## HB398 AACE Act-Land and Liberty Coalition - Favora

Uploaded by: Adam Dubitsky

Position: FAV

February 6, 2025

Hon. C.T. Wilson
Chair
Maryland House Economic Matters Committee
Rm 231 House Office Bldg.
6 Bladen Street
Annapolis, MD 21401

Delegate Brian M. Crosby
Vice Chair
Maryland House Economic Matters Committee
Rm 231 House Office Bldg.
6 Bladen Street
Annapolis, MD 21401

RE: Support for HB398 Abundant Affordable Clean Energy Act

Dear Chairman Wilson, Vice Chair Crosby and Members of the House Economic Matters Committee:

On behalf of the Land & Liberty Coalition of Maryland, of which I serve as State Director, I am writing to convey our support for HB398, the "Abundant Affordable Clean Energy Act."

With chapters in 12 states, the Land & Liberty Coalition is a project of the 501c3 Conservative Energy Network. Unique in Maryland among the various advocates for clean energy, particularly utility scale solar, and a reliable modern grid, we are a decidedly right-leaning organization focusing on increasing our home-grown energy supply, bringing opportunity and revenue to landowners and their communities, and ensuring that ratepayer and taxpayer dollars are being used as effectively as possible.

There are immediate challenges in each of these areas: Maryland is facing an urgent need for affordable energy generated in-state; a state budget crisis and likely reduction in funds from Washington mean rural counties will also face funding shortfalls; and regrettably, at least $150,000,000 from the SEIF is being diverted from its intended purpose of energy efficiency programs to the general fund to pay for others spending. The AACE Act is an important step in the right direction for addressing these current issues and avoiding them in the future.

Maryland's Renewable Portfolio Standard is badly broken and needs an overhaul not only to meet clean energy goals but control skyrocketing energy costs and upgrade our grid. As it currently works, utility companies pay penalties in the form of Alternative Compliance Payments (ACPs) the costs of which are passed on to ratepayers, and the proceeds for which go into the Maryland Strategic Energy Investment Fund or SEIF. Instead of funding energy efficiency and related programs, in the Governor's proposed 2026 budget, a staggering $150 million is diverted out of the SEIF into the general fund to plug holes in a

bloated budget. The AACE Act addresses this by reducing the reliance on ACPs in favor of set payments to the PSC to fund actual energy generation projects. This will help bring much need new cleaner power generation online and eliminate the future possibility that ratepayers will unwittingly be funding unrelated programs.

The Land & Liberty Coalition is particularly concerned about the status of the so-called solar carveout, requiring 14.5% of electricity to come from solar by 2030. The debate on solar power remains mired in 2009 when panels were inefficient and costly, requiring subsidies. This is now a mature industry that according to leading financial firms and government data utility scale ground-mounted solar is the most affordable and fastest to deploy source of energy available. And this is true even without subsidies, and it is true in all regions of the nation regardless of how much annual sunlight they receive.

Renewable energy champions and climate activists must recognize that the current legislation and thinking about the transition to cleaner energy is not working. Likewise, our fellow conservative es, some of whom remain renewable energy skeptics, would benefit from a fresh look at cleaner energy technology, its costs, and its benefits for smaller agricultural communities.

We also support the AACE Act's efforts to support the development of utility-scale energy storage systems, an important adjunct to low-cost solar power. The AACE Act also recognizes that nuclear power must be a part of our clean energy future and supports the recertification of Calvert Cliffs.

I thank the Committee for this opportunity to summarize our support for HB398 and look forward to working with the members and their staff on this and other matters.

Sincerely,

Adam Dubitsky

State Director

**HB0398_CPSR_FAV_ECM_06Feb2025.pdf**
Uploaded by: Alfred Bartlett, MD
Position: FAV

**Committee:** **Economic Matters**
**Testimony on:** **HB398 "Abundant Affordable Clean Energy – Procurement and Development"**
**Position:** **Support**
**Hearing Date:** **February 6, 2025**

The Chesapeake Chapter of Physicians for Social Responsibility (CPSR) supports HB398, which responds to the state's increasing demand for electricity through preserving essential base electricity load capacity and promoting expansion of clean renewable energy in alignment with the state's established goals for clean energy development and greenhouse gas reduction.

Our support is offered while regretting the need to continue extending operation of the Calvert Cliffs nuclear powered electricity generation plant. CPSR is the Maryland component of national PSR, which is the co-founder and U.S. affiliate of the Nobel Peace Prize-winning International Physicians for the Prevention of Nuclear War. PSR is principally focused on reducing the two greatest global threats to human survival, health, and well-being: nuclear war and climate change. While awareness of the dangers of nuclear war have faded since the end of the Cold War, recent events including the war in Ukraine have brought that terrible possibility back into focus. At the same time, the past year's climate disruption, causing increasingly destructive floods, wildfires, droughts, storms, and heat, has destroyed unprecedented numbers of lives and livelihoods. The increasing prominence of these two threats caused the *Bulletin of the Atomic Scientists* to last week move the "Doomsday Clock" closer to midnight than it has ever been.

The energy sector is still a major producer of the greenhouse gases that are worsening climate disruption. At the same time – through electrification of transportation, buildings, and other processes – increased electricity production offers the most feasible pathway off our dependence on the fossil fuels that produce those greenhouse gases. This need for increased generation of reliable electricity is being acutely increased by the already growing requirements of data centers and other large load requirements. The challenge to this legislature is to find the most effective ways to meet state's increasing demand for reliable electricity while reducing risk to its citizens and the planet. HB398 responds to this challenge.

However, we need to remind ourselves that, while not emitting greenhouse gases, nuclear power is not "clean" and poses significant risks - risks that exist in the present, but that we are also imposing upon generations to come:

- *It creates deadly radioactive waste that we don't know how to dispose of safely, and that will remain deadly for thousands of years. The half-life of plutonium 239 - a key component of nuclear power plant waste that is highly radioactive and highly hazardous to human and animal health - is 24,000 years.*
  - Given the evidence of the unpredictability of human and government behavior we're experiencing these days, we must be thoughtful about producing more of such millennium-lasting deadly waste.
- *There is a clear link to risk of nuclear war - every nuclear reactor generates material, including plutonium, that has the potential to be used in nuclear weapons.*
  - The quantity of spent nuclear fuel stored at Calvert Cliffs is reported by the Nuclear Decommissioning Collaborative to be 1,421 metric tons[1], corresponding to an estimated 14.2 metric tons (14,200 kilograms) of plutonium. The International Atomic Energy Agency (IAEA) considers that about 8 kilograms of plutonium in spent fuel are sufficient to construct a first-generation nuclear bomb (the type dropped on Hiroshima and Nagasaki in World War II). Based on this metric, this 14,200 kg. of plutonium would be enough for 1,775 nuclear weapons.
- *There's also the risk of a serious accident - with worst case but real examples being Fukushima and Chernobyl – as well as of terrorist targeting.*

[1] https://decommissioningcollaborative.org/calvert-cliffs-1-2/

New nuclear power also comes with clearly demonstrated cost risk and opportunity cost:

- The only new U.S. nuclear plants to come online in the past decade were Units 3 and 4 at Georgia's Vogtle Electric Generating Plant. Construction began in 2009, with the units originally projected to be operational in 2016 and 2017. The units ultimately came online in July, 2023, and April, 2024 –seven years overdue.
  - The initial cost estimate for the project was $14 billion. However, due to significant construction delays and cost overruns, the final cost was $36 billion, more than double the original estimate.
- Development of smaller nuclear projects has suffered the same cost risks: the Carbon Free Power Project in Idaho, which aimed to build a Small Modular Reactor (SMR) using the only design approved by the Nuclear Regulatory Commission, was canceled in November, 2023, because the estimated cost had risen from $3.6 billion to $9.3 billion.

This time and these resources could have been used to create large amounts of clean renewable energy at much lower cost. This understanding led the IPPNW to formally state at the outset of the 26th UN Climate Conference in 2021:

> "*In the lead-up to COP26, there has been another round of concerted and increasingly desperate attempts to portray nuclear power as an acceptable, safe and low carbon energy source that can help address the climate heating crisis. We reject this deception… Over the past two decades, any economic rationale for nuclear power has long evaporated as renewable energy has become the cheapest, most widely and most quickly available source of new electricity generation worldwide*."

We bear these nuclear risks in mind, and at the same time acknowledge the assessment by the Maryand Energy Administration and the renewable energy industries themselves that our state is far below the trajectory needed to meet its own clean energy and greenhouse gas reduction goals, and cannot afford to lose large components of its present electricity capacity until new energy resources can be brought on line.

HB398 responds to this reality through well-reasoned actions that will both preserve base load capacity and promote increased development of the key sources of truly clean renewable energy that we need.

- <u>To secure essential base load capacity</u>: Recognizing that the existing Calvert Cliffs nuclear plant generates almost 40 percent of Maryland's electricity, and that the legislature has already endorsed extending the licenses of Calvert Cliffs' reactors when they reach their present end in 2034 and 2036 – HB398 establishes a class of standby credit ("Zero Emission Credit") to assure the plant's continued viability if the federal energy production tax credits currently being received do not continue and if this results in non-profitability.
  - We recommend that this arrangement be accompanied by a secure agreement with Constellation, considering their history of gaining additional incentives from the Illinois state government in 2021 by threatening to close their nuclear plants.

- <u>For clean renewable energy sources</u> – including solar, onshore wind, and small (less than 30 MW) hydropower: Recognizing that the current Renewable Portfolio Standard (RPS) and REC incentive levels have been only partially successful in stimulating needed growth, HB398 draws on successful experiences of other states by adding greater structure to the RPS, defining an active role for the Public Service Commission (PSC), establishing category-specific capacity targets, and creating category-specific incentives that will promote and support accelerated expansion.
  - <u>For offshore wind</u>, HB398 establishes modifications to transmission requirements that will allow greater flexibility in how the generated electricity is brought onshore to serve Maryland, and also requires upgrading of transmission capacity, including new technologies that can increase transmission capacity by 25 percent or more.
  - <u>For utility-scale solar</u>, HB398 establishes a 2035 target of 3,000 MW, tasks the PSC with establishing a competitively determined base price for electricity generated by eligible projects that must serve Maryland, and allows participating projects to generate "SRECIIs" with added value that assures financial viability by receiving full market value for their electricity.

- For smaller solar, HB398 establishes a separate 3,000 MW capacity target for Community and Aggregate Net Metered solar by 2035 for projects that contribute to meeting the state's electricity load, creates time-bound (at least every 3 years, sooner if needed) "Blocks" of capacity to be incentivized for each category of small solar (Community, Aggregate Net Metered, behind-the-meter residential, behind-the-meter non-residential), and allows the PSC to administratively determine the value of SRECIIs for each category of project and Block of project capacity.
  - This more active, category-specific and Block-based incentivization approach to solar development has proven successful in other states in promoting greater overall expansion of solar; it also responds to the concerns of the solar industry's different categories, because different categories of solar move at different rates and face different business considerations, but in a REC system without separate categories they would end up competing for incentives.
- For onshore wind and small hydroelectric projects, HB398 creates the category of "RECII," assuring that they serve the state's electricity needs and distinguishing them from other RECs under the RPS.
- For large-scale energy storage, HB398 establishes a 1,600 MW state goal for cost-effective transmission-scale energy storage projects that are presently in the PJM queue, and requires PSC to establish approval and procurement processes to bring them online, which can help manage peak demand without the need for expensive "Peaker Plants;" these storage projects can also participate in the electricity capacity market to help meet electricity demand and keep costs lower.
- HB398 also establishes a requirement for electric companies to collectively develop a minimum of 150 MW of smaller distribution-system level energy storage projects that demonstrate avoided cost to the electricity system and result in avoided carbon emissions.
- HB398 requires labor protection and community benefit agreements for the construction of the different categories of clean renewable energy involved in meeting these targets.
- HB398 establishes a required sequence of REC retirement that reflects the importance of expanding wind, solar, and hydropower and prioritizes RECs associated with electricity generation that actually serves the state.

Finally, to give greatest benefit to ratepayers, HB398 also establishes an "Escrow Account" for receipt of Alternative Compliance Payments (ACPs) and a share of the taxes placed on Data Centers, with ACP moneys in this Escrow Account to be returned to ratepayers in proportion to their electricity bills.

In summary, HB398 represents a well-structured modernization of our state's electricity incentive system. It will contribute to meeting the increasing needs for electricity in the lowest cost way possible, and doing it by accelerating development of the clean renewable energy our state's goals require. Building new nuclear plants would be far too expensive, too slow, and too uncertain. Building new gas plants will also be costly and actually increase the greenhouse gases that are driving the climate disruption we need to fight.

We therefore recommend a favorable report on HB398, and urge the legislature to take the additional policy actions required to accelerate the clean renewable energy we need.

Respectfully,

Alfred Bartlett, M.D., F.A.A.P.
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**Nature Forward_Testimony in Support of AACE.pdf**
Uploaded by: Angie McCarthy
Position: FAV

Testimony for HB0398
Support for Abundant, Affordable Clean Energy (AACE) Act

Bill Sponsor: Delegate Charkoudian
Committee: Economic Matters
Organization Submitting: Nature Forward
Person Submitting: Angie McCarthy, Maryland Conservation Advocate
Position: Favorable

nature forward
Connecting people and nature in the Capital Region
natureforward.org

I am submitting testimony on behalf of Nature Forward in strong support of the AACE Act. Nature Forward (formerly Audubon Naturalist Society) is the oldest independent environmental organization protecting nature in the DC metro region, including Maryland's near counties of Montgomery and Prince Georges. Our mission is to inspire residents of Maryland and the Washington, DC, region to appreciate, understand, and protect their natural environment through outdoor experiences, education, and advocacy. We thank the Maryland legislators for the opportunity to provide testimony on the Abundant, Affordable Clean Energy Act, HB0398.

Maryland's energy grid and management is in a precarious situation; we are at the precipice of energy failure. PJM's policies have been driven in a large part by fossil fuel interests and have been a hindrance to Maryland's pursuit of previous legislation's clean energy goals. This is causing regular increases in ratepayers' electrical bills; is delaying our ability to reach our climate goals; and will continue to exacerbate our dual climate and cost of living crises.

Further, our current structure for incentivizing the clean energy transition is ineffective in accomplishing Maryland's clean energy goals. Very few new clean energy projects are being constructed in the state other than distributed (rooftop) solar projects. The current structure uses Renewable Energy Credits ('RECs') to supposedly protect ratepayers by setting a cap, in the form of Alternative Compliance Payments, on what REC price would be paid. However, because of the high prices in REC markets, utilities have ended up paying Alternative Compliance Payments instead of buying RECs. The result is that ratepayers are paying more for their electricity, and the funds established for utility infrastructure development are not effectively investing in the development of new clean energy. The Maryland Office of the People's Council has put out a report that ratepayers will see a 2 - 24% rate increase within the next year due to this energy crisis. [1]

1 https://opc.maryland.gov/Portals/0/Files/Publications/RMR%20Bill%20and%20Rates%20Impact%20Report_2024-08-14%20Final.pdf?ver=V9hZfyTmjLeNVt2Dg3cTgw%3d%3d

AACE provides many of the solutions that we need due PJM's mismanagement of our region's energy. *The quickest way to build more energy supply is by investing in clean energy projects.* This is the swiftest way to bring online *new* energy resources while also providing more resilience now and in the future. Additionally, this is how we protect hardworking Marylanders from corporate greed. Building out more natural gas or fossil fuel plants, or business as usual, cannot continue.

Maryland's efforts to build more clean and affordable energy are being hamstrung by management overseers who favor fossil fuel interests – even in the face of our state's explicit objectives to build alternative energy sources.

- ☐ AACE will improve on both offshore and land-based wind power generation. Offshore-based, it amends the transmission component of the POWER Act, to prioritize solutions that better serve Maryland's load needs. With land-based, it creates competitive procurements that enhance the state's reliability and resilience of its electrical infrastructure.
- ☐ AACE includes language on battery storage to keep our grid reliable – this bill creates a market for network-scale battery storage that is connected to the grid's transmission that would help balance out periods of peak demand with peak input, helping maximize alternative energy sources' contributions.
- ☐ AACE restructures financing and procurement for solar programs – this bill will phase out the current solar subsidy process and replace it with SREC 2. This new program, which is similar to the New Jersey program that has been operating since 2020, can move our state to producing 15% of energy generation by 2035, while also capping the rate-payer impact of solar.

Most importantly for many: these market factors are causing significant increases in residents' energy costs – even as residents are grappling with significant cost of living increases across all types of essential expenditures. These factors are squeezing households' ability to make ends meet. According to our own state government's Office of People's Counsel, "Maryland customers face years of higher electricity rates from regional market problems...this because of problems in the regional market run by PJM Interconnection, LLC, the entity that administers the wholesale power market and is responsible for transmission planning."[2]

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[2] Maryland Office of People's Counsel, "Maryland customers face years of higher electricity rates from regional market problems, new OPC report shows. " "Many Maryland customers face average annual electricity bill increases of hundreds of dollars in the coming years because of problems in the regional market run by PJM Interconnection, LLC, the entity that administers the wholesale power market and is responsible for transmission planning, according to a report released today by the Office of People's Counsel. The initial round of rate hikes is driven in part by PJM's recent auction that saw prices beginning next June for electric generation capacity—a historically small but soon-to-be-large part of customer bills—spike by more than 800 percent.

- ☐ AACE  looks to create quality, local jobs for Marylands by prioritizing in-state clean energy projects.
- ☐ AACE includes profit sharing clauses from energy generation with customers, while capping costs for clean energy programs.
- ☐ AACE will take on the well funded data center developers but using a tax revenue to offset energy costs - with data centers, 75% of revenues from energy sales and franchise taxes from data centers will be placed in an account to off-set rate payer costs associated with the infrastructure procurements described in this bill.

As Nature Forward, we support the community forward, environmental justice language of this bill. AACE can provide the way to codify a better system where those increases coming from expanding our alternative energy resources, will benefit all Marylanders, on a regular basis. We, and our membership of over 30,000, are proud to support rational, common-sense business and environmental decisions and see the merit in this bill. We ask that you vote FAVORABLE to the AACE Act.

Angie McCarthy
Maryland Conservation Advocate
Nature Forward

**Testimony_HB398_CCAN Baker.pdf**
Uploaded by: Brittany Baker
Position: FAV

HB 398- ABUNDANT AFFORDABLE CLEAN ENERGY ACT

**TESTIMONY OF BRITTANY BAKER, MARYLAND POLICY DIRECTOR AT THE CHESAPEAKE CLIMATE ACTION NETWORK**

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

Clean energy projects in Maryland are being delayed by insufficient planning practices at PJM, the Regional Transmission Organization that manages energy in our state. By keeping clean energy projects in a queue that takes several years of waiting to receive approval, PJM is effectively creating an unnecessary energy shortage that benefits the fossil fuel industry and puts ratepayers in a situation of uncertainty. Further, our current structure for incentivizing the clean energy transition is broken. Very few new clean energy projects are being constructed in the state other than distributed solar projects. The current structure uses Renewable Energy Credits and seeks to protect rate-payers by setting a cap (in the form of Alternative Compliance Payments) on what REC price would be paid. However, because of the high prices in REC markets, utilities have ended up paying Alternative Compliance Payments instead of buying RECs. The result is that rate-payer funds have not effectively been invested in the development of new clean energy, especially considering that the ACP funds are not being used to build out new clean energy.

The Abundant Affordable Clean Energy Act (AACE) codifies clean energy solutions to reinvigorate Maryland's clean energy portfolio, with the ultimate goal of generating more power in the state. The package of changes that are included in HB398 will lower utility bills in the near future, build more truly clean energy in-state, and reform clean energy incentive structures in order to maximize their potential and protect ratepayers. The hallmark of the bill is the emergency procurement measures that will allow the state to deploy utility scale battery storage buffers as "no regrets" solutions that solve Maryland load problems as these projects exit the PJM queue in the upcoming years. Without this particular legislation, these projects will likely not be constructed.

Furthermore, this legislation includes labor standards that ensure the clean energy transition opens the door for family sustaining jobs that will grow Maryland's economy and provide for Maryland families.

The Abundant, Affordable Clean Energy Act is the complete package. It is highly compatible with the Resource Adequacy and Planning Act and the Renewable Energy Certainty Act. AACE, however, is the only legislation under consideration during this legislative session that will lower utility bills in the near future, resolve the energy congestion issue in the Baltimore City region, and allow Marylanders to receive money back on their utility bills in order to ease their energy burdens.

I respectfully request a favorable report on HB398

**AACE Center Testimony.pdf**
Uploaded by: Bryan Dunning
Position: FAV

Center for Progressive Reform

**February 4, 2025**

**Testimony of Bryan Dunning**
**Senior Policy Analyst**
**Center for Progressive Reform**

**Before the Maryland House of Representatives' Economic Matters Committee**
**Regarding House Bill 0398: Abundant Affordable Clean Energy – Procurement and Development (AACE ACT) of 2025**

Dear Chair Wilson, Vice Chair Crosby, and Members of the House Economic Matters Committee:

Thank you for the opportunity to testify today on behalf of the Center for Progressive Reform (the Center) in support of HB0398 (HB 398). The Center is a nonprofit research and advocacy organization that is focused on addressing our most pressing societal challenges, including advancing the concerns of historically marginalized communities by centering racial and economic justice in climate policy. For the reasons discussed in the testimony below, the Center requests that this committee issue a **favorable** report on HB 398.

