

MarketClear

FAIR Act Overview

The problem

When you turn on a light, heat your home, or take a shower, you usually have only one company to choose from. Power, gas, and water companies are monopolies. They have no competition. So the government decides how much profit they get to make.

For decades, regulators have let these companies make far more profit than they need. That excess profit doesn't just raise your home utility bill. Businesses pay it too, and pass those costs on in the prices you pay for everything else. All told, excess utility profits cost American households roughly \$500 a year, or \$65 billion nationwide.

Why does this keep happening? The way regulators set utility profits is broken. They rely on complicated math models that "experts" twist to utilities' advantage. Utility companies hire teams of lawyers and lobbyists to push for higher profits. Regulators are outgunned. After months of fighting, the utility almost always wins.

What the bill does

The FAIR Act – the Fair Authorized Investment Returns Act – fixes this with two simple steps.

Step 1: A simple, automatic profit rate. Instead of long, expensive fights, we set one clear formula. The profit rate equals what the U.S. government pays to borrow money for 10 years, plus 2 percent. The number resets every year, so it always tracks today's market. It is grounded in the same math investors use in real life.

Step 2: An auction, if a company says it needs more. Maybe a company believes it really does need a higher profit because its business is unusually risky. Fine. It can prove it through an auction. Real investors get to bid. They name the lowest profit they would accept to put their own money in. Whatever the auction shows is what the company gets. The market decides – not lawyers, not lobbyists.

Why this works

- Families pay only what is truly needed to keep the lights on.
- Utility companies still earn enough to attract real investors.
- Regulators stop wasting time and money on long, complex fights.
- Profits are based on real market prices instead of guesses.

The United Kingdom shows that lower profits still work. British regulators allow utility profits well below what American utilities get. UK utilities still attract investors, build infrastructure, and keep the lights on. The only thing that changes is that families stop overpaying.

The bottom line: The current system overcharges Americans by about \$500 per household each year. The FAIR Act replaces that broken system with one simple formula and a fair auction. You keep more of your paycheck. Your utility company still gets what it actually needs.