

Support with Amendments  
Economic Matters  
2/6/2025

**House Bill 398 (SB316) - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

Baltimore Gas and Electric Company (BGE or the Company) supports *House Bill 398* with amendments. *House Bill 398* mandates that each electric company submit plans to the Public Service Commission (Commission) by November 1, 2025, to construct or procure transmission and distribution-connected energy storage devices. Additionally, the bill provides incentives for the creation of zero-emission credits by beneficial nuclear facilities and requires the Commission to pursue coordinated approaches to offshore wind energy transmission development.

*House Bill 398* seeks to enhance Maryland's energy infrastructure by promoting the effective use of energy storage (battery storage) within the transmission and distribution grid systems. While BGE supports the ultimate goal of *House Bill 398*, namely the increased deployment of battery storage, the Company recommends the following revisions to the Bill: 1) increase the construction timeline for battery storage projects from 18 to at least 30 months; 2) extend the deadline for utilities to submit their plans from November 1, 2025 to January 1, 2026; 3) allow utilities to execute in phases and incrementally on the 150 MW of distributed connected energy storage capacity requirement; and 4) give the Commission authority to deny a project if it fails to meet program objectives or is not cost-effective.

*House Bill 398* also requires energy storage devices to connect to both distribution and transmission systems. The distribution system is used to connect individual customers together and back up to the transmission system for bulk power supply. BGE recommends increasing the construction timeline for battery storage projects from 18 to at least 30 months. In its current form, *House Bill 398* requires electric companies to construct or procure distribution-connected energy storage devices within 18-months after the Commission approves their plans. In 2023, BGE deployed two battery storage devices in Anne Arundel and Calvert counties. Based on BGE's experience with these projects, 18 months does not provide sufficient time to build an energy storage project. BGE recommends extending the construction timeline to at least 30-months to ensure utilities can conduct effective community engagement, address supply chain issues, secure sustainable site locations, and obtain all necessary permits. Extending the construction deadline will also

BGE, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.3 million electric customers and more than 700,000 natural gas customers in central Maryland. The company's approximately 3,400 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Exelon Corporation (NYSE: EXC), the nation's largest energy delivery company.

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reduce the frequency of utilities needing to seek extensions to meet mandatory deadlines. This is important considering missed deadlines could lead to significant penalties for utilities acting in good faith. For the foregoing reasons, BGE recommends that the 18-month construction deadline be extended to at least 30 months.

The bill also mandates that utilities achieve a 150 MW of distributed connected energy storage capacity, with no more than 30% of storage being owned by third parties, and the Commission allocating the remainder to the utilities. BGE recommends providing more flexibility by requiring utilities to submit a plan for bringing online one-third of the capacity initially, then requiring the utilities to submit plans for projects that address the remaining capacity amounts. This will approach utilities to implement the plan incrementally and in phases, achieving the desired storage capacity.

BGE supports the use of battery storage to enhance regional resource adequacy, through storage connected to the transmission system. This is an effective approach when deployed at scale, allowing utilities to procure batteries with larger energy quantities and for longer durations. The Maryland Public Service Commission has acknowledged the role of battery storage in reducing grid constraints and recently ordered utilities to evaluate utility-owned battery storage on the transmission system. BGE is actively undertaking efforts to respond to the order.

*House Bill 398*, however, proposes that the pricing schedule for transmission connected storage should reflect the “value” of the storage beyond the PJM market revenue. This value could be interpreted as all avoided costs received. Developers need revenue streams from utilities that cover their costs, including debt of service and a reasonable return on equity. The avoided costs of a storage project represent the potential benefits to customers in return for paying the developer its costs. Developers should not receive benefits from the avoided costs on top of their development and operational costs. BGE is concerned that if enacted, the bill would result in developers receiving windfall payments at the expense of customers. Additionally, Section 7-1208(A)(1) creates an arrangement between the utility and the developer where the fixed price schedule would be partially or fully met by PJM market revenues. If market revenues fall short of the fixed, the utility compensates the developer for the difference. Conversely, if market revenues exceed the fixed price, the developer pays the utility the difference. *House Bill 398* suggests a different arrangement where customers pay the full fixed price schedule and receive all market revenues. BGE recommends reconciling the inconsistency in this provision.

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*House Bill 398*, as written, does not empower the Commission to deny a project if it fails to meet program objectives or is not cost-effective. BGE recommends granting the Commission the authority to deny projects to ensure that only those fulfilling the state's goals are commenced. Furthermore, there are ongoing Commission efforts addressing this topic, which the bill needs to consider and, if passed, could delay, or contradict their progress. BGE will work with the bill sponsor to ensure there is alignment with Commission regulations, in COMAR 20.50.14.

BGE will continue discussions with the sponsor to address our concerns. We respectfully request a favorable report with amendments for *House Bill 398*.

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