Maryland currently faces significant increases in costs to ratepayers for both electric and gas service delivery. Although increases in gas utility costs have been ongoing, the increase in electricity prices to ratepayers is a new phenomenon in the state. This increase in electricity prices is attributable to policy decisions and a history of inaction in achieving needed new generation and transmission by the Regional Transmission Organization PJM. Maryland participates in PJM's wholesale energy market, including its renewable energy credit (REC) market, and notably imports a significant amount of its electricity from it. In brief, two factors at PJM have driven the energy-price concerns in Maryland, and, to one extent or another, across all states in PJM's operational footprint.

First, PJM has an extreme backlog in its interconnection queue. All generation facilities which connect to the PJM interstate transmission system – namely utility scale generators - require an interconnection agreement from PJM to connect to the grid. Securing this agreement is necessary for a power plant to become operational. However, the PJM interconnection queue is currently so backlogged that, in 2023, PJM announced it would cease to accept new projects for consideration, and has a roughly 5 year wait time from application to approval. This has resulted in hundreds of GWs of planned projects, largely renewables or storage, sitting in limbo rather than being able to service Maryland's electric load requirements. Beyond creating an impasse for bringing new generation online, the lengthy delay also can result in economic realities at the

time of application shifting – for example, inflation and supply chain issues – resulting in once viable project no longer able to proceed once the interconnection agreement is finally issued.

Although this backlog has been ongoing for numerous years, growth in electric demand has been historically relatively flat. However, demand is now on the rise – largely attributable to high-intensity energy use facilities such as data centers. The impact of the interconnection queue's failure to bring on new supply is being exacerbated as there is now a mismatch in in supply and demand, driving up prices.

Second, following concerns related to reliability, highlighted by both the Federal Energy Regulatory Commission and the National Energy Reliability Corporation, PJM made modifications as to what types of generation are eligible to bid into its 2025/2026 reliability pricing model capacity auction, which included a "derate" of certain natural gas generators. Although taking steps to improve reliability is laudable, the result is that this most recent auction saw an 800 percent increase from previous years, which will be passed on to ratepayers as a portion of their utility bill.

As such, Maryland will require significant investment in new generation serving in-state load to ensure supply meets demand, and that there is sufficient capacity provided to the grid to meet peak demand. This must be done in a timely, least-cost manner, while continuing to meet the state's legal obligations to decarbonize set out in the Climate Solutions Now Act. The AACE Act provides a pathway forward to achieving this, while additionally providing important protections for labor to ensure Maryland's workers receive, amongst other things, fair wages and benefits for their work in building a sound energy future. Critically, AACE provides a pathway to bring on new energy projects that serve Maryland's load requirements *within this decade* on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets. This combination of rapidity, low-cost, and flexibility makes AACE a "no regrets" path to achieving resource adequacy to meet *current* and future electric load requirements in Maryland.

*Battery Storage*

The PJM interconnection queue has several battery storage projects that are set to exist the queue in the coming years. The AACE Act directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects, which will ensure a pathway for these projects to be rapidly constructed and operationalized.

Critically, AACE provides a pathway for these projects to be operational *in this decade* – one of the strengths of investing in storage projects is that they represent the fastest means of bringing new capacity response "generation" online, ensuring that energy concerns faced by Marylanders are responded to in the shortest amount of time possible.

These projects will be constructed in Maryland, and serve Maryland's peak demand– alleviating the need for comparatively more expensive "peaker" plants. These projects are also eligible to bid into the PJM capacity market which can, in part, alleviate soaring capacity market costs. AACE's competitive procurement process includes significant cost-benefit analyses as a part of any project application – including the avoided costs and the social cost of carbon to ensure lowest cost to ratepayers, as well as a CPCN-equivalent to ensure rapid deployment upon approval by the PSC. This storage build-out will also significantly contribute to Maryland's goal of 3,000 MW of in-state storage projects. Finally, this procurement process includes significant

labor protections, including the requirement for community benefit agreements, which include guarantees for hiring practices and wage provisions to ensure Maryland's workforce benefits from these projects.

AACE also provides significant investment in battery storage projects on the distribution grid. Although smaller in-scale than utility scale projects, this storage is not subject to the PJM interconnection approval process and allows for greater responsiveness and flexibility by the state to build out these resources. AACE provides a pathway for 150 MW of such distribution scale generation to be built out, by the electric companies, subject to cost-benefit analysis by the PSC prior to approval. These projects are also subject to important provisions protecting the electric companies, ensuring that ground made in labor protections over the years is not lost in developing this new approach to meeting the grid's peak demand.

*Solar, Land-Based Wind, Small Scale Hydro, and The Renewable Energy Portfolio Standard*

Maryland's historic REC and SREC incentives have been a powerful tool to jumpstart renewable generation in the state, however their "one-size-fits-all" approach often results in incentives that are mismatched to the needs of specific projects. The AACE act will "right size" the incentives available to *new* projects so that projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers. Ensuring a "right sizing" is especially important for ensuring that, as utility scale projects exit the PJM Interconnection queue, there is a pathway to ensure that, after however long they have been in the queue, these projects can be economically viable to be constructed and brought online to serve Maryland's electric load.

AACE directs the PSC to oversee this rightsizing process, both for utility scale and distribution scale projects, ensuring flexibility in addressing the conditions of individual projects, and ensuring that the necessary authority to ensure that new generation projects can continue to come online in Maryland does not have to be a question returned year over year to the legislature. AACE creates a new class of RECs – SREC-IIs and REC-IIs, which represent the incentives from this tailored approach to supporting new generation projects and are eligible only for projects serving Maryland load – ensuring a prioritization of incentives paid by Maryland ratepayers to support generation serving Maryland's load.

New utility scale projects are to be addressed by a competitive procurement process at the PSC which sets a guaranteed fixed price for a project based on its application being subjected to least-cost analysis, and demonstrate that the project will serve Maryland's electric load. This process minimizes cost to ratepayers while ensuring the project is economically viable, though it is notable that renewables, particularly solar, are already generally inherently cheaper than fossil fuel alternatives. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois, and AACE's language builds on these proven successes.

Distribution scale projects are subject to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors - to ensure broad growth of distributed generation across the state. Market sectors include behind the meter residential, behind the meter non-residential, aggregated net-metering, and

community solar, providing a spread of investment in new distribution scale projects to benefit all Maryand ratepayers. Through setting the value of an ADI, the PSC will tailor the amount of incentive a given project receives for each of the identified market sectors, allowing for a balance between the amount if incentive required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside of promoting renewable generation construction to meet the state's load.

These new SREC-II and REC-II incentives fit within Maryland's current RPS requirements. The new SREC-IIs (both from utility and distributed scale projects), REC-IIs, and existing ORECs are prioritized for purchase by Maryland electric sellers when they seek to meet their obligation under the RPS. AACE then prioritizes legacy SRECs, and finally, to meet any outstanding obligations under the RPS, sellers can purchase historic RECs from the PJM REC market. In such fashion, AACE prioritizes that incentive costs passed through to Maryland ratepayers are going to pay for projects that meet the State's energy requirements.

*Ratepayer Protections*

AACE provides several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. In its competitive procurement processes for new utility scale storage and renewable generation, as well as the ADI approach to distributed renewables, AACE creates a means to ensure that ratepayers are paying the least-cost value of new generation projects. This inherently has the benefit of driving down costs to ratepayers by ensuring low-cost supply to meet rising demand. However, AACE also ensures for direct return of energy costs to Maryland ratepayers.

It directs the Maryland Energy Administration to supervise an escrow account that will be created to direct certain funds from electricity costs back to ratepayers. The PSC will oversee transparency and security of these funds. Alternative compliance payments (ACP) from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the pass-through costs to ratepayers from the ACP to the ratepayers. The value of the ACP varies from year to year, though in 2023, this value was $320,363,538 – representing a major return to ratepayers from these pass-through costs. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers – which are major drivers of increased electric demand which in turn increase ratepayer utility bills -to be contributed to this escrow account.

*Nuclear Provisions*

AACE ensures that existing clean generation in the state remains online, by providing a pathway to ensure that the Calvert Cliffs nuclear facility can meet its 2034 and 2036 relicensing obligations. This nuclear facility provides approximately 40 percent of current in-state generation, and is not a contributor to greenhouse gas emissions, making it a critical facet of Maryland's clean energy generation portfolio. To do this, AACE creates a "zero emissions credit" which acts as a safety net of last resort to ensure the facility's economic viability. The Zero emission credit only triggers if the facility no longer receives existing federal tax credits and applying a means-test to ensure that the facility is not otherwise economically viable and would require the credit to remain in operation.

*Offshore Wind*

The AACE Act directs the PSC, in its transmission study required under the POWER Act, to prioritize transmission from offshore wind projects to serve Maryland's load, ensuring ORECs paid by Maryland ratepayers are financing the delivery of electricity to the state. The AACE act also injects greater flexibility planning into transmission planning, allowing for voluntary agreements outside of engaging with PJM's long-term transmission planning process through FERC Order 1920.

*Conclusion*

In total, AACE provides a pathway to abundant, affordable clean energy for Maryland, doing so with a focus on low-cost, rapid build out, and flexibility. AACE's provisions require that new projects will directly benefit the state's energy requirements, directly benefit ratepayers, and ensure workers in Maryland benefit from the energy projects which they will build and maintain. Further, AACE supports the state's decarbonization goals, focusing on responsive storage projects and maximizing renewables – both at the utility scale as they exit the PJM interconnection queue, and across market sectors on the distribution grid. Fundamentally AACE provides needed solutions to resource adequacy *in this decade*. For these reasons, the Center requests that this Committee issue a **favorable** report on HB 398.

**HB0398_AACE_Act_MLC_FAV.pdf**
Uploaded by: Cecilia Plante
Position: FAV

MARYLAND LEGISLATIVE COALITION

# TESTIMONY FOR HB0398
## Abundant Affordable Clean Energy – Procurement and Development

**Bill Sponsor:** Delegate Charkoudian
**Committee:** Economic Matters
**Organization Submitting:** Maryland Legislative Coalition
**Person Submitting:** Cecilia Plante, co-chair
**Position: FAVORABLE**

I am submitting this testimony in strong support of HB0398 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Even without taking into account the need to transition to clean energy, Maryland's energy grid needs attention. The utility companies seem to be stuck in a same-old, same-old loop. We need a comprehensive plan for producing the energy we need without moving backwards and installing more gas infrastructure.

The AACE Act will ensure Maryland can generate the in-state clean energy we need while making energy bills more affordable and making the grid more reliable and will reduce our dependence on out-of-state dirty power, create local jobs. It will –

- Support various clean energy sources like solar, wind and storage
- Incentivize and re-organizes the renewable portfolio standard to build more in-state solar, storage and wind in a way that protects Maryland ratepayers.
- Support the relicensing of Calvert Cliffs to ensure that this in-state clean energy source remains viable
- Ensure that Maryland's grid is sufficient to address current demand, as well as the increased load from electrification and high-energy use industries.
- Create a structure for high-energy use industries to support reduced ratepayer impact of their energy use without disincentivizing the industries from moving into Maryland.

We need this kind of forward thinking and planning. We strongly support this bill and recommend a **FAVORABLE** report in committee.

**CCSA testimony_HB 398_2-6-2025.pdf**
Uploaded by: Charlie Coggeshall
Position: FAV

1380 Monroe Street NW, #721
Washington, DC 20010
720.334.8045
info@communitysolaraccess.org
www.communitysolaraccess.org

RE: HB 398 – Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

**Favorable**

Chair Wilson and members of the House Economic Matters Committee,

The Coalition for Community Solar Access (CCSA) provides this written testimony regarding House Bill (HB) 398. CCSA's position on this legislation is Favorable.

CCSA is a national, business-led trade organization, composed of over 100 member companies, that works to expand access to clean, local, affordable energy nationwide through the development of robust community solar programs. Community solar projects involve medium-scale solar facilities that are shared by multiple community subscribers who receive credit on their electricity bills for their share of the power produced.

CCSA has been an active participant in the development and implementation of Maryland's community solar pilot program, and we are grateful to this Committee for supporting the passage of HB 908 in 2023, which made community solar a permanent solution in Maryland. Thanks to HB 908, community solar can play a critical role in helping the state meet its energy requirements while also ensuring electricity cost savings reach those that need it most, as projects must allocate at least 40% of capacity for low-and-moderate income customers.

Delegate Charkoudian's HB 398 would drive the sustained growth of community solar and other renewable energy technologies in Maryland, while providing regulatory flexibility to adjust to variables outside the control of the state's policy makers. It would also address shortcomings associated with Maryland's Renewable Portfolio Standard (RPS) and evolve its current incentive structure from a one-size-fits-all approach to a more sophisticated and cost-effective program design. For community solar and other distributed solar technologies, HB 398 would establish "Administrativel Determined Incentive" (ADI) levels that are set and updated by the Public Service Commission and account for the specific needs of each segment. CCSA and its members have direct experience with this program design in neighboring New Jersey and can attest to its success in that state.

CCSA appreciates Delegate Charkoudian's dedication to solving the complex challenges associated with Maryland's energy needs and we endorse the direction taken in HB 398. We also look forward to continuing to work with the Delegate and this Committee and to incorporate tweaks that are needed in the bill to ensure it meets its intended outcome and supports a smooth transition for the solar market.

CCSA urges a favorable report on HB 398.

Sincerely,

Charlie Coggeshall
Mid-Atlantic Director, CCSA
charlie@communitysolaraccess.org

**HB398_AACE_TPE_FAV.pdf**
Uploaded by: David Murray
Position: FAV

February 6, 2025

Honorable C. T. Wilson, Chair
Economic Matters Committee Room 231
House Office Building
Annapolis, Maryland 21401

**HB 398 – FAVORABLE**

Dear Chair Wilson, Vice Chair Crosby and Members of the Economic Matters Committee,

TurningPoint Energy ("TPE") is a solar and battery storage development and investment company, with over 1 gigawatt of community solar developed across the United States and 21 megawatts in Maryland alone. We were proud to participate in Maryland's community solar pilot program since its inception in 2015, and continue to invest heavily in the state's clean energy future.

TPE applauds Delegate Charkoudian and Senator Brooks for their continued leadership on energy issues in Maryland, and recommends a favorable vote on HB 398.

Throughout last year, Delegate Charkoudian worked tirelessly with the solar industry trade associations to analyze potential incentive structures that may balance the goals of rapid clean energy deployment and minimization of ratepayer impact. TPE applauds her thorough engagement and believes the proposed legislative solution will help achieve the intended goal.

In particular, TPE is favorable to the following provisions:

**Spurring Distribution Connected Grid Storage:** This provision (§ 7–216) builds on the success of HB 910 (2023) by specifically advancing distribution-level connected energy storage. Distribution storage systems can help alleviate congestion on the local distribution network during peak demand, reducing the strain on local infrastructure, and delaying the need for costly grid upgrades (like transformers or distribution lines). Furthermore, distribution-level storage reduces the need to transmit electricity over long distances, thereby decreasing energy losses that typically occur during transmission over high-voltage power lines. While TPE believes that a target higher than 150 megawatts will maximize resiliency benefits to distribution-level storage, this is an important step forward for local deployment of the technology.

**Reforming Solar Incentives:** The Renewable Portfolio Standard (RPS) was established over twenty years ago, and served as a critical driver of attracting solar investment to the state. However, the solar industry's evolution into several distinct segments - each with a unique business model and development cycles – highlights challenges related to the efficacy of the RPS structure.

By moving away from Solar Renewable Energy Credit (SREC) incentive structure and into an Administratively Determined Incentive (ADI) model, the state is both recognizing these critical

differences, but can help ensure that incentives are properly sized to spur a variety of solar energy projects at minimal cost.

While an ADI approach may result in a reduction in the size of financial incentives to community solar projects - such as those TPE develops - we believe that this is a necessary market reform that is in the long-term interest of our industry and the state.

Finally, as a Board Member of both the Chesapeake Solar & Storage Association (CHESSA) and Coalition for Community Solar Access (CCSA), TPE affirms the solar trade association's comments on this legislation.

Thank you,
/s/
David Murray
dmurray[at]tpoint-e.com

**AACE Act Testimony DAC.pdf**
Uploaded by: Debbie Cohn
Position: FAV

**Committee:** **Economic Matters**
**Testimony on:** **HB0398-Abundant Affordable Clean Energy – Procurement and Development (AACE Act)**
**Submitting:** **Deborah A. Cohn**
**Position:** **Favorable**
**Hearing Date:** **February 6, 2025**

Dear Chair Wilson, Vice-Chair Crosby and Committee Members:

Thank you for allowing my testimony today in support of HB0398. I have resided in Maryland since 1986. I encourage this Committee to address rising electric utility prices while ensuring reliability of supply. I request, however, that you achieve these goals without relying on new fossil fuel generating facilities. Instead, I urge you to leverage the power of the private sector to accelerate investments in new or more efficient existing transmission infrastructure and clean energy production while protecting ratepayers. Because the AACE Act takes just this approach, I urge this Committee to issue a FAVORABLE report on HB0398.

Maryland residents are facing an energy affordability crisis. Residents, schools and businesses are facing higher utility bills, further straining budgets already under pressure from increases in other monthly costs. Electric rates for Maryland's Exelon utilities have already increased above inflation rates. The disastrous June 1, 2025 to May 31, 2026 PJM capacity market auction will put additional pressure on electricity prices. Indeed, the Maryland Office of People's Counsel warned that the resulting unprecedented 800 percent increase in system wide electricity prices will cost customers in the PJM region nearly $15 billion, with BGE residential customers expected to see a $21 increase in monthly payments or around $250 that year, and with commercial customers paying on average $224 more per month or $2,685 of additional costs annually. Some customer's bills are increasing as much as 19 percent starting in mid-2025.[1]

Rising energy costs are due to an imbalance in supply and demand in the capacity market, even though PJM has sufficient reserves. Indeed, PJM recently downgraded the reliability of its gas reserves, creating a more realistic reflection of reliable reserve capacity. As long as PJM maintains adequate reserves, PJM is not facing a reliability issue.[2] To remedy this, we need to ensure that PJM rules are changed to permit and encourage more renewable energy capacity to bid into capacity market[3] and ensure that generators subject to extended reliability must run contracts bid into that market as well. We also need to

[1]Bill and Rate Impacts of PJM's 2025/2026 Capacity Market Results & Reliability Must-Run Units in Maryland at p29-30. https://opc.maryland.gov/Portals/0/Files/Publications/RMR%20Bill%20and%20Rates%20Impact%20Report_2024-08-14%20Final.pdf?ver=V9hZfyTmjLeNVt2Dg3cTgw%3d%3

[2] Rising consumer electricity costs also reflect increasing transmission and distribution costs and the need to account for wildfire costs, but the fire risk from lithium ion batteries can be constrained, and relevant safety protocols likely will be added to the AACE Act. https://energyinnovation.org/wp-content/uploads/Clean-Energy-Isnt-Driving-Power-Price-Spikes.pdf; https://www.canarymedia.com/articles/energy-storage/moss-landing-fire-reveals-flaws-in-the-battery-industrys-early-designs

[3] Proposed changes to PJM rules, particularly the proposed market seller offer cap or MSOC, may not go far enough to encourage renewable energy companies to participate in capacity markets. https://www.utilitydive.com/news/ferc-approves-pjm-plan-to-end-energy-efficiency-capacity-payments/732356/

encourage more clean energy capacity. New fossil fuel projects simply are more expensive to build than new storage and solar.[4] Indeed, gas is the most expensive option.[5]

Rising electricity costs are emblematic of several factors: (i) multiple PJM rules that need to be modified long term to ensure resource adequacy while protecting ratepayers[6], (ii) staggering projected increases in electricity demand primarily from high-intensity users, such as data centers, and (iii) the lack of sufficient market structures that leverage the power of the private sector to accelerate investments in new or more efficient existing transmission infrastructure, storage and clean energy production while protecting ratepayers.

Fortunately, in this legislative session the General Assembly has several opportunities to reduce the strain on ratepayers, increase energy affordability and promote resource adequacy consistent with Maryland's climate and greenhouse gas (GHG) reduction goals and in particular, without turning to new fossil fuel generating plants. One of these opportunities, HB0398, the Abundant, Affordable Clean Energy (AACE) Act, is a "no regrets" approach to addressing resource adequacy and affordability while generating family-supporting jobs in Maryland. The bill has six basic parts.

**Battery Storage: Perhaps no provision of the AACE act can bring on new clean energy capacity as quickly as battery storage at the transmission and distribution levels.** AACE directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects anticipated in that period to secure PJM queue approval. In addition, AACE creates a pathway for 150 MW of storage projects to be constructed or procured by electric companies connected to distribution lines, thus avoiding the PJM interconnection queue. These processes could bring on new battery storage that could be operational within a relatively few years. Battery storage can delay or potentially even eliminate the need for new generating plants and distribution and transmission lines and, importantly, can bid into the PJM capacity market, all of which can drive down consumer prices.

