event sponsorships – sports games or swag bags – where utility logos and slogans serve the corporate brand. These should not be recoverable from ratepayers.

Utilities seek to charge ratepayers for a host of other superfluous expenses, ones that go far beyond the cost of providing service. Customers are financing boards of directors' lavish spending and private aircraft use. They're paying for utility employees' extravagant travel and parties. And they're funding expenses which serve the companies' shareholders such as investor relations units. In an era of ever-increasing utility bills, this is wrong.

Uncovering this data was – and is – not an easy task. These expenses are generally tucked in utilities' rate applications, which are often arcane and convoluted. They are steeped in technical language, formulas, and acronyms. Many utilities use outdated technology formats using unworkable files that run into the thousands of pages. Expenses are hidden or buried in desolate corners of exhibits submitted to public service commissions. At times, they may not be disclosed at all in initial filings, instead requiring utility commissioners, regulatory staff, or intervenors to ask the right discovery questions – interrogatories which utilities also often fight. This report has also found a disparity in reporting and accounting of expenses between the states and even between

utilities in the same state. All this accentuates the need for greater standardization and detailed, robust disclosure mechanisms.

The best way to achieve better outcomes for utility customers is by codifying key prohibitions, robust disclosures, and enforcement actions in law. Commission precedents are important, but unevenly enforced, and sometimes even forgotten. Laws will ensure that even those regulators who tend to be favorable to the industry they regulate will be required to protect customers from paying for political activities and other inappropriate expenses.

What's on the line? First, money. Reforming how utilities use ratepayer money for politics will reduce electric and gas bills as soon as the next rate case. Over the longer term, compelling utilities to stop using ratepayer money gratuitously will weaken their outsized, ratepayer-funded influence in crafting policy, which can open doorways to policy solutions that lower bills even further. And finally, removing ratepayer-funded political influence can make it harder for utilities to stall progress on a transition to cleaner energy. Lessening utilities' ratepayer-funded clout in state houses and local politics is imperative for climate progress.

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