In response to the two year settlement[7] between PJM and several PJM state governors, Tom Rutigliano, with the Natural Resources Defense Council, indicated that in view of Maryland's clean energy goals, Maryland should aggressively build energy storage.[8] "It's the key link in any clean energy plan… [and] storage at this point is competitive with gas in terms of reliability it provides."[9] But Maryland needs to move quickly. Rutigliano said "[t]hey need to start working immediately to start getting storage built, and build it in ways that you can get around PJM's interconnection delays,"[10] on distribution lines. **HB0398 addresses these points directly**.

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[4] https://www.lazard.com/media/xemfey0k/lazards-lcoeplus-june-2024-_vf.pdf

[5] https://www.brattle.com/wp-content/uploads/2023/04/Real-Reliability-The-Value-of-Virtual-Power_5.3.2023.pdf.

[6] In response to a Pennsylvania complaint filed at the Federal Energy Regulatory Commission and supported by several governors, including Governor Moore, PJM is moving to set a price ceiling and floor for the capacity auctions for the next two years (through the 2027/28 delivery years). David Lapp, of the Maryland's Office of People's Counsel, has indicated that these actions do not go far enough in addressing the fundamental problems affecting the capacity market. As an example, PJM has not adopted many of the rule changes suggested in a letter to PJM from several governors, including Gov. Moore, to modify rules that unnecessarily increase electricity costs. As a result, certain impediments to having intermittent resources bid into the capacity markets at attractive rates have not been adequately modified to encourage their participation.

[7] https://www.utilitydive.com/news/pjm-shapiro-pennsylvania-capacity-auction-price-cap/738591/

[8] https://insideclimatenews.org/news/30012025/mid-atlantic-states-pjm-electricity-price-cap/

[9] Ibid.

[10] Ibid.

**Renewable Energy Projects:** AACE creates a method for **right-sizing different levels of incentives** for different sizes and types of renewable energy projects such as utility scale solar, distribution scale solar (rooftop and community solar), onshore wind and small-scale hydro. **This approach protects consumers**. For utility scale solar, the PSC administers a competitive reverse auction that establishes a guaranteed fixed price for the electricity. The resulting incentives would be sufficient to render the winning private sector projects financially viable while protecting consumers from paying unnecessarily high incentives. The SREC-IIs and REC-IIs issued to the winning projects make up the difference between the fixed price and market price set in PJM auctions.

For distribution scale projects, the PSC sets an Administratively Determined Incentive price, with different amounts set for different market segments, again ensuring enough incentive to attract new projects without burdening ratepayers with incentives exceeding market requirements.

Moreover, AACE ensures that incentives charged to ratepayers first incentivize new projects in Maryland, thereby increasing Maryland's ability to achieve its in-state solar, wind and other clean energy goals.

**Additional Ratepayer Protections: Protecting ratepayers from higher costs is a consistent theme of HB0398.** In addition to accelerating increasing supply and storage at competitively determined prices, this bill directs that certain fees be held in an escrow account supervised by the Maryland Energy Administration, with the PSC ensuring the transparency and security. A portion of these funds would be directed back to ratepayers to lower their costs. Funds would include 75% of franchise, sale and use taxes from qualifying data centers, alternative compliance payments from the legacy RPS/REC system, and funds generated when electric companies purchase SREC-IIs and REC-IIs from the escrow account in excess of the incentive pricing set under the reverse auctions. To make these ratepayer protections created in connection with the procurement incentives viable, energy suppliers that receive SREC-II or REC-II payments are required to sell energy, capacity and ancillary services into the markets operated by PJM, with a portion of the proceeds distributed to electric companies to be credited or refunded to their customers for pre-payment of the incentive pricing.

**Contingent Support for Calvert Cliffs**: Calvert Cliffs provides 40 percent[11] of Maryland's total electricity generation, but because Maryland consumes almost six times more energy than it produces,[12] Calvert Cliffs produces only around 12 percent of Maryland's energy supplies.[13] Currently, Calvert Cliffs is financially viable. To ensure that Calvert Cliffs can meet its 2034 and 2036 relicensing requirements, AACE creates a last resort zero emissions credit triggered only if two conditions are satisfied. Calvert Cliffs must not be receiving any federal tax credits and must satisfy the PSC that the facility would not be financially viable and able to remain in operation without the zero emissions credit. Finally, the PSC may not offer the credit after 2055.

**Offshore Wind Transmission**: AACE directs the PSC to conduct a comprehensive cost-benefit analysis examining offshore wind transmission planning on a multistate, regional or inter-regional basis and to

[11] https://www.eia.gov/state/analysis.php?sid=MD#:~:text=Maryland%27s%20only%20nuclear%20power%20plant,the%20state%27s%20generation%20in%202023.

[12] https://www.eia.gov/state/analysis.php?sid=MD

[13] https://extension.umd.edu/resource/marylands-energy-market-state-consumes-more-energy-it-produces-fs-1188/

prioritize projects that directly serve Maryland's electricity demand. By prioritizing interconnections near as well as in the Delmarva Peninsula, and by considering longer range interconnected transmission lines, AACE creates more flexibility to achieve Maryland's goal of 8,500 MW of offshore wind energy generation.

**Worker Protections:** In addition to providing several avenues to address the mismatch between supply and demand that is driving up consumer energy costs, HB0397 includes multiple provisions throughout the bill to protect workers' wages and benefits, thus creating family-supporting jobs in Maryland.

**HB398_QVm_Finch_Favor.PDF**
Uploaded by: Dona Sorce
Position: FAV

**HB 398_QVM_Finch_Favorable**

# Quaker Voice of Maryland

**TO:** Chair C.T. Wilson and Economic Matters Committee
**FROM:** Molly Finch, Quaker Voice of Maryland Steering Committee
**DATE:** Feb 4, 2025

Quaker Voice of Maryland, an advocacy group representing Quakers throughout Maryland, strongly supports HB398, the Abundant Affordable Clean Energy (AACE) Act.

Quakers deeply believe in the stewardship of the Earth, viewing it as a sacred gift from God. We consider it our responsibility to care for all of creation. Global climate change is real and poses huge threats to life as we know it on earth. It is vitally important, particularly at this time, that Maryland continue to make progress on and expand our clean energy goals.

The AACE Act is a comprehensive bill that has involved consultation with over 100 different organizational stakeholders. It provides a pathway forward for Maryland to meet its clean energy goals that includes the following elements:

- **Creates a clean energy program.** The AACE Act would establish a comprehensive clean program that includes battery storage (that helps address peak demand), solar, wind, and small hydro projects.
- **Makes clean energy more affordable**. The AACE Act would cap costs for clean energy programs and use data center revenue to offset energy costs.
- **Shares profits with rate payers**. The AACE Act would implement a profit-sharing model so that savings from clean energy go back to Maryland ratepayers.
- **Supports continuation of existing nuclear power.** The AACE Act would support continuation of the Calvert Cliffs nuclear power plants.
- **Supports creation of well-paying local jobs.** The AACE Act would create well-paying jobs in Maryland by generating more clean power locally.

The AACE Act is important because it would help Maryland meet its climate goals while also addressing rising energy costs and rising demand for energy.

For all these reasons, Quaker Voice of Maryland strongly supports passage of HB398 and asks that members of the House Economic Matters Committee join us in that support.

Quaker Voice of Maryland Website: https://www.quakervoicemd.org/ Contact us: quakervoicemd@gmail.com

**HB 398 AACE Act-testimony.pdf**
Uploaded by: Elizabeth Law
Position: FAV

| | |
|---|---|
| BILL NUMBER: | House Bill 398<br><br>Abundant Affordable Clean Energy – Procurement and Development - (AACE Act) |
| COMMITTEE: | Economic Matters Committee |
| HEARING DATE: | February 6, 2025 |
| SPONSOR: | Delegate Charkoudian |
| POSITION: | Favorable |

Dear Chair, C.T. Wilson and Members of the Committee,

As a professional electric power engineer and Maryland resident concerned with the effects of climate change, I ask for a Favorable Report on HB 398.

The Act is comprehensive and practical in its requirements.

1. Energy Storage Deployment – The combination of energy storage with clean power generators (solar and wind) can provide supplemental energy in the next few years. Continued improvement and innovation will make these technologies and newly invented ones provide the energy needed by Marylanders in the future. These distribution-connected storage devices can be installed quickly since they would be installed at the electrical level that is the purview of the State and not subject to PJM's arcane rules.

2. Zero-Emission Credits (ZEC) for Nuclear Energy – Although not "clean" energy when factoring in waste and mining, this form of energy would not contribute to GHG emissions locally.

3. Offshore Wind Energy Development – Although the Trump administration will be putting a hold on all offshore wind development, Maryland should be making determinations and commitments to be "shovel ready" for an administration change in 2029.

4. Renewable Energy Procurement & Incentives – Solar generation is Maryland's best chance to reduce our dependence on out-of-state fossil fuel generation. HB 398 requires procurement of renewable energy credits (RECs) in a specific order, prioritizing offshore wind and small-scale solar projects.

5. Transmission Energy Storage Procurement – requires energy storage levels that will make a real dent in our dependence on out of state generation with the goal of 1,600 MW of front-of-the-meter transmission energy storage.

6. Changes to Compliance Fees & Escrow Account - Moves alternative compliance payments from the Maryland Strategic Energy Investment Fund to a PSC-managed escrow account. Funds collected will be redistributed to electricity consumers.

7. Data Center Tax Revenue Adjustments - Redirects 75% of franchise tax and sales tax revenue from qualified data centers to fund clean energy programs.

8. Procurement Reform & Legislative Fast-Track Process - Expands procurement authority for state agencies on energy, climate, and greenhouse gas reduction projects. Creates a fast-track procurement process for legislative-mandated consulting contracts.

The requirements listed above and others in the Act will help secure Maryland's future as a state that provides the power citizens and businesses need to function while honoring our laws that protect the environment.

Thank you,

Elizabeth Law, P.E. (retired)

1758 Wheyfield Drive.

Frederick, Maryland 21701

**CJW testimony AACE.pdf**
Uploaded by: Frances Stewart
Position: FAV

**Committee: Economic Matters**
**Testimony on: HB0398 – Abundant, Affordable, Clean Energy – Procurement and Development (AACE Act)**
**Organization: Maryland Legislative Coalition Climate Justice Wing**
**Submitting: Frances Stewart**
**Position: Favorable**
**Hearing Date: February 6, 2025**

Dear Mr. Chair and Committee Members:

Thank you for allowing our testimony today in support of HB398. The Maryland Legislative Coalition Climate Justice Wing, a statewide coalition of nearly 30 grassroots and professional organizations, urges you to vote favorably on HB398.

For many years, Maryland residents and businesses have had fairly stable electricity costs. Now, in large part because of problems with our grid operator PJM, costs are increasing rapidly. Increasing electricity demand due to high-intensity energy use facilities like data centers plays a major role. PJM has been slow to bring more energy onto the grid. Many developers have proposed new renewable energy and storage projects, but the PJM interconnection queue is so long that hundreds of projects have been in limbo for years. Some of those projects will never be built because the long delays have made them unviable for investors.

This has caused a mismatch between supply and demand that has dramatically increased capacity prices. In the most recent PJM capacity auction, there was an 800% increase that will be passed on to Maryland ratepayers.

The Abundant, Affordable Clean Energy or AACE Act provides a comprehensive, no-regrets path to ensuring resource adequacy in Maryland while also protecting ratepayers and workers. The solutions in the bill can be implemented more quickly than ill-conceived resource adequacy proposals like new gas-fired power plants and untested small modular nuclear reactors which would inevitably take longer to come online and jeopardize the state meeting its climate requirements. The AACE Act will:

- Provide abundant energy by increasing energy generation and storage in Maryland
- Increase clean energy by bringing more wind and solar projects online
- Enhance grid reliability by creating a market for battery storage, improving financing for solar projects and transmission for offshore wind energy
- Create new family-supporting local jobs

- Keep energy affordable by making procurement of clean energy more competitive and efficient and improving Maryland's supplier diversity and energy independence
- Protect ratepayers by using funds from the Renewable Portfolio Standard Alternative Compliance Payments and state energy use and franchise tax generated from data centers to offset higher electric costs.

Finally, the bill will provide alternate state funding for Calvert Cliffs nuclear facility, should it no longer be profitable and cease to have access to a Federal Production Tax Credit. While we have concerns with the high cost of nuclear power and the associated waste disposal, the bill would help Constellation justify investing in a license extension for Calvert Cliffs in 2034 and 2036, thus remaining online as a carbon-free source. These subsidies could cost Maryland taxpayers $200 million or more per year, or $4 billion over the term of the subsidy, however it is a better path than building and operating new greenhouse gas-emitting gas-fired power plants.

For all of these reasons, we strongly support HB 398 and urge a FAVORABLE report in Committee.

350MoCo
Adat Shalom Climate Action
Cedar Lane Unitarian Universalist Church Environmental Justice Ministry
Chesapeake Earth Holders
Climate Parents of Prince George's
Climate Reality Project
ClimateXChange – Rebuild Maryland Coalition
Coming Clean Network, Union of Concerned Scientists
DoTheMostGood Montgomery County
Echotopia
Elders Climate Action
Fix Maryland Rail
Glen Echo Heights Mobilization
Greenbelt Climate Action Network
HoCoClimateAction
IndivisibleHoCoMD
Maryland Legislative Coalition
Mobilize Frederick
Montgomery County Faith Alliance for Climate Solutions
Montgomery Countryside Alliance
Mountain Maryland Movement
Nuclear Information & Resource Service
Progressive Maryland
Safe & Healthy Playing Fields
Takoma Park Mobilization Environment Committee
The Climate Mobilization MoCo Chapter
Unitarian Universalist Legislative Ministry of Maryland
WISE

**ECA AACE Act testimony .pdf**
Uploaded by: Frances Stewart
Position: FAV

HB 398 - SUPPORT

Frances Stewart, MD
Elders Climate Action Maryland
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HB 398
Abundant, Affordable, Clean Energy Act (AACE)

Meeting of the Economic Matters Committee

February 6, 2025

Dear Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee, thank you for the opportunity to offer testimony today. On behalf of Elders Climate Action Maryland, I urge a favorable report on HB 398.

Each day, we see the climate crisis more clearly. We know that Maryland is at risk for sea level rise, flooding from intense rainfall, heat waves, and other extreme weather events. Maryland can also be a leader in moving us to a safer, cleaner future where we all can thrive. The clean energy transition is an essential part of that future.

Marylanders are also concerned about the rising cost of living, and particularly, about rising energy costs. In 2023, approximately 400,000 Maryland households were paying more than six percent of their income for energy bills. Energy costs are particularly a problem for low-income households and people with fixed incomes, many of whom are elders.

Passage of the AACE Act would lead to multiple benefits for Maryland.

- Provide abundant energy by increasing energy generation and storage in Maryland
- Increase clean energy by bringing more wind and solar projects online
- Enhance grid reliability by creating a market for battery storage, improving financing for solar projects and transmission for offshore wind energy
- Ensure that the Calvert Cliffs nuclear facility is able to meet its 2034 and 2036 relicensing obligations and remain online
- Create new family-supporting local jobs
- Keep energy affordable by making procurement of clean energy more competitive and efficient and improving Maryland's supplier diversity and energy independence

- Protect ratepayers using funds from the RPS's Alternative Compliance Payments and state energy use and franchise tax generated from data centers

This bill draws on the experience of other states who are facing similar issues and provides a no-regrets strategy for dealing with a changing and uncertain landscape. We strongly urge a favorable report.

**Ceres Testimony HB398 - AACE (1).pdf**
Uploaded by: Jeff Mauk
Position: FAV

**HB 398 – SUPPORT**
Jeff Mauk
Ceres
jmauk@ceres.org

**HB 398 – The Abundant Affordable Clean Energy Act (AACE)**

Economic Matters Committee
February 4th, 2025

Dear Chair Wilson, Vice Chair Crosby, and members of the Economic Matters Committee,

I write today on behalf of Ceres to urge a favorable report from the Committee on HB 398 - the Abundant Affordable Clean Energy Act (AACE). Ceres advances leadership among investors, companies, and capital market influencers to drive solutions and take action on the most pressing sustainability solutions. We organize the Business for Innovative Climate and Energy Policy Network (BICEP), a coalition of more than 85 major employers – including several with operations or business interests in Maryland - committed to advocating for stronger climate and clean energy policies at the state and federal levels.

The AACE legislation addresses critical business challenges facing Maryland's energy sector while creating substantial economic opportunities. Some of the key advantages in AACE include:

**Cost Management and Market Stability**
The AACE Act provides essential cost containment mechanisms at a time when Maryland faces rising energy demand and costs. Through competitive procurements and carefully structured incentives, AACE ensures new energy projects are developed at the lowest possible cost to ratepayers. This predictability in energy costs is crucial for business planning and growth.

**Grid Reliability and Peak Demand Management**
The 1,600 MW battery storage initiative addresses one of the most pressing business concerns: reliable power supply during peak demand. This storage capacity will help prevent costly service interruptions and reduce the need for expensive peaker plants. For businesses and all consumers, this means more reliable operations and lower peak electricity costs.

**Economic Development Opportunities**
AACE creates multiple pathways for business growth:

- Development of 3,000 MW of utility-scale solar projects by 2035
- Creation of a 150 MW distributed storage market
- Expansion of the renewable energy sector through SREC-II and REC-II mechanisms

- Development opportunities in wind and small-scale hydro projects

These initiatives will attract investment, create jobs, and strengthen Maryland's position in the clean energy economy.

**Market Innovation and Competition**

The legislation's procurement structure encourages market competition while providing the certainty businesses need to make long-term investments. The new SREC-II and REC-II systems create a more sophisticated market that rewards efficiency and innovation while protecting against excessive costs.

**Infrastructure Modernization**

AACE's approach to transmission planning, particularly for offshore wind, ensures that Maryland's grid infrastructure will support business growth and reduce risk through improved reliability and diversification of generating resources.

**Risk Mitigation**

The legislation provides important risk management features:

- "No regrets" approach to energy development, meaning that investments spurred by this legislation will continue to reap benefits in a variety of future scenarios
- Flexibility to adapt to changing market conditions and emerging technologies
- Protection against supply chain bottlenecks through diverse energy sources

**Return on Investment Protection**

The program includes crucial protections for business investments:

- Fixed-price guarantees for utility-scale projects
- Clear market rules and transparent pricing mechanisms
- Structured capacity blocks to ensure market stability

**Local Economic Benefits**

The community benefit agreement requirements ensure that business development creates broad-based economic opportunities. This approach helps build public support for energy projects while creating additional business opportunities in local communities.

AACE represents a balanced approach to energy policy that creates significant business opportunities while managing costs and risks. It provides the market certainty needed for business investment while maintaining the flexibility to adapt to changing conditions. I strongly encourage the committee to support this legislation. Thank you for your consideration.

Sincerely,
Jeff Mauk
Director, State Policy, Eastern Region, Ceres

**HB0398_REVRenewables_Harrington.pdf**
Uploaded by: Joel Harrington
Position: FAV

575 5th AVE, SUITE 2501
NEW YORK, NY 10017
347.629.7100

**Testimony from Joel Harrington on behalf of REV Renewables**
**In Favor of HB0398, Affordable Abundant Clean Energy Act (AACE)**
February 4, 2025
House Economic Matters Committee

Chairman Wilson, Vice Chairman Crosby and members of the House Economic Matters Committee,

Thank you for the opportunity to submit comments on House Bill 0398, the Affordable Abundant Clean Energy Act. Our comments in support are limited to the transmission-connected energy storage provisions of the legislation.

With nearly 3 GW of operating assets and a substantial development pipeline across the U.S., REV is an industry leader in the development, acquisition and operation of renewables and energy storage. REV has significant energy storage experience, including bringing online five battery storage projects in California with several more in late-stage development, and operating three pumped-storage hydro facilities in PJM.

In Maryland, REV recently completed construction of its 20-megawatt Jade Meadow solar facility in Allegany County and is the owner/operator of the 13-megawatt Rockfish solar facility in Charles County. Additionally, REV has several Maryland solar and energy storage projects in active development. With 300 megawatts in PJM "fast lane" interconnection queue, REV's storage projects are positioned as a first mover to help stabilize capacity price volatility and improve reliability for Maryland ratepayers.

Baltimore Gas & Electric Locational Delivery Area has 13 interconnection requests in the PJM queue which equal approximately 1,200 MW of capacity, 75% of which is energy storage. If all of these projects were to be built, it would be the equivalent of a large power plant operating during peak periods when the price of energy is at its highest.

**REV Strongly Supports the AACE Act's Procurement Program for 1,600 Megawatts of Dispatchable Energy Storage**

Maryland is in dire need of new in-state capacity, as illustrated by the 2025/26 PJM capacity auction that resulted in high prices for Maryland ratepayers. Storage is the main resource in the PJM interconnection queue that can provide in-state capacity in a short period of time compared with conventional sources of generation that take several years to build. It is critical to help these resources

come online with a state procurement program to alleviate capacity shortages and prices as soon as possible.

REV presented on the partial toll procurement model in the Public Service Commission's Maryland Energy Storage Initiative workgroup – a model that is widely used in California for energy storage. In this procurement model, the developer/owner would receive a fixed price long-term contract of at least 10 years for the capacity portion of the storage resource only, and in return the resource would participate in the PJM capacity auction and return any auction revenue back to the ratepayers. REV highly recommends this model be included as a procurement mechanism for front-of-the-meter transmission-level storage projects. We believe the partial toll procurement model may help address concerns raised by some stakeholders about how risk is shared between developers and ratepayers. In particular, the partial toll may lower risk to utility customers as the storage owner would bear the commercial risks for energy and ancillary services products. A partial toll also provides a financial hedge on capacity prices for ratepayers.

REV appreciates your consideration of our comments and looks forward to working with the Maryland General Assembly and members of the Committee over the next few months to attract new energy investments, improve reliability, and stabilize electric prices for Maryland consumers.

Sincerely,

/s/ *Joel M. Harrington*

Joel M. Harrington
Director of Government Affairs
REV Renewables
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New York, New York 10017
jharrington@revrenewables.com

**HB0398_FAV_OceanticNetwork.pdf**
Uploaded by: John Crye
Position: FAV

February 4, 2025

RE: Support for HB 398 – Abundant, Affordable Clean Energy – Procurement and Development

Dear Chair Wilson and Members of the Economic Matters Committee:

Oceantic Network submits this letter in support of HB 398, the Abundant, Affordable, Clean, Energy (AACE) Act. In particular, we support that AACE directs the Public Service Commission's transmission study related to offshore wind to prioritize transmission pathways, which will directly serve Maryland's electric load requirements. The transmission pathways are crucial to protect Maryland ratepayers from rising electric utility bills. We respectfully request the Committee issue a favorable report on the bill.

The Network is a 501(c)(3) non-profit that equips and mobilizes a collaborative network to advance markets, strengthen the supply chain, and create jobs. Since 2013, the Network has brought together business and government, both domestically and internationally, to educate and to prepare companies and small businesses to enter the offshore wind market. The Network uses the voice of its members to support federal, state, and local policies to advance the development of the U.S. offshore wind industry. We empower our members with the education, tools, and connections necessary to participate in the offshore wind market. Our membership represents the entire U.S. offshore wind supply chain, including domestic and international developers, tier-one manufacturers, state agencies, community colleges, local marine service providers, and many Maryland businesses.

As we noted in our comments, to reach the State's plan to reach 8.5 GW from offshore wind mandated by this body, Oceantic encourages Maryland to utilize a solicitation process that allows for planned transmission development. A model for a planned transmission pathway can be seen by New Jersey's State Agreement Approach process that secures a transmission pathway towards at least 7.5 GW of power generation. By pursuing a planned transmission development process, New Jersey Board of Public Utilities estimated it would save ratepayers $900 million over the cost of individual transmission solutions.[1]

On February 3, New Jersey announced a pause on its current offshore wind solicitation and port development due to investor and Federal uncertainties, which creates a prime opportunity for Maryland to lead the offshore wind industry across the Mid-Atlantic and establish a regional transmission and manufacturing hub. By ensuring that transmission challenges are addressed without placing excessive burdens on ratepayers, Maryland's agencies can give developers and suppliers the assurance needed for a well-planned market deployment, which fosters a stronger regional market and encourages greater supply chain investment. Further, Maryland should coordinate with neighboring states to attract manufacturing clusters supported by larger combined markets.
Planned transmission, decoupled from the cost of project development, is the right policy approach for Maryland to greatly reduce overall ratepayer impact, provide a clear development line-of-sight to support the State's 8.5 GW of offshore wind and secure its position as a leading manufacturing state

[1] NJBPU, Selected Projects Will Save New Jersey Ratepayers $900 Million

**OCEANTIC NETWORK**
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with hundreds of local jobs. Below is more detailed information on the importance of how planned transmission can attract needed market investment.

**Planned Transmission Can Help Secure State Supply Chain Commitments**

Maryland is emerging as a supply chain leader in the U.S. thanks to the vision of Governor Moore and the legislature, and the boldness of the Public Service Commission. By approving US Wind's OREC reconfiguration, the state secured commitments to support the development of Hellenic Cables and Sparrows Point Steel; no other state has secured major supply chain investments on this scale. Now, the state should act to ensure its supply chain and manufacturing have a dependable market to sell into, maximizing local employment and economic development. The following outlines Maryland's growing influential role as a regional transmission and manufacturing hub:

- **Hellenic Cables' cable facility and the creation of a monopile facility in Sparrows Point automatically place Maryland in a leadership position**. Sparrows Point Steel (SPS) will be the first fully functional monopile facility in the US. The current site is 88 acres and includes one of the largest graving docks on the East Coast; however, there remains the option to lease an additional 24 acres from property owner Tradepoint Atlantic. Sparrows Point Steel expects to employ hundreds of full-time workers including those from United Steelworkers, with whom they've established a Memorandum of Understanding (MOU)[2].
- **US Wind has also signed an MOU with the Baltimore-DC Building & Construction Trades for construction of the wind farm, as well as to support logistics and port operations.** At full capacity, SPS will create 530 jobs and can produce approximately 100 monopiles, transition pieces, or turbine towers each year; however, industry demand cycles will have the plant operating at roughly 80% capacity[3].
- **US Wind committed to a $90 million investment in Hellenic Cables' array cable facility at Wagner's Point, which will be the first of its kind in the nation.** The land at Wagner's Point will be developed in two phases, the first of which will be completed at the end of 2026. Phase One, with a budget of $200 million (including land acquisition costs), will see the construction of a land cables plant to address the need for transmission and distribution grid upgrades. Phase Two will expand the plant, adding the capability to manufacture subsea cables[4].
- **Hellenic Cables estimates that it will hire 200 tradespeople during construction and 120 manufacturing positions while the facility is operational, with an additional 250 indirect jobs being created as well**[5]. Both facilities will give Marylanders the opportunity to go to work on projects in Maryland and the entire country.

While the facilities are likely to sell their components to projects all along the East Coast, building a stable local market is the best policy measure to secure the future of the facilities, and planned transmission development can unlock that market development. This is true beyond Sparrows Point

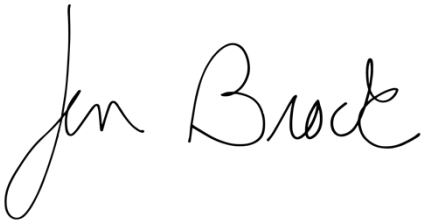
[2] United Steelworkers, USW, US Wind Announce Partnership to Transform Historic Sparrows Point Site
[3] US Wind, Sparrows Point Steel
[4] Cenergy Holdings, Final Investment Decision reached for a cables manufacturing facility in Maryland, USA
[5] Office of Governor Wes Moore, Governor Moore Announces Support for New Cable Manufacturing Facility in Baltimore

Steel and Hellenic Cable – the 44 Maryland companies already working in offshore wind (having won 62 contracts) will be bolstered by a consistent local market development.

The AACE Act directs the offshore wind policy of the State towards transmission planning on a multistate, regional, or inter-regional basis, directing the Public Service Commission to "consult with other states served by PJM Interconnection to evaluate regional transmission cooperation that could help achieve the State's renewable energy and offshore wind energy goals with greater efficiency."

We thank Delegate Charkoudian for leadership as a sponsor. Again, Oceantic respectfully requests the Committee issue a favorable report on the bill.

Sincerely,



Jen Brock
Chief of Staff

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## Written Testimony John Stith for Economic Matters

Uploaded by: John Stith

Position: FAV

**HB398 - FAVORABLE**

John Stith
john.stith@gmail.com 301-502-3634

**HB 398 - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

Economic Matters Committee
February 6, 2025

Dear Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee.

I live in the Carole Highlands neighborhood of Prince George's County, in Legislative District 47B. My address is 7219 16th Ave, Takoma Park.

I grew up just a few miles downwind from several coal-burning power plants. As a child I wanted to go fishing like my friends did, but my parents didn't fish and I never learned how.

Years later, I learned about the soot, sulfur dioxide, nitrogen oxide, carbon dioxide, mercury, and other heavy metals emitted by those power plants. I learned how heavy metals descend from the air into nearby bodies of water. Pollutants like mercury concentrate in the fish, making eating those fish harmful to your health. Then I was glad I never learned to fish.

Clean energy touches so many parts of our lives, like my family member with asthma, or my kids who will grow up in a world plagued by droughts due to climate change.

Affordable energy is vital to reducing poverty and helping all Marylanders achieve financial self-sufficiency. Rents are already so high and so many Marylanders already cannot afford their electric bills. I advocate for affordable housing and I volunteer with the Chesapeake Climate Action Network, because good housing policy and good climate policy overlap so much.

The PJM regional transmission organization is clearly central to any improvement. Given the years of backlog PJM currently faces, Maryland clearly needs to address the details of PJM and get the incentives right to make the clean energy flow. I have watched Delegate Charkoudian in particular this past year travel to conferences and become especially knowledgeable about the very complicated electric grid we share with other states. I trust her leadership and Senator Brooks' leadership on this. We need to trust our experts at a moment like this, with so much at stake.

To make Maryland energy cleaner and more affordable, we need to pass the Abundant Affordable Clean Energy Act.

**HB00398_MDSierraClub_fav_6February2025.pdf**
Uploaded by: Josh Tulkin
Position: FAV

SIERRA CLUB
MARYLAND CHAPTER

P.O. Box 278
Riverdale, MD 20738

**Committee: Economic Matters**

**Testimony on: HB 0398, Abundant Affordable Clean Energy – Procurement and Development (AACE Act)**

**Position: Support**

**Hearing Date: February 6, 2025**

The Maryland Chapter of the Sierra Club urges a favorable report for HB 0398, the Abundant Affordable Clean Energy (AACE) Act. The Act will accelerate the deployment of Maryland-based battery storage, solar, and wind generating capacity needed to meet our clean energy goals and protect the health of Maryland residents. This legislation will reduce the cost of deployment, using auctions for large solar installations and significant quantities of storage. By encouraging in-state generation and storage, the AACE Act will bring well-paying jobs to Maryland. The Act also protects rate payers by limiting the increase in rates from small solar installations and returning alternative compliance payments to ratepayers along with franchise and sales taxes from electricity sales to data centers.

**Maryland's existing clean energy goals and generation needs**

Clean energy deployment is critical for achieving Maryland's climate goals – including a 60% reduction in greenhouse gases by 2031 and a 100% reduction by 2045 – but Maryland is falling behind. Maryland is not on track to meet its statutory goal of delivering 50% renewable electricity by 2030[i], nor Governor Moore's commitment to reaching 100% renewable electricity generation in Maryland by 2035[ii].

At the same time Maryland's demand for electricity is poised to grow for the first time in 20 years. The decline in demand over the past two decades largely reflects the success of Maryland's energy efficiency programs, like EmPOWER Maryland. However, proposed data centers built to serve the growth in artificial intelligence are driving significant growth.

A significant contributor to the delay in clean energy deployment is PJM Interconnection's slow process to approve new renewable capacity, but there are many steps Maryland can take to accelerate deployment of renewable energy and storage, target projects to better serve grid needs, and keep rates down. Smart investments, like those in the AACE Act, can help Maryland meet our electricity needs and our renewable energy and climate goals at the same time.

**The AACE Act will increase grid reliability and clean energy generation in Maryland.**

Storage: Smart deployment of battery storage can work in partnership with increasing clean energy on the grid to increase grid reliability, decrease electric costs at moments of peak demand, and minimize the need for expensive polluting fossil fuel "peaking" generation. The AACE Act will help meet that need by delivering significant storage capacity. Storage attached to the electricity distribution system can be deployed quickly. It will help meet immediate needs for

peak load capacity and help avoid building fossil fuel plants. For large-scale storage, attached to the transmission network, a competitive bid process will manage costs.

Solar: The bill updates Maryland's solar incentive programs to support significant additional solar deployment while protecting ratepayers. For large utility-scale solar, a competitive bid process will keep the energy produced affordable for Maryland's residents and provide certainty for renewable developers. The bill also updates the solar renewable energy credit (SREC) incentives to encourage increased deployment of small-scale solar projects including behind-the-meter residential and non-residential, community solar, and aggregated net metering.

Offshore wind: The AACE Act make transmission-related amendments to the POWER Act, with a focus on evaluating transmission pathways to ensure that transmission is completed rapidly, serves Maryland's energy needs, and is cost-effective.

Nuclear: The bill will protect Maryland's current carbon-free electric generation by supporting the relicensing of Calvert Cliffs Nuclear Power Plant. The two nuclear reactors at Calvert Cliffs currently provide approximately 40% of Maryland's in-state electricity generation. The AACE Act provides for the equivalent of the federal production tax credit, if that program is no longer available, while limiting the subsidy if wholesale electric rates are sufficiently high. While Sierra Club policy guidance allows for the extension of existing nuclear facilities when retirement of the facilities would likely lead to new fossil generation, continued operation is not without potential harm, which should be noted.

**The AACE Act establishes key ratepayer protections, protects Marylanders' health, and will contribute to strong economic growth and good jobs in-state.**

The Act provides significant ratepayer protections to keep electricity affordable, which is critical for Marylanders during a period in which electric rates might increase substantially due to the slow PJM approval of new generation and transmission projects. The alternative compliance payments made by utilities because insufficient renewables are available or purchased will be applied to lower rates for consumers, businesses, and governments. 75% of sales and franchise taxes paid by data centers will also be used to reduce rates. Additionally, the AACE Act will cap bill increases at 5% from small solar projects.

Developing clean energy in Maryland is critical for public health. Burning oil, methane gas, and coal to generate electricity generates pollutants, including nitrous oxides, ozone and particulates, that can cause asthma and deaths. One report found that these emissions caused 163 deaths and 3,500 cases of respiratory symptoms in Maryland in 2017.[iii] These emissions disproportionately occur in low-income communities of color. The AACE Act will avoid these health risks by delivering clean and renewable energy when it is needed.

By focusing on in-state renewable energy and storage projects, the AACE Act will contribute to economic growth in Maryland, providing good jobs at a fair wage. The bill contains provisions for prevailing wages and competitive health care and retirement benefits, local hiring provisions, and community benefit agreements.

The AACE Act responds to the moment and proposes smart solutions to meet Maryland's needs for abundant, affordable, clean and healthy energy. The Maryland Chapter of the Sierra Club strongly supports HB 0398. We urge a favorable report.


Christopher T. Stix
Clean Energy Legislative Team
StixChris@gmail.com

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org


[i] Reaching 100% Net Carbon-Free Electricity in Maryland, MEA, 2025, page 14.
[ii]EXECUTIVE ORDER 01.01.2024.19, https://governor.maryland.gov/news/press/pages/governor-moore-signs-executive-order-to-advance-maryland%E2%80%99s-pollution-reduction-plan.aspx
[iii] Cutting Through the Smog, CASA, Chesapeake Climate Action, Green and Healthy Homes Initiative and RMI, 2023, page 5.

## HB0398 Abundant Affordable Clean Energy Act - Favo

Uploaded by: Julia Lawrence

Position: FAV

**HB0398**
**Abundant Affordable Clean Energy Act**
**Testimony before Economic Matters Committee**
**Hearing February 6, 2025**
**Position: Favorable**

Dear Chair Delegate Wilson, Vice-Chair Delegate Crosby, and members of the committee,

My name is Julia Lawrence, and I represent the 800+ members of Indivisible Howard County. Indivisible Howard County is an active member of the Maryland Legislative Coalition (with 30,000+ members). We are providing written testimony today **in support of HB0398**, which would:

Create a comprehensive clean energy program that includes:
1. Battery storage to keep our grid reliable
2. Restructuring financing and procurement for solar programs
3. Providing support for existing in-state nuclear power

Protect ratepayers by:
1. Sharing profits from energy generation with customers
2. Capping costs for clean energy programs
3. Using data center tax revenue to offset energy costs

Prioritize in-state clean energy projects to reduce transmission costs and create local jobs.

We thank Delegate Charkoudian for sponsoring this bill.

This bill is important because without intervention, Maryland risks facing higher energy costs and potential reliability issues as demand grows. The AACE Act provides a clear path to reliable, affordable clean energy while protecting ratepayers. By generating more clean power in Maryland, we reduce the need for expensive transmission lines and create local jobs. The AACE Act's innovative profit-sharing ensures that as clean energy becomes more profitable, the savings go back to Maryland families. This approach helps us meet our climate goals while keeping energy reliable and affordable for all Marylanders.

Thank you for your consideration of this important legislation.
**We respectfully urge a favorable report.**

Julia Lawrence
Columbia, Maryland 21044

*Source: Maryland League of Conservation Voters Legislative Fact Sheet*

**HB398 AACE Act_ECM_CJW FAV.pdf**
Uploaded by: Laurie McGilvray
Position: FAV

**Committee: Economic Matters**
**Testimony on: HB0398 – Abundant, Affordable, Clean Energy – Procurement and Development (AACE Act)**
**Organization: Maryland Legislative Coalition Climate Justice Wing**
**Submitting: Frances Stewart**
**Position: Favorable**
**Hearing Date: February 6, 2025**

Dear Mr. Chair and Committee Members:

Thank you for allowing our testimony today in support of HB398. The Maryland Legislative Coalition Climate Justice Wing, a statewide coalition of nearly 30 grassroots and professional organizations, urges you to vote favorably on HB398.

For many years, Maryland residents and businesses have had fairly stable electricity costs. Now, in large part because of problems with our grid operator PJM, costs are increasing rapidly. Increasing electricity demand due to high-intensity energy use facilities like data centers plays a major role. PJM has been slow to bring more energy onto the grid. Many developers have proposed new renewable energy and storage projects, but the PJM interconnection queue is so long that hundreds of projects have been in limbo for years. Some of those projects will never be built because the long delays have made them unviable for investors.

This has caused a mismatch between supply and demand that has dramatically increased capacity prices. In the most recent PJM capacity auction, there was an 800% increase that will be passed on to Maryland ratepayers.

The Abundant, Affordable Clean Energy or AACE Act provides a comprehensive, no-regrets path to ensuring resource adequacy in Maryland while also protecting ratepayers and workers. The solutions in the bill can be implemented more quickly than ill-conceived resource adequacy proposals like new gas-fired power plants and untested small modular nuclear reactors which would inevitably take longer to come online and jeopardize the state meeting its climate requirements. The AACE Act will:

- Provide abundant energy by increasing energy generation and storage in Maryland
- Increase clean energy by bringing more wind and solar projects online
- Enhance grid reliability by creating a market for battery storage, improving financing for solar projects and transmission for offshore wind energy
- Create new family-supporting local jobs

- Keep energy affordable by making procurement of clean energy more competitive and efficient and improving Maryland's supplier diversity and energy independence
- Protect ratepayers by using funds from the Renewable Portfolio Standard Alternative Compliance Payments and state energy use and franchise tax generated from data centers to offset higher electric costs.

Finally, the bill will provide alternate state funding for Calvert Cliffs nuclear facility, should it no longer be profitable and cease to have access to a Federal Production Tax Credit. While we have concerns with the high cost of nuclear power and the associated waste disposal, the bill would help Constellation justify investing in a license extension for Calvert Cliffs in 2034 and 2036, thus remaining online as a carbon-free source. These subsidies could cost Maryland taxpayers $200 million or more per year, or $4 billion over the term of the subsidy, however it is a better path than building and operating new greenhouse gas-emitting gas-fired power plants.

For all of these reasons, we strongly support HB 398 and urge a FAVORABLE report in Committee.

350MoCo
Adat Shalom Climate Action
Cedar Lane Unitarian Universalist Church Environmental Justice Ministry
Chesapeake Earth Holders
Climate Parents of Prince George's
Climate Reality Project
ClimateXChange – Rebuild Maryland Coalition
Coming Clean Network, Union of Concerned Scientists
DoTheMostGood Montgomery County
Echotopia
Elders Climate Action
Fix Maryland Rail
Glen Echo Heights Mobilization
Greenbelt Climate Action Network
HoCoClimateAction
IndivisibleHoCoMD
Maryland Legislative Coalition
Mobilize Frederick
Montgomery County Faith Alliance for Climate Solutions
Montgomery Countryside Alliance
Mountain Maryland Movement
Nuclear Information & Resource Service
Progressive Maryland
Safe & Healthy Playing Fields
Takoma Park Mobilization Environment Committee
The Climate Mobilization MoCo Chapter
Unitarian Universalist Legislative Ministry of Maryland
WISE

**HB398 AACE Act SEIA Testimony.pdf**
Uploaded by: Leah Meredith
Position: FAV

February 6, 2025

Delegate C. T. Wilson
Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Delegate Brian M. Crosby
Vice Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

## RE: SEIA Support for HB398: Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee:

I am writing on behalf of the Solar Energy Industries Association (SEIA) in support of HB398 (Charkoudian), also known as the Abundant Affordable Clean Energy (AACE) Act. It was referred to the House Economic Matters Committee on January 17, 2025.

Founded in 1974, SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies. SEIA is leading the transformation to a clean energy economy by supporting policy measures that will drive the needed investment in clean, domestic, local job-producing solar generation. We work with our 1,200+ member companies, which include solar manufacturers, service providers, residential, community and utility-scale solar developers, installers, construction firms, and investment firms, as well as other strategic partners, to shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Maryland is home to more than 200 solar businesses with many more national firms also conducting business in the state.

### *Maryland Energy Landscape*

After a history of flat, or even declining, electricity consumption, the U.S. power grid is currently experiencing the largest demand growth in eighty years, due to new manufacturing facilities as well as cutting-edge American innovations in artificial intelligence, data centers, and cryptocurrency mining. This increase in electricity demand is occurring faster than new generation is being brought online. As a result, Maryland now faces significant increases in costs to energy consumers after decades of relatively stable electricity costs. This spike is exemplified by the recent 2025/2026 PJM capacity auction that saw an 800% increase from previous years, which will eventually be passed on to Maryland ratepayers as a portion of their utility bill.[1]

The mismatch in electricity supply and forecasted demand is in large part attributable to years of policy decisions and inactions at PJM, the regional transmission organization and independent system operator that manages the electric transmission grid for thirteen states and the District of Columbia, including Maryland. The PJM interconnection queue is currently so backlogged that, in

[1] Office of People's Counsel. "Bill and Rate Impacts of PJM's 2025/2026 Capacity Market Results & Reliability Must-Run Units in Maryland." August 2024. https://opc.maryland.gov/LinkClick.aspx?fileticket=keJs-QqaLr0%3D&tabid=63&portalid=0&mid=1480

2023, PJM announced it would cease to accept applications for new generation projects. As a result, PJM now has a roughly 5 year wait time from application to approval for new generation sources coming online, resulting in hundreds of gigawatts (GW) of planned capacity, largely wind, solar, and storage assets, sitting in limbo rather than being able to service Maryland's electric load requirements. Given this delay, projects which were ready to be deployed at the time of their application are often no longer viable due to changing economic realities by the time of their approval.

Maryland is reliant on electricity generation from the other PJM states. In 2023, the state imported approximately 40% of its electricity.[2] Meeting Maryland's energy needs and staving off continued dramatic increases in energy costs will require the rapid deployment of an "all of the above" energy strategy. Such a strategy must include solar and energy storage assets, which are among the only energy resources currently primed to cost effectively address the state's near-term energy challenges. In 2023, solar made up the majority of additions to the U.S. electric grid, accounting for 55% of all new generation capacity, due, in part, to the 37% decrease in the price of solar photovoltaics over the last decade.[3] Utility scale solar, along with onshore wind, continue to be the cheapest sources of new electricity generation in the United States, beating out the cost of coal and fossil gas-fired generation.[4] However, Maryland's current Renewable Energy Portfolio Standard (RPS), despite being amended multiple times since its enactment, is no longer the right policy framework to meet Maryland's near-term resource adequacy needs.

### *Maryland's Broken RPS*

When Maryland's RPS was first enacted twenty years ago, the newly created renewable energy credits (RECs) were a powerful tool in jumpstarting renewable energy generation in the state. RECs are a market-based instrument that represent the social and other non-power attributes of renewable electricity generation. RECs are issued when 1 megawatt-hour (MWh) of electricity is generated from a renewable energy resource and are acquired by the electric load serving entities (utilities and retail energy suppliers) to show compliance with the RPS. Maryland's RPS also created a carveout for meeting solar-specific targets, thus creating the Solar Renewable Energy Credit (SREC). To comply with Maryland's RPS, electricity suppliers must acquire RECs derived from Maryland-certified Tier 1 and Tier 2 renewable sources, with the state's 14.5% solar carveout being a subset of Tier 1. Not meeting the necessary RPS requirements obliges Maryland's electric load serving entities to pay an alternate compliance payment (ACP) penalty.

In recent years Maryland's RPS obligations have increasingly been satisfied by ACPs, with the $300 million paid in ACPs in 2023 being the largest in the history of Maryland's RPS. This dramatic rise in ACP payments represents a shift in how electricity suppliers comply with Maryland's RPS obligations, electing to pay ACPs rather than retire RECs due to the inability to purchase RECs at

[2] United States Energy Information Administration. Maryland State Profile. https://www.eia.gov/state/analysis.php?sid=MD.
[3] Wood Mackenzie Power & Renewables and Solar Energy Industries Association. U.S. Solar Market Insights Report. December 2024.
[4] Lazard. Levelized Cost of Energy+. June 2024. https://www.lazard.com/research-insights/levelized-cost-of-energyplus/.

prices lower than the ACP. As a result, Maryland ratepayer dollars are funneled away from directly investing in new renewable energy generation and towards ACP penalties, which are deposited into the Maryland Strategic Energy Investment Fund.

### *AACE Act Summary*

The AACE Act addresses the cost and administrative inefficiencies of Maryland's current RPS by providing a new pathway for linking in-state electric consumption with in-state electricity generation and establishing a methodology to right-size incentives for new solar energy projects, rather than taking a "one-size fits all" approach as currently exists in Maryland's SREC market, where a single REC equates to 1 MWh of electricity generation. AACE's SREC-II and REC-II acknowledges the needs of the different solar market segments and project types by ensuring individual projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers.

Under AACE, utility-scale projects will be issued a guaranteed fixed price contract by the Maryland Public Service Commission (PSC), subject to competitive procurement bids including cost-benefit analyses, other criteria such as brownfield siting, and a requirement that projects directly serve Maryland load. This process minimizes cost to ratepayers while ensuring the project is economically viable. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects, which will operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois. AACE's language builds on these proven successes.

Distribution scale solar projects are subject to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors – to ensure broad growth of distributed generation across the state. Through setting the value of an ADI, the PSC can tailor the incentive amount a given project receives for each of the identified market sectors, allowing for a balancing between the amount of incentives required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside promoting renewable generation construction to meet the state's load.

AACE prioritizes SREC-IIs (both from utility and distributed scale projects) and REC-IIs for purchase by Maryland electricity suppliers when they seek to meet their obligation under the RPS. AACE then prioritizes legacy SRECs, and finally, to meet any outstanding obligations under the RPS, sellers can purchase historic RECs from the PJM REC market. In such fashion, AACE ensures that incentive costs passed through to Maryland ratepayers are going to pay for projects that meet the state's energy requirements.

The AACE Act also directs the PSC to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of in-state battery storage projects, which are already projected to secure PJM queue approval in those years. Importantly, AACE provides a pathway for these projects to be operational *in*

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Importantly, the AACE Act also provides several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. It directs the Maryland Energy Administration to supervise an escrow account that will be created to direct certain funds from electricity costs back to ratepayers. The PSC will oversee transparency and security of these funds. ACPs from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the ACP pass-through costs to ratepayers. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers, which are major drivers of increased electric demand that in turn increase ratepayer utility bills, to be contributed to this escrow account.

The AACE Act provisions allow for project flexibility and targeted incentives to spur solar development, ensuring that energy projects will directly benefit the state's energy requirements and directly benefit ratepayers. AACE's pathway allows for the flexibility to respond to future energy demands, and provides near-term solutions to Maryland's resource adequacy challenges. For these reasons, SEIA strongly supports this legislation and respectfully urges the Committee to issue a favorable report on HB398. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Leah Meredith

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Mid-Atlantic Regional Director
Solar Energy Industries Association
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**HB398 AACE Act SEIA Testimony.pdf**
Uploaded by: Leah Meredith
Position: FAV

February 6, 2025

Delegate C. T. Wilson
Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Delegate Brian M. Crosby
Vice Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: SEIA Support for HB398: Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee:

I am writing on behalf of the Solar Energy Industries Association (SEIA) in **support** of HB398 (Charkoudian), also known as the Abundant Affordable Clean Energy (AACE) Act. It was referred to the House Economic Matters Committee on January 17, 2025.

Founded in 1974, SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies. SEIA is leading the transformation to a clean energy economy by supporting policy measures that will drive the needed investment in clean, domestic, local job-producing solar generation. We work with our 1,200+ member companies, which include solar manufacturers, service providers, residential, community and utility-scale solar developers, installers, construction firms, and investment firms, as well as other strategic partners, to shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Maryland is home to more than 200 solar businesses with many more national firms also conducting business in the state.

## *Maryland Energy Landscape*

After a history of flat, or even declining, electricity consumption, the U.S. power grid is currently experiencing the largest demand growth in eighty years, due to new manufacturing facilities as well as cutting-edge American innovations in artificial intelligence, data centers, and cryptocurrency mining. This increase in electricity demand is occurring faster than new generation is being brought online. As a result, Maryland now faces significant increases in costs to energy consumers after decades of relatively stable electricity costs. This spike is exemplified by the recent 2025/2026 PJM capacity auction that saw an 800% increase from previous years, which will eventually be passed on to Maryland ratepayers as a portion of their utility bill.[1]

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The mismatch in electricity supply and forecasted demand is in large part attributable to years of policy decisions and inactions at PJM, the regional transmission organization and independent system operator that manages the electric transmission grid for thirteen states and the District of Columbia, including Maryland. The PJM interconnection queue is currently so backlogged that, in 2023, PJM announced it would cease to accept applications for new generation projects. As a result, PJM now has a roughly 5 year wait time from application to approval for new generation sources coming online, resulting in hundreds of gigawatts (GW) of planned capacity, largely wind, solar, and storage assets, sitting in limbo rather than being able to service Maryland's electric load requirements. Given this delay, projects which were ready to be deployed at the time of their application are often no longer viable due to changing economic realities by the time of their approval.

Maryland is reliant on electricity generation from the other PJM states. In 2023, the state imported approximately 40% of its electricity.[2] Meeting Maryland's energy needs and staving off continued dramatic increases in energy costs will require the rapid deployment of an "all of the above" energy strategy. Such a strategy must include solar and energy storage assets, which are among the only energy resources currently primed to cost effectively address the state's near-term energy challenges. In 2023, solar made up the majority of additions to the U.S. electric grid, accounting for 55% of all new generation capacity, due, in part, to the 37% decrease in the price of solar photovoltaics over the last decade. [3] Utility scale solar, along with onshore wind, continue to be the cheapest sources of new electricity generation in the United States, beating out the cost of coal and fossil gas-fired generation.[4] However, Maryland's current Renewable Energy Portfolio Standard (RPS), despite being amended multiple times since its enactment, is no longer the right policy framework to meet Maryland's near-term resource adequacy needs.

### *Maryland's Broken RPS*

When Maryland's RPS was first enacted twenty years ago, the newly created renewable energy credits (RECs) were a powerful tool in jumpstarting renewable energy generation in the state. RECs are a market-based instrument that represent the social and other non-power attributes of renewable electricity generation. RECs are issued when 1 megawatt-hour (MWh) of electricity is generated from a renewable energy resource and are acquired by the electric load serving entities (utilities and retail energy suppliers) to show compliance with the RPS. Maryland's RPS also created a carveout for meeting solar-specific targets, thus creating the Solar Renewable Energy Credit (SREC). To comply with Maryland's RPS, electricity suppliers must acquire RECs derived from Maryland-certified Tier 1 and Tier 2 renewable sources, with the

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In recent years Maryland's RPS obligations have increasingly been satisfied by ACPs, with the $300 million paid in ACPs in 2023 being the largest in the history of Maryland's RPS. This dramatic rise in ACP payments represents a shift in how electricity suppliers comply with Maryland's RPS obligations, electing to pay ACPs rather than retire RECs due to the inability to purchase RECs at prices lower than the ACP. As a result, Maryland ratepayer dollars are funneled away from directly investing in new renewable energy generation and towards ACP penalties, which are deposited into the Maryland Strategic Energy Investment Fund.

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Sincerely,

Leah Meredith

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**hb398- clean energy, utilities, PSC EM 2-6-2025.pd**
Uploaded by: Lee Hudson
Position: FAV

**Delaware-Maryland Synod**
**Evangelical Lutheran Church in America**
God's work. Our hands.

Testimony Prepared for the
Economic Matters Committee
on
# House Bill 398
February 6, 2025
Position: **Favorable**

Mr. Chairman and members of the Committee, thank you for this opportunity to testify about an energy regime that will advance the State's commitments made in CSAN 2022. I am Lee Hudson, assistant to the bishop for public policy in the Delaware-Maryland Synod, Evangelical Lutheran Church in America. We are a faith community in three judicatories across our State.

We have advocated for clean energy in Maryland since the electric utility market was privatized in 1998. One result of that policy choice was to make dirty energy an adversary of green energy.

The changed federal energy policy universe has returned that story to headline news. Ramped up demand for electricity from commercial tech and accommodation of continued population growth have become challenges and impediments to the goals of CSAN. To meet the challenges and overcome the impediments, Maryland will need to make rational policy adjustment to its public energy regime.

**House Bill 398** proposes a cluster of adjustments we support based on our decades-long advocacy for clean energy in Maryland. Readily available practices on the demand side will no longer get the State where it needs to be on the supply side to keep up with demand.

Utilities and their regulator, the PSC need to be practitioners of clean-energy expansion. New energy production resources and connectivity planning are needed next steps to secure Maryland's energy future. The emphasis on new technology for electricity storage in **House Bill 398** is welcome because it promises to facilitate additional supply from existing generation capacity.

To meet targets for Maryland's decarbonization project, all appropriate agencies and resources have to be engaged in the mission. We therefore implore your favorable report for this bill.

Lee Hudson

5699 Meridale Rd. Baltimore, MD 21228 410-230-2860 800-869-5492 fax 410-230-2871

**HB0398_AACE_ECM_HoCoCA.org_FAV.pdf**
Uploaded by: Liz Feighner
Position: FAV

HoCoClimateAction.org
Howard County, Maryland

**HB0398 – Abundant, Affordable, Clean Energy – Procurement and Development (AACE Act)**
**Hearing Date: February 6, 2025**
**Bill Sponsor: Delegate Charkoudian**
**Committee: Economic Matters Committee**
**Submitting:** Liz Feighner for **Howard County Climate Action**
**Position: Favorable**

HoCo Climate Action is a 350.org local chapter and a grassroots organization representing approximately 1,400 subscribers. We are also a member of the Climate Justice Wing of the Maryland Legislative Coalition.

We urge you to vote favorably on HB0398 which provides a path forward to addressing resource adequacy in the state and alleviating the burden on Maryland ratepayers, while providing important protections for Maryland workers.The solutions in the bill can be implemented more quickly than ill-conceived resource adequacy proposals like new gas-fired power plants and untested small modular nuclear reactors which would inevitably take longer to come online and jeopardize the state meeting its climate requirements.

Electricity costs are increasing rapidly in large part because of problems with PJM, our grid operator. Proposed clean renewable energy projects have been stuck in PJM's interconnection queue for years and the queue has been so long that they stopped accepting projects at one point. By the time projects clear the queue and are approved, they are no longer financially viable and many are not built. Now, increasing electricity demand due to high-intensity energy use facilities like data centers plays a major role in our rising rates.

This has caused a mismatch between supply and demand that has dramatically increased capacity prices. In the most recent PJM capacity auction, there was an 800% increase that will be passed on to Maryland ratepayers.

The Abundant, Affordable Clean Energy (AACE Act) brings on new energy projects that serve Maryland's load requirements within this decade on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets. This combination of rapidity, low-cost, and flexibility makes AACE a "no regrets" path to achieving resource adequacy to meet current and future electric load requirements in Maryland. AACE's pathway to energy development is in line with the State's carbon reduction goals, allows for the flexibility to respond to future energy demands, and provides solutions to resource adequacy in this decade.

For all of these reasons, we strongly support HB0398 and urge a FAVORABLE report in Committee.

Howard County Climate Action
Submitted by Liz Feighner, Steering and Advocacy Committee
www.HoCoClimateAction.org
HoCoClimateAction@gmail.com

**HB398 Delegate Charkoudian Testimony.docx.pdf**
Uploaded by: Lorig Charkoudian
Position: FAV

LORIG CHARKOUDIAN
*Legislative District 20*
Montgomery County

Economic Matters Committee

*Subcommittees*

Public Utilities

Chair, Unemployment Insurance

*Annapolis Office*
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Lorig.Charkoudian@house.state.md.us

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB 398- ABUNDANT AFFORDABLE CLEAN ENERGY - PROCUREMENT AND DEVELOPMENT (AACE ACT)

TESTIMONY OF DELEGATE LORIG CHARKOUDIAN
FEBRUARY 6, 2025

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

The AACE Act provides a pathway for Maryland to meet the state's energy demand in a flexible, rapid, and cost-effective manner. AACE creates a "no regrets" approach to meeting the challenges of both rising electric costs and capacity concerns which have been created by both price fluctuations in the PJM wholesale market as well as bottlenecks in the PJM interconnection queue which have stymied new utility-scale generation projects in the State. Broadly, AACE achieves this by addressing 5 specific areas:

1. **Ratepayer Protections**

Maryland is facing rising energy costs, with projected increases in electric rates this summer. AACE addresses ratepayer burden through two primary pathways – competitive procurements and administratively determined incentives (ADI) (discussed in battery storage and the solar/RPS sections) to ensure new projects are least-cost for ratepayers, and directing certain funds which reflect ratepayer costs to be returned to ratepayers. AACE returns funds to ratepayers by:

- Creating an escrow account supervised by the Maryland Energy Administration, which directs funds deposited in it (subject to Public Service Commission (PSC) oversight to ensure security and transparency) back to ratepayers as either direct payments or credits on energy bills. Funding for the escrow account will come from:
- ACP funds, formerly going to Strategic Energy Investment Fund, amd returns exceeding set procurement pricing for new SREC-II and REC-II
- 75% of total franchise, sale, and use taxes from qualifying data centers

2. **Battery Storage**

Battery storage allows for a flexible approach to increasing available electricity on the grid, alleviating both increased electric cost during peak demand, and reducing the need for new costly "Peaker" generators. The flexibility provided by battery storage lays out a no-regrets pathway to an affordable energy future for Maryland, as it is beneficial (for cost and emissions reductions) regardless of what source of new generation the state elects to adopt. Battery storage also has the benefits of being eligible to bid into PJM's capacity market [1], as well as being the most rapidly developable type of "generation" project, allowing Maryland energy burden to be addressed *within this decade*. AACE drives new in-state battery storage through the following mechanisms:

- Fast tracking 1,600 MW of utility scale battery storage set to clear the PJM interconnection queue across two 800 MW procurement phases (2026, and 2027) with the new storage to be sited in Maryland and to be operational *in this decade*.
- The PSC is directed to initiate a *competitive* procurement of these projects, ensuring that they are subject to cost-benefit analysis to ensure lowest cost to ratepayers for new facilities.
- 150 MW of distribution storage to be constructed, and responsibility for the share of the 150MW to be constructed apportioned across the electric companies – applications for distributed generation projects are also subject to cost-benefit analysis prior to approval by the PSC.
- New construction for utility-scale and distribution-scale projects has important labor requirements, including wage and benefit guarantees, and the requirement of a community benefit agreement for utility-scale projects.

**3. Solar, Land-based Wind, Hydro, and the Renewable Energy Portfolio Standard (RPS)**

Maryland's RPS sets a target of 50% of in-state electricity *sales* (not generation) to be met by renewable energy resources by 2030, which can result in a mismatch of incentives flowing to out-of-state generation projects not directly serving Maryland load. AACE provides a pathway for linking in-state electric consumption with in-state electric generation, ensuring funding for Maryland generation projects and "right-sizing" pricing support to bring individual new renewable generation projects online, rather than taking a "one-size fits all" approach as exists in the current renewable energy credit (REC) market. This plan has the following features:

- Creating a new class of RECs - SREC-IIs for new utility-scale solar and distributed solar, and REC-IIs for new onshore wind and small-scale hydro projects.
- Sets a target for 3000 MW of new utility scale solar projects subject to SREC-IIs by 2035.
- Utility-scale projects will be issued a guaranteed fixed price by the PSC, subject to competitive procurement bids including cost-benefit analysis, and other criteria such as brownfield sitting, to minimize cost to ratepayers, and are required to serve Maryland load, and include labor protections and community benefit agreements.
- SREC-IIs and REC-IIs are generated for utility-scale solar, and land-based wind and small hydro projects that operate as a means to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability.
- New non-utility scale solar projects will be subject to an ADI within a given capacity block. ADI is set every 3 years by the PSC to ensure development, with market caps to protect ratepayers, and is fixed for 15 years. Additionally, an ADI is the monetary value of an SREC-II generated by a distributed solar system to ensure project viability.
- The "capacity block" is designed to promote growth across a variety of market sectors and are apportioned for SREC-IIs on a first-come, first-served basis.
- SREC-IIS and REC-IIs are not payable until electricity is supplied, are not backwards looking in time, and require recoupment to ratepayers should the market rate of electric sales exceed the fixed price for the project.
- The existing RPS remains in place, however, in-state generation is prioritized, with electric sellers first being required to purchase RECS from in-state resources in the form of ORECS, SERC-IIs, REC-IIs, then legacy SRECS, and then finally from the existing PJM REC market.

**4. Nuclear**

Currently, Maryland sources approximately 40% of its in-state generation from the Calvert Cliffs nuclear facility. Although not a renewable source of generation, this nuclear generation does not result in the

emissions of GHGs and is accordingly critical for Maryland's clean energy goals and maintaining resource adequacy to avoid grid failures. AACE creates a backstop of last resort to ensure the facility remains operational and relicenses in 2034 and 2036 by:

- Creating zero emission energy credits (ZEC) to support the facility if, *and, and only if,* existing federal tax credits for the facility are no longer available to the facility, AND means testing demonstrates the facility requires a ZEC to remain economically viable.
- ZECs are a financial incentive and *are not* eligible to participate in the RPS.

**5. Offshore Wind**

Maryland has significant offshore wind (OSW) development goals under the POWER Act. AACE makes amendments to the law focusing on transmission, evaluating transmission pathways to ensure that necessary transmission build out is completed rapidly, serves Maryland's energy needs, and is cost-effective.

I respectfully request a favorable report on HB 398.

[1] https://insidelines.pjm.com/energy-storage-in-pjm-a-perspective/

# The Abundant, Affordable, Clean Energy Act (AACE)

## What This Bill Does

### Abundant Energy

- Generate more energy in Maryland and increase the storage capacity of Maryland's electric distribution and transmission systems, which will benefit customers and enhance reliability.

### Affordable Energy

- Protect ratepayers from increasing energy prices, make procurement of clean energy more competitive and efficient, and improve Maryland's supplier diversity and energy independence.

### Clean Energy

- Bring more clean energy from solar and wind projects online in Maryland, improving our grid's capacity and reliability.

## Why This Bill Matters

New industries like **Artificial Intelligence (AI), data centers, crypto mining, and cannabis cultivation** will increase our energy demand and strain existing infrastructure much more than beneficial electrification to cars and buildings.

Without action, our grid capacity may not be able to meet these increasing demands, let alone do so while keeping electricity rates affordable and achieving our renewable energy target of 50% by 2030. According to the U.S. Energy Information Administration, clean energy supplied just 12% of Maryland's total in-state electricity in 2022.

With the AACE Act, we have the opportunity to meet rising demand for electricity with clean energy technologies, protect and create family supporting local jobs, build health and wealth across the state, and incorporate labor standards into all projects.

The AACE Act will better position Maryland to meet the climate crisis by creating a framework for the quicker adoption of clean energies, ensuring affordability and reliability in our energy system.

MARYLAND LEAGUE OF CONSERVATION VOTERS

# The Abundant, Affordable, Clean Energy Act (AACE)

## Maryland Energy Landscape

Maryland is part of an electricity grid shared by 13 states and the District of Columbia, managed by an organization called PJM Interconnection (PJM), which is supposed to ensure sufficient and affordable energy. In high demand periods when PJM is worried the grid does not have the capacity to generate enough electricity, it increases the price of electricity or **capacity prices.**

PJM has managed new electricity generation ineffectively, doing a **worse job than any other grid in the nation** at bringing wind and solar onto the grid. PJM's backlog of clean energy projects that are proposed and waiting to connect to the grid is so long that since 2020 it has stopped allowing new projects to even enter the queue.

The way PJM has constructed its market rules, along with its inability to timely deploy new clean electricity generation, **caused capacity market prices to increase by 800% this year, which will increase many Maryland households' average electric bills by hundreds of dollars a year, starting this June**. There are many steps Maryland can take to accelerate the growth of renewable energyand battery storage, to better serve the grid and keep rates down. The AACE Act includes some of the most vital steps, and will help lower prices by rapidly deploying more solar, wind, and batteries.

**We must take a no regrets approach to this moment. The AACE Act will:**

- Create a market for battery storage projects that are coming out of the PJM queue
- Change the way we finance solar projects and thereby support more solar deployment
- Direct transmission for offshore wind to address Maryland load
- Support the relicensing of Calvert Cliffs nuclear facility
- Introduce new ratepayer protections using funds from the RPS's Alternative Compliance Payments (ACPs) and state energy use & franchise tax generated from data centers

## HB 398  Abundant Affordable Clean Energy- Procurem

Uploaded by: Mariana Rosales

Position: FAV

The Nature Conservancy
Protecting nature. Preserving life.

The Nature Conservancy
Maryland/DC Chapter
425 Barlow Pl., Ste 100
Bethesda, MD 20814

tel (301) 897-8570
fax (301) 897-0858
nature.org

**Thursday, February 6th, 2025**

**TO:** C. T. Wilson, Chair of the House Economic Matters Committee, and Committee Members
**FROM:** Mariana Rosales, The Nature Conservancy, Director of Climate; Cait Kerr, The Nature Conservancy, State Policy Manager.
**POSITION:** Support HB 398 Abundant Affordable Clean Energy - Procurement and Development (AACE Act of 2025)

The Nature Conservancy (TNC) supports HB 398 offered by Delegate Charkoudian. HB 398 provides a path forward to address resource adequacy in the State to meet current and future electric load requirements in Maryland and alleviate the burden on ratepayers. AACE brings on new energy projects that will serve Maryland's load requirements within this decade on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets through rapid, low-cost, and flexible solutions.

Following decades of relatively stable electricity costs, Maryland now faces significant increases in costs to ratepayers. Similarly, after a history of flat, or even declining, electricity consumption dating back to the 2010s, demand is now on the rise. This mismatch in supply and demand is occurring not only in Maryland, but the larger PJM wholesale market. The PJM interconnection queue backlog has resulted in hundreds of gigawatts of planned projects with the potential to lessen the supply and demand imbalance sitting in limbo rather than being able to service Maryland's electric load requirements.

AACE proposes a combination of rapidity, low-cost, and flexibility to create a pathway to achieving resource adequacy to meet current and future electric load requirements. The bill directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects and provides a pathway for these projects to be operational in this decade. It also establishes a pathway for 150 MW of distributed storage projects, not subject to the PJM interconnection queue, to be constructed by electric companies, which will provide substantial benefits to residential and other local electric demand.

AACE creates a methodology to refresh and "right size" incentives for new renewable energy projects in the state; while Maryland's historic REC and SREC incentives have been a powerful tool to jumpstart renewable generation in the state, the "one-size-fits-all" approach often results in incentives that are mismatched to the needs of specific projects. AACE's SREC-II and REC-II allow for a better fit, ensuring individual projects can receive the incentives they need to come online, while also preventing unneeded incentives from being passed through to ratepayers. AACE further provides several additional pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. HB 398 also ensures that existing clean generation in the state remains online, by providing a pathway to ensure that the Calvert Cliffs nuclear facility is able to meet its 2034 and 2036 relicensing obligations. Lastly, AACE directs the PSC's transmission study related to offshore wind to prioritize transmission pathways from those projects which will directly serve Maryland's electric load requirements.

The AACE Act provisions allow for project flexibility and focused incentives to spur energy development, ensuring projects that will directly benefit the State's energy requirements, as well as ratepayers and workers. AACE's pathway to energy development is in line with the State's carbon reduction goals, allows for the flexibility to respond to future energy demands, and provides solutions to resource adequacy in this decade.

We urgently need more energy, but we also need that energy to be clean. Clean energy can be produced cheaper and safer than non-renewable energy generation methods. Energy storage can be built faster to address our supply

and demand challenges within a shorter time frame. In the last decade, solar photovoltaic costs have fallen by 90%, batteries' cost decreased by 90%, and onshore wind by 70%. For the sake of our wallets, our future, our health, and future generations' well-being, the path to affordable and reliable energy, the energy we need, must also be clean. TNC thanks Delegate Charkoudian for introducing this bill, which would secure our resource adequacy through clean energy solutions within the coming decade.

**Therefore, we urge a favorable report on HB 398**.

**Maryland Catholic Conference_FAVHB398_.pdf**
Uploaded by: Michelle Zelaya
Position: FAV

MARYLAND CATHOLIC CONFERENCE

**February 6, 2025**

**HB398**

**Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

**Economics Matters Committee**

**Position: Favorable**

The Maryland Catholic Conference (MCC) offers this testimony in support of **House Bill 398**. The Maryland Catholic Conference (MCC) is the public policy representative of the three (arch)dioceses serving Maryland, which together encompass over one million Marylanders. Statewide, their parishes, schools, hospitals, and numerous charities combine to form our state's second largest social service provider network, behind only our state government.

**House Bill 398**, also known as Abundant Affordable Clean Energy (AACE) Act will require electric companies in Maryland to develop and implement plans for constructing or procuring energy storage devices to enhance the distribution of clean energy. It also establishes a system for creating zero-emission credits from nuclear energy facilities and directs the Public Service Commission to coordinate offshore wind energy transmission efforts. This bill aims to advance the state's transition to reliable, affordable, and sustainable energy sources.

Catholic social teaching emphasizes the stewardship of creation and the moral duty to protect the environment for future generations. This legislation aligns with the Church's call to care for our common home by promoting sustainable energy solutions that reduce pollution and mitigate climate change. Supporting this bill reflects a commitment to social and economic justice, ensuring that all communities—especially the most vulnerable—have access to clean, affordable energy while safeguarding God's creation.

By investing in energy storage and renewable energy infrastructure, this legislation strengthens the reliability of Maryland's power grid, reduces dependence on fossil fuels, and promotes environmental sustainability. The expansion of clean energy sources like offshore wind and nuclear energy supports job creation, lowers long-term energy costs, and helps combat climate change. Communities benefit from improved air quality and a more resilient energy system that ensures affordability and accessibility.

The MCC appreciates your consideration and respectfully urges a favorable report for **House Bill 398.**

**2025 - HB 0398 - AACE Act.pdf**
Uploaded by: Patrick Crump
Position: FAV

THE EPISCOPAL DIOCESE OF MARYLAND

The Maryland Episcopal Public Policy Network

**TESTIMONY IN SUPPORT OF HB 0398**

**Abundant, Affordable Clean Energy (AACE) Act**

**Economic Matters Committee**

**FAVORABLE**

TO: Del. C. T. Wilson, Chair; Del. Brian M. Crosby Vice-Chair; and the Members of the House Economic Matters Committee

FROM: Rev. Kenneth Phelps, Jr., The Episcopal Diocese of Maryland

DATE: February 4, 2025

The Episcopal Church believes that global climate change is not only a scientific concern or environmental issue, but what the United Nations calls "the defining issue of our time... at a defining moment" (UN Secretary General, September 10, 2018). We believe that clean, safe, and renewable energy is essential to preserve God's creation, and our Church has passed numerous resolutions in support of this, such as on fossil fuel non-proliferation and supporting a clean energy future. We acknowledge the need for nuclear energy as a supplemental and stable source while the supportive technologies for wind and solar energy are being further developed. And the Church is committed to environmental justice, with a specific concern for reducing economic impacts on lower-income communities.

We expect the energy policy debate to be fierce this session, as demand for energy soars, sparking higher energy costs and potential reliability issues. In our view, long-term reliance on fossil fuel sources is not an option. Maryland must find ways to incentivize both clean and reliable energy investments, particularly solar and wind, while protecting ratepayers.

We are convinced that the AACE Act addresses our concerns in the following ways:

- Improves incentives to generate, in state, the clean energy we need, thereby reducing our dependence on out-of-state dirty power, while creating local jobs;
- Ensures grid reliability by investing in battery storage capacity, as well as continuing support for the Calvert Cliffs nuclear facility in the interim; and
- Protects ratepayers by sharing profits from energy generation with customers, capping costs for clean energy programs, and using data center tax revenue to offset energy costs.

The Episcopal Diocese of Maryland urges the House Economic Matters Committee to support the AACE Act and **requests a favorable report.**

4 E University Parkway, Baltimore, MD 21218-2437
Tel: 410-467-1399 / 800-443-1399 Fax: 410-554-6387
www.EpiscopalMaryland.org

**HB 398 - AACE Act-Support-Phil Webster-UULM-MD.pdf**
Uploaded by: Phil Webster
Position: FAV

# Unitarian Universalist Legislative Ministry of Maryland

**Testimony in Support of**
**HB 398 Abundant, Affordable Clean Energy (AACE) Act**

TO: Chair Watson and members of the Economic Matters Committee
FROM: Phil Webster, PhD, Lead Advocate, Climate Change
Unitarian Universalist Legislative Ministry of Maryland.
DATE: February 6, 2025

The Unitarian Universalist Legislative Ministry of Maryland strongly supports **HB 398 - Abundant, Affordable Clean Energy (AACE) Act.**

The UULM-MD is a faith-based advocacy organization based on Unitarian Universalist (UU) Values, including Interdependence (honoring the interdependent web of all existence) and Justice (where all feel welcome and can thrive). Working to mitigate, adapt to, and build resilience for climate change is central to our beliefs. The **AACE Act** aligns with both of the values by keeping energy bills lower, providing good paying jobs in Maryland and generating **clean, green and affordable energy** for Marylanders.

Maryland faces growing demands for electricity–as well as rising energy costs–making it crucial to secure reliable, affordable, and clean power for our future. Clean energy is now the fastest and cheapest energy source to build, offering significant cost advantages. Unfortunately, our current system doesn't effectively deliver these cost savings to Maryland residents. The **AACE Act** will ensure Maryland can generate the clean energy we need in state, while making energy bills more affordable while keeping the grid reliable.

Without intervention, Maryland risks facing higher energy costs and potential reliability issues as demand grows. The **AACE Act** provides a clear path to reliable, affordable clean energy while protecting ratepayers. By generating more clean power in Maryland, we reduce the need for expensive transmission lines, and create local jobs. The **AACE Act**'s innovative profit-sharing ensures that–as clean energy becomes more profitable–the savings go back to Maryland families. This approach helps us meet our climate goals, while keeping energy reliable and affordable for all Marylanders.

We urge a FAVORABLE report on **HB 416** in committee.

*Phil Webster, PhD*
Lead Advocate, Climate Change UULM-MD

**AACE Act Coalition Fact Sheet_2.4.25.pdf**
Uploaded by: Rebecca Rehr
Position: FAV

# The Abundant, Affordable, Clean Energy Act (AACE)

## What This Bill Does

### Abundant Energy

- Generate more energy in Maryland and increase the storage capacity of Maryland's electric distribution and transmission systems, which will benefit customers and enhance reliability.

### Affordable Energy

- Protect ratepayers from increasing energy prices, make procurement of clean energy more competitive and efficient, and improve Maryland's supplier diversity and energy independence.

### Clean Energy

- Bring more clean energy from solar and wind projects online in Maryland, improving our grid's capacity and reliability.

## Why This Bill Matters

New industries like **Artificial Intelligence (AI), data centers, crypto mining, and cannabis cultivation** will increase our energy demand and strain existing infrastructure much more than beneficial electrification to cars and buildings.

Without action, our grid capacity may not be able to meet these increasing demands, let alone do so while keeping electricity rates affordable and achieving our renewable energy target of 50% by 2030. According to the U.S. Energy Information Administration, clean energy supplied just 12% of Maryland's total in-state electricity in 2022.

With the AACE Act, we have the opportunity to meet rising demand for electricity with clean energy technologies, protect and create family supporting local jobs, build health and wealth across the state, and incorporate labor standards into all projects.

The AACE Act will better position Maryland to meet the climate crisis by creating a framework for the quicker adoption of clean energies, ensuring affordability and reliability in our energy system.

# The Abundant, Affordable, Clean Energy Act (AACE)

## Maryland Energy Landscape

Maryland is part of an electricity grid shared by 13 states and the District of Columbia, managed by an organization called PJM Interconnection (PJM), which is supposed to ensure sufficient and affordable energy. In high demand periods when PJM is worried the grid does not have the capacity to generate enough electricity, it increases the price of electricity or **capacity prices.**

PJM has managed new electricity generation ineffectively, doing a **worse job than any other grid in the nation** at bringing wind and solar onto the grid. PJM's backlog of clean energy projects that are proposed and waiting to connect to the grid is so long that since 2020 it has stopped allowing new projects to even enter the queue.

The way PJM has constructed its market rules, along with its inability to timely deploy new clean electricity generation, **caused capacity market prices to increase by 800% this year, which will increase many Maryland households' average electric bills by hundreds of dollars a year, starting this June**. There are many steps Maryland can take to accelerate the growth of renewable energyand battery storage, to better serve the grid and keep rates down. The AACE Act includes some of the most vital steps, and will help lower prices by rapidly deploying more solar, wind, and batteries.

**We must take a no regrets approach to this moment. The AACE Act will:**

- Create a market for battery storage projects that are coming out of the PJM queue
- Change the way we finance solar projects and thereby support more solar deployment
- Direct transmission for offshore wind to address Maryland load
- Support the relicensing of Calvert Cliffs nuclear facility
- Introduce new ratepayer protections using funds from the RPS's Alternative Compliance Payments (ACPs) and state energy use & franchise tax generated from data centers

MARYLAND LEAGUE OF CONSERVATION VOTERS

**AACE Testimony for coalition partners.docx.pdf**
Uploaded by: Rebecca Rehr
Position: FAV

February 6, 2025

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

Dear Chair Wilson, Vice Chair Crosby, and the members of the Economic Matters Committee:

Thank you for the opportunity to submit testimony today in support of HB 398, the AACE Act. The undersigned organizations represent a coalition of industry, labor, ratepayer protection advocates, and environmental organizations who are unified in their support of the no regrets approach to achieving energy resource adequacy for the state of Maryland contained within the AACE Act. We respectfully request that this Committee issue a **favorable** report on HB 398.

Following decades of relatively stable electricity costs, Maryland now faces significant increases in costs to ratepayers. This spike is perhaps most dramatically exemplified by the recent 2025/2026 PJM capacity auction which saw an 800 percent increase from previous years, which will be passed on to ratepayers as a portion of their utility bill. Similarly, after a history of flat, or even declining, electricity consumption dating back to the 2010s, demand is on the rise – largely attributable to high-intensity energy use facilities such as data centers, without sufficient new generation being brought online to provide equivalent or greater supply. This mismatch in supply and demand is occurring not only in Maryland, but the larger PJM wholesale market where Maryland gets a significant amount of the electricity it consumes.

Both issues are related to capacity prices, and the mismatch in supply and demand is in large part attributable to policy decisions and (in)actions at PJM. The PJM interconnection queue is currently so backlogged that, in 2023, PJM announced it would cease to accept new projects for consideration, and has a roughly 5 year wait time from application to approval. This has resulted in hundreds of GWs of planned projects, largely renewables or storage, sitting in limbo rather than being able to service Maryland's electric load requirements. Given this wait, projects which are ready to be deployed at time of application are often no longer viable due to changing economic realities by time of approval.

The AACE Act provides a path forward to addressing resource adequacy in the state and alleviating burden on Maryland ratepayers, while providing important protections for labor to ensure Maryland's workers receive, amongst other things, fair wages and benefits for their work in building a sound energy future. Critically, AACE brings on new energy projects that serve Maryland's load requirements *within this decade* on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets. This combination of rapidity, low-cost, and flexibility makes AACE a "no regrets" path to achieving resource adequacy to meet *current* and future electric load requirements in Maryland.

**First,** the AACE Act directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects which are projected to secure PJM queue approval in those years. Importantly, AACE provides a pathway for these projects to be operational *in this decade*. These projects will be constructed in Maryland, and serve Maryland's peak demand– alleviating the need for comparatively more expensive "peaker" plants. These projects are also eligible to bid into the PJM capacity market which can, in part, alleviate soaring capacity market costs. AACE's

competitive procurement process includes significant cost-benefit analyses as a part of any project application to ensure lowest cost to ratepayers, as well as a CPCN-equivalent to ensure rapid deployment upon approval by the PSC. Finally, this procurement process includes significant labor protections, including the requirement for community benefit agreements, which include guarantees for hiring practices and wage provisions to ensure Maryland's workforce benefits from these projects.

AACE also creates a pathway for 150 MW of distributed storage projects, not subject to the PJM interconnection queue, to be constructed by electric companies which will provide substantial benefits to residential and other local electric demand. These projects additionally include labor protections.

**Second,** AACE creates a methodology to "right size" incentives for new renewable energy projects in the state. These include utility scale (greater than 5MW) solar, onshore wind, and small-scale hydro, as well as distribution scale projects (i.e. rooftop or community solar). While Maryland's historic REC and SREC incentives have been a powerful tool to jumpstart renewable generation in the state, their "one-size-fits-all" approach often results in incentives that are mismatched to the needs of specific projects. AACE's SREC-II and REC-II allow for a better fit, ensuring individual projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers.

Under AACE, utility-scale projects will be issued a guaranteed fixed price by the PSC, subject to competitive procurement bids including cost-benefit analysis, and other criteria such as brownfield siting, and a requirement that projects directly serve Maryland load. This process minimizes cost to ratepayers while ensuring the project is economically viable. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects, which will operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois. AACE's language builds on these proven successes.

Distribution scale projects are subject to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors - to ensure broad growth of distributed generation across the state. Through setting the value of an ADI, the PSC can tailor the amount of incentive a given project receives for each of the identified market sectors, allowing for a balancing between the amount if incentive required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside promoting renewable generation construction to meet the state's load.

AACE prioritizes SREC-IIs (both from utility and distributed scale projects), REC-IIs, and ORECs for purchase by Maryland electric sellers when they seek to meet their obligation under the RPS. AACE then prioritizes legacy SRECs, and finally, to meet any outstanding obligations under the RPS, sellers can purchase historic RECs from the PJM REC market. In such fashion,

AACE prioritizes that incentive costs passed through to Maryland ratepayers, are going to pay for projects that meet the State's energy requirements.

**Third,** AACE provides several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. It directs the Maryland Energy Administration to supervise an escrow account that will be created to direct certain funds from electricity costs back to ratepayers. The PSC will oversee transparency and security of these funds. Alternative compliance payments (ACP) from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the pass-through costs to ratepayers from the ACP to the ratepayers. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers – which are major drivers of increased electric demand which in turn increase ratepayer utility bills -to be contributed to this escrow account.

**Fourth,** AACE ensures that existing clean generation in the state remains online, by providing a pathway to ensure that the Calvert Cliffs nuclear facility is able to meet its 2034 and 2036 relicensing obligations. This nuclear facility provides nearly 40% of current in-state generation, and is not a contributor to greenhouse gas emissions, making it a critical facet of Maryland's clean energy generation portfolio. To do this, AACE creates a "zero emissions credit" to act as a last resort safety net to ensure the facility's economic viability – only triggering if the facility no longer receives existing federal tax credits and applying a means-test to ensure that the facility is not otherwise economically viable and would require the credit to remain in operation. Should one be required, a zero-emission credit is not eligible for recoupment under the RPS.

**Finally,** AACE directs the PSC's transmission study related to offshore wind to prioritize transmission pathways from those projects which will directly serve Maryland's electric load requirements.

The AACE Act provisions allow for project flexibility, focused incentives to spur development, ensuring that energy projects will directly benefit the state's energy requirements, directly benefiting ratepayers, and ensuring workers in Maryland benefit from the projects they build and maintain. AACE's pathway to energy development is in line with the State's carbon reduction goals, allows for the flexibility to respond to future energy demands, and provides solutions to resource adequacy in this decade. For these reasons, we request this Committee issue a **favorable** report on HB 398.

Signed,

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| 350 Montgomery County |
| ACQ (Ask the Climate Question) |
| Baltimore Green Space |
| Baltimore Jewish Council |
| CASA |
| Cedar Lane Unitarian Universalist Environmental Justice Ministry |

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| Center for Progressive Reform |
| Ceres |
| Environmental Justice Ministry Cedar Lane Unitarian Universalist Congregation |
| Friends of Sligo Creek |
| Green Sanctuary committee, Unitarian Universalist Church of Silver Spring |
| HoCo Climate Action |
| IBEW Local 24 |
| Indivisible HoCoMD Environmental Action |
| Interfaith Partners for the Chesapeake |
| Interfaith Power & Light (DC.MD.NoVa) |
| League of Women Voters of Maryland |
| Maryland Catholics for Our Common Home |
| Maryland League of Conservation Voters |
| Maryland Legislative Coalition |
| Maryland Legislative Coalition - Climate Justice Wing |
| Metropolitan Baltimore AFL-CIO |
| Mobilize Frederick |
| National Aquarium |
| Nature Forward |
| Oceantic Network |
| Poolesville Green |
| The Nature Conservancy MD/DC |
| The Rachel Carson Council |
| Third Act Maryland |
| Unitarian Universalist Legislative Ministry of Maryland |
| Waterkeepers Chesapeake |

**HB 398- MDLCV Support -The AACE Act.pdf**
Uploaded by: Rebecca Rehr
Position: FAV

MARYLAND LEAGUE OF CONSERVATION VOTERS



**February 6, 2025**

**Support: HB 398 - The Abundant, Affordable Clean Energy Act**

Chair Wilson and Members of the Committee:

Maryland LCV supports HB 398 - The Abundant, Affordable, Clean Energy (AACE) Act and we thank Delegate Charkoudian for her leadership.

Maryland is anticipating an increasing demand for electricity as we are experiencing rising energy costs, making it crucial to secure reliable, affordable power that builds a healthy environment for everyone in Maryland. The AACE Act marries clean energy deployment initiatives with innovative ratepayer protections to achieve its namesake. The coalition supporting the AACE Act represents a robust group of environmental organizations, labor, industry, and ratepayer protection advocates. These sectors' interests do not always align and the diversity of this coalition is a testament to the content of the bill. The language in the AACE Act is the result of multiple and frequent stakeholder meetings that has led to a sensible approach that supports the environment, ratepayers, and Maryland workers.

The AACE Act is a priority bill for Maryland LCV as well as a priority for the environmental community.

Electricity use accounts for more than one-fifth of Maryland's emissions. To stay on track to meet Maryland's ambitious, statutorily-mandated, greenhouse gas emissions reductions we must transition to using mostly non-carbon emitting energy sources. The financing and support mechanisms to jumpstart the renewable energy sector in the state's Renewable Portfolio Standard (RPS) were effective in initiating a renewables market, but need to be adjusted to meet today's markets and demands. In this regard, the AACE Act does two things: 1. Initiates an expedited procurement process for energy storage projects coming out of the PJM queue in the next couple of years, including strong labor standards for this emerging industry, and 2. Creates a new class of RECs - SREC-IIs for new utility-scale solar and distributed solar, and REC-IIs for new onshore wind and small-scale hydro projects, setting a new target for 3000 MW of utility-scale solar projects by 2035. Reaching the state's climate goals will result in up to $321 million in additional health benefits in 2031, mostly as a result of cleaner air, compared to current policies, with most of the health benefits occuring in historically disadvantaged communities.

The AACE Act also narrowly addresses the state's largest source of non-carbon emitting electricity generation, nuclear power. It creates a zero emission credit (ZEC) to support the state's existing Calvert Cliffs nuclear facility if, and, and only if, existing federal tax credits for the facility are no longer available to the facility, AND means testing demonstrates the facility requires a ZEC to remain economically viable. ZECs are a financial incentive and are not eligible to participate in the RPS.

Finally, the bill innovates new ratepayer protections by returning funds directly to ratepayers through a new escrow account supervised by the Maryland Energy Administration (MEA), as either direct payments or credits on energy bills. Funding for the escrow account will come from Alternative Compliance Payments (ACPs), (that currently go to Strategic Energy Investment Fund) and returns exceeding set procurement pricing for new SREC-II and REC-II as well as 75% of the total franchise, sale, and energy use taxes from qualifying data centers. In this way, the AACE Act guards against future electricity bill increases.

The provisions in the AACE Act, taken together, will ensure Maryland can generate the clean energy we need in the state while guarding against future increases in electricity bills. Attached to our testimony, you will also see files with coalition testimony representing 32 groups in support, as well as the coalition fact sheet. Thank you for your consideration. We urge a favorable report on HB 398.

**HB398 IBEW Support.pdf**
Uploaded by: Rico Albacarys
Position: FAV

# INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS - LOCAL UNION No. 24

AFFILIATED WITH:
Baltimore-D.C. Metro Building Trades Council - AFL-CIO
Baltimore Port Council
Baltimore Metro Council - AFL-CIO
Central MD Labor Council - AFL-CIO
Del-Mar-Va Labor Council - AFL-CIO
Maryland State - D.C. - AFL-CIO
National Safety Council

C. SAMUEL CURRERI, President
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BALTIMORE, MARYLAND 21230

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Written Testimony of
Rico Albacarys, Assistant Business Agent, IBEW LOCAL 24
Before the House Economic Matters Committee On
HB 398 Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

**Support**

February 4, 2025

Chairman Wilson, Vice Chair Crosby, and Committee Members,

My name is Rico Albacarys, and I am a member and employee of IBEW Local 24, writing to express our **support for House Bill 398**, which takes decisive action to secure an affordable and sustainable energy future for our state. Maryland's energy future depends on reliable, in-state power generation. With our state importing 40% of its electricity and facing a potential energy shortfall by 2026, HB 398 establishes a necessary framework to ensure grid reliability while meeting clean energy goals.

HB 398 creates a much-needed procurement process for battery storage, which is essential as we transition to a clean energy future. By securing the continued operation of Calvert Cliffs Nuclear Power Plant, we preserve Maryland's largest source of carbon-free electricity and reduce reliance on costly, volatile out-of-state energy markets. Lastly, by improving procurement for new solar projects, the bill maximizes Maryland's potential, creates good-paying jobs, and delivers affordable clean energy to consumers.

HB 398 strengthens our energy resilience and sustainability while protecting ratepayers from unpredictable price spikes. We urge the Committee to **support HB 398** to ensure a resilient, forward-thinking energy policy that benefits workers and consumers while upholding Maryland's values of reliability, sustainability, and affordability. Thank you for your time and consideration.

Sincerely,

Rico Albacarys
Assistant Business Agent
IBEW Local 24

**HB 398_Maryland Catholics for Our Common Home_FAV.**
Uploaded by: Robert Simon
Position: FAV


Hearing before the House Economic Matters Committee
Maryland General Assembly
February 6, 2025

**Statement of Support (FAVORABLE)**
**of Maryland Catholics for Our Common Home for**
**HB 398, Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

Maryland Catholics for Our Common Home (MCCH) is a lay-led organization of Catholics from parishes in the three Catholic dioceses in Maryland: the Archdiocese of Baltimore, the Archdiocese of Washington, and the Diocese of Wilmington. It engages in education about, and advocacy based upon, the teachings of the Catholic Church relating to care for creation and respect for all life. MCCH is a grassroots voice for the understanding of Catholic social teaching held by a wide array of Maryland Catholics. In the 2024 Legislative Session, 570 Maryland Catholics from 22 different Catholic parishes and religious communities across the State joined together through MCCH to support several key environmental bills under consideration by the General Assembly. MCCH is independent, though, and should be distinguished as an organization from the Maryland Catholic Conference, which represents the public policy positions of the bishops who lead these three dioceses.

Because we are attuned both to the cry of a distressed Earth and the cry of the poor who suffer first and foremost from a warming planet, **MCCH would like to express our strong support for House Bill 398, Abundant Affordable Clean Energy - Procurement and Development** (or the AACE Act)**.**

As Catholics, we are guided by the teachings of Pope Francis and his predecessors, which have given priority to (1) care for Earth's environment, (2) concern for the economic burdens experienced by the poor, and (3) protection for the workers whose labor is essential to building our energy future. With regard to the environment, in his 2015 encyclical, entitled *Laudato Si': On Care for Our Common Home*,[1] Pope Francis stresses that:

> There is an urgent need to develop policies so that, in the next few years, the emission of carbon dioxide and other highly polluting gases can be drastically reduced, for example substituting for fossil fuels and developing sources of renewable energy. (no. 26)

Maryland's public policy in recent years has consistently worked to increase the supply of renewable energy, but decisions taken outside Maryland by the PJM interconnection have impeded projects designed to implement the policies supported by Marylanders and by the General Assembly. Further, aspects of Maryland's regulation of electricity, including the use of Alternative Compliance Payments,

[1] The English text of the encyclical, to which the paragraph number in the parentheses refers, can be found at: https://www.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html.

could be improved to return the funds from these pass-through charges back to ratepayers. This would be important as rising utility costs disproportionately impact low- and moderate-income Marylanders. Finally, workers in Maryland who labor on projects to build and maintain our energy infrastructure deserve fair wages and benefits, in keeping with Catholic social teaching that:

> All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and join unions or other associations.[2]

The AACE Act is responsive to all of these concerns and provides a path forward to addressing resource adequacy in the State. The AACE Act brings on new energy projects that serve Maryland's load requirements within this decade on a least-cost basis. Through AACE, Maryland will create a path to meet its current and future electric load requirements. The bill does this by improving both the planning processes and the incentives under Maryland law for new renewable energy projects. The AACE Act directs the Maryland Public Service Commission to create a competitive procurement process in 2026-2027 for up to 1600 MW of total battery storage projects, thus providing a pathway for projects to be operational in this decade. The AACE Act will also tailor incentives for new renewable energy projects in the state, thus individual projects will receive the properly adjusted incentives they need to come online.

The AACE Act will also ensure that Maryland ratepayers are protected from rising electric utility bills. And it provides important protection for labor to ensure that Maryland's workers receive fair wages and benefits for their work in building a sound energy future.

For these reasons we strongly urge your support for this bill. Thank you for your consideration of our views and our respectful request for a **favorable** report on House Bill 398, the AACE Act.

[2] United States Conference of Catholic Bishops, "A Catholic Framework for Economic Life" (2015), no. 5, available at https://www.usccb.org/resources/catholic-framework-economic-life-0.

**CHESSA - MD - ECM Favorable HB398 AACE Act 2025020**
Uploaded by: Robin Dutta
Position: FAV

6 February 2025

Delegate C.T. Wilson, Chair
Economic Matters Committee
Room 231
House Office Building
Annapolis, Maryland 21401

**Oral and Written Testimony**
**HB398: Abundant Affordable Clean Energy – Procurement and Development (AACE Act)**

**Position: Favorable**

Chair Wilson, Vice Chair Crosby, Members of the Economic Matters Committee, thank you for the opportunity to testify on House Bill 398, Abundant Affordable Clean Energy – Procurement and Development (AACE Act).

I am Robin Dutta, the Executive Director of the Chesapeake Solar and Storage Association (CHESSA). Our association advocates for our over 100 member companies in all market segments across the solar and energy storage industries. Many members are Maryland-based. Others are regional and national companies with an interest and/or business footprint in the state. Our purpose is to promote the mainstream adoption of local solar, large-scale solar, and battery storage throughout the electric grid to realize a stable and affordable grid for all consumers.

I am here to provide favorable testimony on HB398, Abundant Affordable Clean Energy – Procurement and Development (AACE Act). This bill is laser focused on helping Maryland consumers avoid energy cost increases by increasing Maryland clean energy generation, reducing the need to overbuild the electric grid, creating downward pressure on Maryland energy prices, and side-stepping the problems in the PJM Interconnection in the process. The solar and energy storage sections of the bill will help with this by creating:

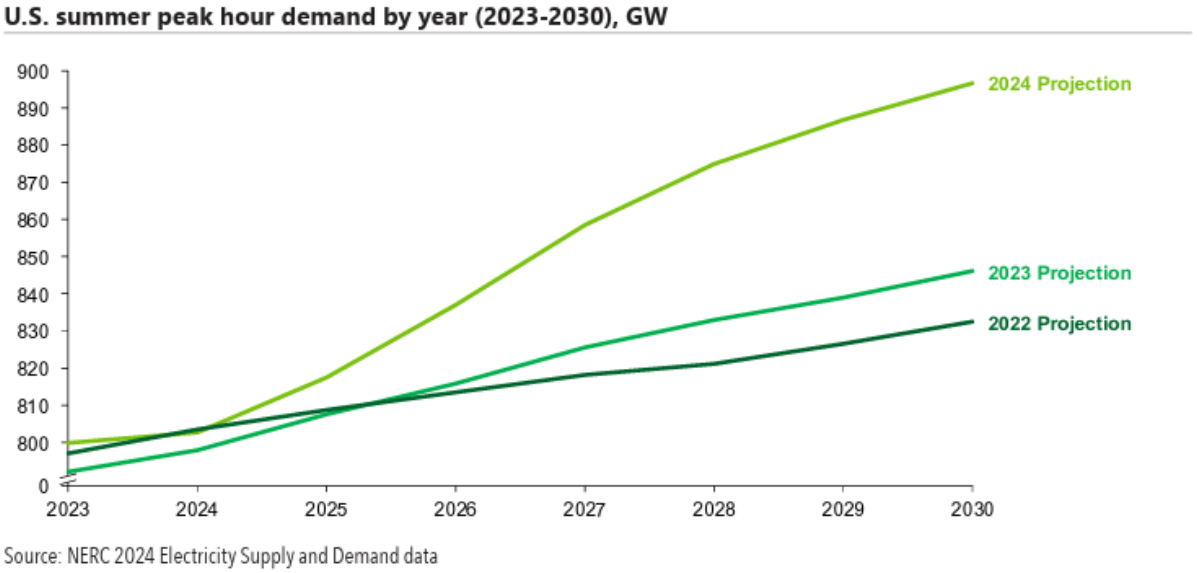
- A new distributed solar program to install at least 3 GW of new capacity on the Maryland distribution grid
- A new large-scale solar procurement to install at least 3 GW of new wholesale energy capacity in Maryland
- New energy storage procurements and programs to deploy over 1,700 MW of mostly transmission-connected battery storage

This practical piece of legislation understands that not only is clean energy is a resource adequacy solution, but using clean energy to solve Maryland's widening energy gap will help avoid unnecessary ratepayer costs and energy bill increases.

## The Problem: Maryland's Widening Energy Gap

Marylanders are becoming much more sensitive to grid disruptions and electric price spikes. The state is on the path to see increasing electric demand over the long-term. And, there is already straining in its electric system. Maryland only generates about 60 percent of the electric generation it demands[1]. But, importing electricity isn't an automatic solution. Nine of the 13 states in the PJM Interconnection (where Maryland resides) also must import electricity to serve their electric demand. And the Maryland Energy Administration (MEA) is projecting load growth, potentially as much as 2 percent per year[2]. There's growing demand and competition for an energy supply that needs to increase.

## Contributing Problem: Higher Electric Demand Across the County




Source: NERC 2024 Electricity Supply and Demand data

The grid of the not-so-distant future will have the combined roles that today's electricity, natural gas system, and gas stations have. For the grid to serve those roles, it will need to look and act differently. It will have higher statewide electric loads, and greater electric demand in peak periods. And, the higher peak demand gets, the more expensive the electric grid becomes, due to expensive infrastructure expansion and higher peak energy pricing. By lowering peak demand, clean energy can lower the cost of the grid.

A January 2025 report from the U.S. Department of Energy shows that projected peak demand growth is only increasing, with electricity supply and demand data from the North American

[1] https://www.eia.gov/state/analysis.php?sid=MD

[2] Maryland Energy Administration. "Reaching 100 Percent Net Carbon-Free Electricity in Maryland". January 2025. p.19

Energy Reliability Council showing the estimates being revised upwards each year since 2022.[3] If Maryland's electric future follows the projected national trend, it needs to step up the clean energy build-out throughout the state at the same time as handling fossil fuel retirements. That means scaling up statewide solar adoption of all kinds, as soon as possible.

Layering on the problem are the faults within the PJM Interconnection, both with their capacity markets and their interconnection processes. The recent PJM capacity auction could cause electric bill in Maryland to increase as much as 24 percent, according to an August 2024 report from the Maryland Office of People's Counsel. The MEA describes the Baltimore Gas & Electric service area as a "congested territory".[4] There are then certain generating units that must run and can drive up capacity prices, as it happened in the most recent PJM capacity auction. The way to relieve congestion and grid strain is to lower peak demand, offset consumer electric load, and build a lot of new local generating capacity.

## The Solution: Firm Clean Energy Does the Job at a Good Price

Firm capacity and generation to be relied upon does not have to come from incumbent generation technologies, such as coal, natural gas, or nuclear energy. Solar and wind technologies are ready to scale up at an increasing rate, when part of a portfolio that includes battery storage, to provide firm, reliable generation when consumers need it.

For starters, large-scale solar and land-based wind now represent the cheapest new electric generating sources in the United States, according to the firm Lazard. New clean energy generation can be built and energized to generate when electricity demand is greatest during the day. When building portfolios of energy storage, those cheap solar and wind facilities can charge those assets to be used day or night.

The data shows that distributed solar and storage strategies are scalable and help the electric grid. According to a study from The Brattle Group, distributed resources, which include a range of advanced energy technologies (such as local solar, storage, smart appliances, internet-connected thermostats, and energy management software) provide the *same* resource adequacy as a natural gas plant at 40-60 percent lower cost. The firm Deloitte analyzed the benefits that distributed energy resources including rooftop solar could deploy throughout local distribution grids in a 2024 report. Their conclusion was that scaling up the deployment and adoption of residential solar and related distributed resources would contribute to improved resiliency, reliability, and resource adequacy. Key takeaways from the Deloitte residential distributed resource report are in the infographic below.

[3] U.S. Department of Energy. "Pathways to Commercial Liftoff: Virtual Power Plants 2025 Update". January 2025. p.7

[4] Maryland Energy Administration. "Reaching 100 Percent Net Carbon-Free Electricity in Maryland". January 2025. p.22

## Key takeaways

**01**

**Distributed energy resources offer solutions to utility challenges**

Distributed energy resources (DER) at the DERstribution level are **transforming the grid** and could help meet **rising demand** while advancing **decarbonization, affordability, and resilience goals.**

**02**

**Households can help meet peak demand**

**Household power capacity from DER could surpass peak demand by 2035** in a decarbonized scenario: Households could wield more than **1,500 gigawatts** of generation, storage, and flexible demand capacity.

**03**

**Integrated plans can maximize DER value**

Utilities should prepare for electrification by developing integrated grid plans that take a **DER-first approach to investment.**

**04**

**Regulators can align stakeholders to goals**

**Performance-based regulation**, grid **data-sharing**, and **opt-out time-of-use rates** can help align regulators, utilities, developers, and customers with state targets.

**05**

**DER can advance equity**

If building sector decarbonization targets were met starting with lower-and-moderate income customers, all **energy insecure households in every state could benefit from retrofitted, energy-efficient, and cost-saving homes** by 2035.

**06**

**DER need a data-efficient architecture**

Successful execution of integrated plans to achieve state targets requires a data-efficient architecture with **technical, operational, and regulatory capabilities.**

Note: DER stands for distributed energy resources.

Source: Deloitte analysis.

Deloitte. Insights | deloitte.com/insights.com

Meeting resource adequacy needs and growing electric demand can be an expensive proposition for the ratepayer. Utility-centric solutions are fully funded by the ratepayer. Wholesale energy solutions do not address local resiliency and reliability needs. All-of-the-above solar and storage strategies mean creating incentives that leverage private capital instead of directing ratepayers to foot the entire bill. Maryland has an energy problem that clean energy is ready to solve.

### The Solution: Build More Firm, Clean Energy Resources in Maryland Despite PJM

The AACE Act is designed to increase in-state solar generation and relieve grid congestion by unlocking deployment potential for Maryland solar and storage assets that either do not need PJM approval or are in economic limbo after receiving PJM interconnection approval.

This legislation leverages the nearly 20 years of Maryland investment in solar energy through the Renewable Portfolio Standard, and the federal policy investments mostly through the Investment

Tax Credit. According to a 2021 National Renewable Energy Laboratories (NREL) study, residential rooftop, commercial rooftop, and large-scale solar systems achieved cost reductions of 64, 69, and 82 percent, respectively, since 2010. And, in the last ten years, as measured the Solar Energy Industries Association and the research firm WoodMackenzie, solar costs have declined by nearly 40 percent[5].

By creating deploy-first solar programs, AACE Act is recognizing the massive cost declines int eh solar industry and tackling head-on the generation shortfall in Maryland:

New Distributed Solar. AACE proposes creating a new distributed solar program that calibrates incentives based on different market segments and project types. It pre-sets them to make financing these projects easier and cheaper. This new program locks in the incentive through administrative action, which will mean that ratepayer dollars are used more efficiently. And it creates discretion at the Public Service Commission so that if there are significant changes in economic conditions (ie. supply chain or labor disruptions) or federal policy (ie. tariffs and/or repealing the Solar Investment Tax Credit), they can adjust incentive levels accordingly without requiring subsequent legislative approvals.

It means that at least 3 Gigawatts of new distributed solar can meet Maryland energy demand, providing low-cost resource adequacy needed for consumers to avoid unnecessary transmission build-out and improve local resiliency and reliability. And, local distributed solar does not need to go through the PJM interconnection process, so these projects are not held up by the current delays. At the end of 2035, there can be new distributed solar that increases in-state generation, offsets Maryland peak demand, and reduces electricity imports into the state.

New Large-Scale Solar Procurement. AACE would also create new competitive procurements starting in 2025 for large-scale solar, creating a pathway for mature and ready-to-build utility-scale solar projects to lock in financing, get built, and then energized in Maryland's grid. There are already over 900 MW of Maryland-sited solar plus storage projects in the PJM queue. By creating a clear procurement pathway, the Maryland PSC can create an onramp from the PJM interconnection queue for newly approved projects to quickly secure financing and move into the construction phase. This competitive process also allows for the prospect that if there are changes to federal clean energy policies (ie. tariffs, repealing the Investment Tax Credit), they can automatically be account for.

In the near-term, the procurement can enable mature and ready-to-build solar projects can be built throughout Maryland. In the longer term, when the PJM interconnection process is approving new projects, there will be a pipeline of ready-to-build projects ready to participate in this procurement process. And by 2035, there can be at least 3 Gigawatts of new large-scale

[5] SEIA/Wood Mackenzie Power & Renewables U.S. Solar Market Insight Q4 2024. https://seia.org/research-resources/solar-industry-research-data/#:~:text=The%20cost%20to%20install%20solar,deploy%20thousands%20of%20systems%20nationwide.

solar in Maryland, serving Maryland's consumers, and reducing the need for importing electricity.

**Energy Storage.** Coupled with small and large solar, battery storage is poised to help the Maryland grid as soon as projects can be built. There are currently over 1,600 MW of energy storage in the PJM queue. There is a concentration of activity in the Baltimore Gas & Electric territory, which is congested and in need of local energy solutions, to deploy new storage assets. This is another case of a common sense proposal designed to deploy beneficial energy assets that will directly help Maryland's electric grid.

## Conclusion

In conclusion, the Abundant Affordable Clean Energy Act is designed to deploy new clean energy projects in Maryland, leveraging private capital, avoiding fully funded ratepayer projects, avoiding unnecessary transmission expansion projects, and creating downward pressure on energy costs for Maryland consumers. It has the added benefit of helping meet Maryland's decarbonization goals, which shows that clean energy has matured to the point where it can solve today's grid issues and contribute to environmental solutions.

CHESSA urges a favorable report on HB398.

Please reach out with any questions on solar and storage policy. CHESSA is here to be a resource to the committee.

Sincerely,

*Robin K. Dutta*

Robin K. Dutta
Executive Director
Chesapeake Solar and Storage Association
robin@chessa.org

**Earthjustice HB 398 Support Comments AACE legislat**
Uploaded by: Susan Miller
Position: FAV

EARTHJUSTICE

February 4, 2025

Chair C.T. Wilson
Members of the Economic Matters Committee

Re: Earthjustice **support** of HB 398:
Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

Earthjustice[1] strongly supports the passage of HB 398, the Abundant Affordable Clean Energy - Procurement and Development Act ("AACE Act"). The AACE Act would create a market for battery storage projects, change the way Maryland finances solar, protect ratepayers from increasing energy prices, make procurement of clean energy more competitive and improve Maryland's energy independence.

Maryland residents are facing an energy affordability crisis. Utility bills are rising as the cost of living increases, further straining already stretched households and businesses. The gas rates of BGE and Columbia Gas have increased significantly since 2010, with BGE's rates tripling during the period and Columbia Gas rates increasing more than three times the rate of inflation.[2] Electric rates for Maryland's Exelon utilities have also increased well above the inflation rate.[3] Unfortunately, this problem isn't going to get better soon. According to BGE, Marylanders should expect to see another combined increase for gas and electric service of over 12% by June 2025 – this will look like an additional $26 on a $210 residential bill.[4] Fortunately, the Economic Matters Committee can pass the AACE Act, which will rein in energy spending, increase energy affordability, and secure Maryland's energy future.

While policymakers have made steady progress toward a future where renewable energy is supported by a reliable electric grid and widely available to consumers at a low cost, that progress is now being stymied by the failure of Maryland's grid operator to adequately do its job. Maryland is part of an electricity grid shared by 13 states and the District of Columbia, managed by an organization called PJM Interconnection (PJM). PJM's goal is to ensure these states have access to sufficient and affordable energy. In high demand periods when PJM is worried the grid does not have the capacity to generate enough electricity, it increases the price of electricity.

[1] Earthjustice is a non-profit public interest environmental law organization that represents other non-profits free of charge. Earthjustice uses the power of law and the strength of partnerships to advance clean energy, combat climate change, protect people's health and preserve magnificent places and wildlife.
[2] Maryland's Utility Rates and Charges, Report of the Maryland Office of People's Counsel, at 6 (June 2024).
[3] Id. at 10.
[4] 3 Think Your BGE Bill is High? Rates are Rising, Tim Prudente and Hayes Gardner, Baltimore Banner, Jan 5, 2025.

To say that PJM has ineffectively managed adding new electricity generation to the grid is a massive understatement. PJM is doing a worse job than any other grid in the nation at bringing wind and solar generation onto the grid. New energy projects looking to come online in the PJM region face years-long wait times before they're even considered. Wind, solar and battery projects account for 95 percent of the 250 gigawatts in its interconnection queue — as much prospective clean energy as now exists in the entire country. At the end of 2023, PJM had 3,309 projects – mostly solar and battery storage – waiting to connect to the grid.

This failure directly affects energy affordability. The results of PJM's latest annual electricity market auction, which is supposed to ensure there is enough generation to meet demand, were appalling. The auction produced a price of $269.92/MW-day for most of the PJM footprint, compared to $28.92/MW-day for the 2024/2025 auction. This 800% price increase will have a massive ripple effect across PJM's 13-states, including in Maryland. The total capacity bill for the region will increase from $2.4 billion to about $14.7 billion, which could increase customer bills by as much as 29% starting mid-2025.

This backlog is unnecessarily driving up electricity costs for Marylanders and unfortunately there is no reason to believe that PJM can significantly expand its interconnection capaci anytime soon. Now, Maryland is left scrambling to procure energy from other sources and to find creative ways to meet its energy demand.

The AACE Act represents a creative approach to improve energy affordability in Maryland. By AACE, the General Assembly has the opportunity to meet the rising demand for electricity with less expensive clean energy technologies, all while protecting consumers and creating family supporting local jobs. AACE recognizes that clean energy is an economic opportunity.

The AACE Act will create a market for battery storage projects by requiring each electric utility to develop a plan to achieve that utility's assigned proportion of battery storage necessary to achieve Maryland's battery storage goals, change the way Maryland finances solar projects, a improve transmission plans for offshore wind to ensure Maryland has access to that generation.

Battery storage is the fastest way to respond to Maryland's current resource challenges. Batteries, combined with solar and wind energy, can store power when the grid doesn't need it and discharge it when it's in short supply — something that's already happening regularly in states like California and Texas. Batteries can also help meet fast-rising demand from corporate energy buyers like data center developers. The AACE Act will require the Commission to conduct two procurements for a total of 1600 MW of battery storage, generating more energy in Maryland and increasing the storage capacity of Maryland's energy grid.

The AACE will also improve Maryland's Renewable Portfolio Standard's Solar Renewable Energy Certificate process to allow for competitive procurement for utility scale solar. This change should ensure efficient and orderly development of utility scale and distributed solar across Maryland.

This year, the General Assembly has the ability to put money back into the pockets of families. Maryland legislators can pass legislation that improves energy affordability across Maryland while building out battery storage and renewable energy. If the Economic Matters Committee wants to take concrete steps to improve the economic lives of Marylanders, the Committee should enact the AACE.

Finally, Earthjustice thanks Delegate Charkoudian for her leadership on this important issue.

Earthjustice strongly urges a favorable report for HB 398.

Thank you in advance for your support. Should you have any questions, please contact me at smiller@earthjustice.org.

Respectfully submitted,

Susan Stevens Miller

Susan Stevens Miller
Senior Attorney, Clean Energy Program
Earthjustice

**HB316 - AACE Act 2025 FAV.docx.pdf**
Uploaded by: Zoe Gallagher
Position: FAV

**Testimony to the Economic Matters Committee**
**HB316 - The Abundant, Affordable Clean Energy Act**
**Position: Favorable**

02/06/2025
The Honorable Delegate Wilson, Chair
Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

Chair Wilson and Honorable Members of the Committee:

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland Fund provides direct assistance today while passing legislation and regulations to create systemic change in the future.

I am writing today to urge your favorable report on HB316, which would quickly maximize the amount of clean energy generation within our grid, making electric rates more affordable for Marylanders and bringing our state closer to its climate goals.

It is no surprise that energy rates are soaring across the state, and are only expected to increase after the recent PJM capacity auction. Utility providers in Maryland cut off electricity 74,000 times last year,[1] an amount that is likely to increase as rates continue to rise.

Utilities are not a luxury, they are a necessity. Maryland saw 25 heat related deaths in 2024, and nearly 1,200 emergency room visits for heat-related illnesses, the highest in recorded history. As climate change continues to lead to hotter and hotter summers, it is imperative that all people are able to afford the electricity needed to cool their homes.

In terms of climate change, we must ensure we are taking the necessary steps to move towards our state's goals for clean energy. According to the Maryland Department of the Environment, a majority of Marylanders would prefer to see more of their energy coming from renewable sources. Although our state is in dire need of energy now, it would be counterproductive to pour millions of taxpayer dollars into an energy production source that is not sustainable and does not meet our long-term climate goals.

These points make one thing clear, we need to produce more clean energy in order to bring rates down and alleviate the cost burden for consumers. HB316 would do just that, by bringing more clean electric energy to the grid through innovative strategies such as battery storage facilities and new incentives and zoning for solar energy.

Producing more energy is essential to meet the needs of Marylanders who are struggling to pay their bills. Producing clean energy is essential to mitigate the impacts of climate change, which disproportionately harms low-income communities.

For these reasons, we urge a favorable report on HB316.

[1] https://digitaledition.mdgazette.capitalgazette.com/tribune/article_popover.aspx?guid=15412912-ce8d-4b78-aea4-ce483556d079

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Thank you,

Zoe Gallagher
Policy Associate

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**House Bill 398 (SB316) - AACE Act (FWA) .pdf**
Uploaded by: Anne Klase
Position: FWA

February 6, 2025

112 West Street
Annapolis, MD 21401

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

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support **House Bill 398 (Senate Bill 316) - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)** with amendments. House Bill 398 requires each electric company to submit plans to the Public Service Commission (Commission) by November 1, 2025, to construct or procure transmission and distribution-connected energy storage devices. The bill also incentivizes the creation of zero-emission credits for nuclear facilities and requires the Commission to adopt a coordinated approach to offshore wind energy transmission development.

Pepco and Delmarva Power support the overarching goal of the bill—to enhance Maryland's energy infrastructure through the deployment of energy storage, expansion of in-state generation, and facilitation of a more resilient and sustainable grid. However, we respectfully request that certain provisions within the legislation, particularly the construction timelines and the storage capacity mandate, be modified to ensure successful implementation.

First, the proposed deadline of November 1, 2025, does not provide sufficient time for utilities to develop comprehensive and effective plans for submission to the Commission. Given the complexities of permitting, procurement, and stakeholder engagement, Pepco and Delmarva Power recommend extending the deadline to November 1, 2026. This additional time will allow for a more thorough and effective integration of energy storage solutions.

Additionally, the legislation requires utilities to construct or procure transmission and distribution-connected energy storage within 18 months of Commission approval. Based on industry experience, this timeframe is not feasible given permitting, siting, interconnection, and supply chain constraints. Pepco and Delmarva Power propose extending the deadline to at least 30 months to allow for proper planning, site selection, and permitting processes, ultimately ensuring project success.

The bill mandates that utilities achieve a 150MW 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. The 150MW requirement should be an aspirational goal rather than a mandate, allowing utilities to execute incrementally and in phases.



**Valencia McClure | Anne Klase | Allyson Black-Woodson | Poetri Deal | 410 980 5347**

Pepco and Delmarva Power recommend 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.

Energy storage projects require significant investment, yet House Bill 398 does not include a cost recovery provision to ensure utilities can recover expenses associated with development, operation, and maintenance. Without this certainty, utilities may face financial risks that could hinder deployment. Pepco and Delmarva Power propose including a clear cost recovery mechanism that allows utilities to recover prudent investments in energy storage through existing ratemaking processes approved by the Public Service Commission.

Section 7-1208(A)(1) of the legislation establishes a contract for the differences between the utility and the developer. Under this arrangement, 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. Also, it is unclear if the structure by stating that all market revenues should be credited back to customers. This implies a different arrangement where customers pay the full fixed price schedule and receive all market revenues.

Sections 216.2(E(2)-(4) contains specific directions to utilities on who should construct an energy storage device, which limits the utilities' flexibility on how to conducts its operations. These provisions should be made less prescriptive to enable the utilities to manage its business effectively. House Bill 398 prescribes how utilities must construct and maintain energy storage projects, requiring that electric company employees perform all construction and that bargaining unit employees receive priority for operations and maintenance (O&M). If third-party contractors are used, the legislation mandates that they offer health and retirement benefits. While we strongly support fair labor practices, these requirements are overly prescriptive limiting operational flexibility and would create challenges in vendor selection.

Finally, the legislation, as written, does not empower the Commission to deny a project if it fails to meet program objectives or is not cost-effective. Pepco and Delmarva Power recommend granting the Commission the authority to deny projects to ensure that only those fulfilling the state's goals are commenced.

Pepco and Delmarva Power commend the sponsors for their leadership in advancing Maryland's clean energy transition. However, for this legislation to be successful, it must be tenable. The proposed storage deployment timelines, capacity mandates, and ownership restrictions are overly prescriptive and should be adjusted to allow utilities to effectively deliver these critical energy resources. With these amendments, House Bill 398 can serve as a strong framework for expanding Maryland's clean energy capacity while maintaining grid reliability and affordability for consumers.

Pepco and Delmarva Power will continue discussions with the sponsor to address our concerns. We respectfully request a favorable report with amendments for House Bill 398.

# BGE_SWA_HB398_Abundant Affordable Clean Energy - P

Uploaded by: Dytonia Reed

Position: FWA

Position Statement

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



Charles Washington| Brittany Jones | Guy Andes| Dytonia Reed| 410.269.5281

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*.



Charles Washington| Brittany Jones | Guy Andes| Dytonia Reed| 410.269.5281

# MAREC Action HB0398 AACE Feb 4 2025 FAV W AMENDMEN

Uploaded by: Evan Vaughan

Position: FWA

February 4, 2025

**MAREC ACTION TESTIMONY HB0398: FAVORABLE WITH AMENDMENTS**

Chair Wilson, Vice Chair Crosby, members of the Economic Matters Committee,

**MAREC Action** (informally, "Mid-Atlantic Renewable Energy Coalition") writes in strong support of HB0398, the Affordable Abundant Clean Energy Act (AACE). Directionally, the AACE legislation addresses key problems facing Maryland's electricity supply. While there are some amendments that we believe would help clarify and strengthen the legislation, we urge the Committee's support to provide us with additional time to work with the Committee and the Sponsor. MAREC Action is a coalition of over 50 utility-scale solar, wind, and battery storage developers and manufacturers dedicated to the growth and development of renewable energy across the PJM grid region.

Maryland's demand for electricity is rising at a time when capacity market supply is diminishing due to retirements and Reliability-Must-Run arrangements. Consumer costs will rise dramatically and changes should be made to both reform capacity market function and, importantly, increase supply of electricity and dispatchable resources. Maryland's near-term interconnection queue is almost entirely comprised of solar and storage. Maximizing the deployment of these projects is the most viable pathway to deploy new in-state resources and suppress consumer costs through the end of the decade.

Most significantly, the AACE Act takes concrete action to establish a procurement program for 1,600 megawatts (MW) of firm energy storage capacity in Maryland's near-term PJM queue. This capacity includes 900 MW of storage capacity that will be out of the PJM queue by the middle of 2026—faster than any other dispatchable energy resource. Creating a pathway to market for these projects will directly increase capacity supply and reduce capacity market prices. These projects are the least speculative firm capacity additions that Maryland can invest in over the next 3-4 years.

The AACE Act's procurement mechanism for storage follows a similar regulatory construct to the longstanding Offshore Renewable Energy Credit (OREC) program wherein the PSC would consider competitive proposals and select a project or projects with the best value for ratepayers through a regulatory order. The

portion of storage capacity contracted under this framework would act as a hedge for Maryland ratepayers to shield from future capacity market volatility. Increasing the availability of capacity in Maryland will also have a price suppressive effect on the capacity market, reducing the overall impact of capacity prices on all customers. Other benefits of deploying these storage resources would include deferred or avoided investments in transmission lines built purely for reliability reasons and expensive peak demand serving natural gas facilities.

Solar provisions in the AACE Act would establish a competitive process for the solicitation of utility-scale solar projects. We support this portion of the legislation directionally, but it is important to note that amendments are needed to clarify the integrity of the existing REC market. Ultimately, Maryland solar deployment will benefit from predictable incentive policy where prices are free to follow market demand.

As it relates to offshore wind, we are strongly supportive of provisions in the AACE Act that provide additional authority for the PSC to pursue long-term transmission planning in coordination with other states. These kinds of projects can address multiple needs for Maryland ratepayers beyond offshore wind. The PSC could, for example, explore coordinated transmission investments with Delaware that bring reliable offshore wind power to shore, open up new land-based energy development opportunities, and deliver clean electrons into the BGE (Baltimore) zone where the greatest demand exists to replace retiring fossil fuel generators.

Thank you for considering our testimony, we ask that you take a favorable position on this legislation to allow refinements to continue throughout the session.

Best regards,

Evan Vaughan
Executive Director
MAREC Action
PO Box 3335
Silver Spring, MD 20918

**HB 398_FAV WAMEND_PSC.pdf**
Uploaded by: Frederick Hoover
Position: FWA

STATE OF MARYLAND

# PUBLIC SERVICE COMMISSION

February 4, 2025

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: **HB 398 – Favorable with Amendments - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

Dear Chair Wilson and Committee Members:

The Public Service Commission (the Commission) requests a favorable report for HB 398 with the amendments detailed in this testimony. The bill requires the Commission to establish and oversee multiple programs designed to enhance the deployment of energy storage, renewable energy, and clean energy sources in the State of Maryland. The Commission will be responsible for the evaluation of program effectiveness and costs, as well as oversight of competitive selection processes and awarding of various energy credits to participants. This legislation has the potential to lead to meaningful deployment of generation resources that align with the State's clean energy goals while also securing additional capacity to assist with meeting Maryland's energy needs. Further, the provisions of the bill dedicated to deploying energy storage are complementary to the storage procurement process required after the passage of HB 910 (2023). For these reasons, the Commission is supportive of the proposed legislation.

HB 398 fundamentally modifies the Commission's roles with respect to clean energy development in the State by requiring the Commission to procure generation resources that have traditionally been left to third-party developers. In this way, the Commission will become an active entity in the development of energy generation resources, similar to a power authority, rather than reviewing private sector projects for need and siting considerations. To achieve this, the Commission will need additional staff and consultants as explained in our fiscal note. The Commission notes that some of the expected timelines may be ambitious and thus there will need to be flexibility afforded to the Commission and developers on both review and development of projects. The Commission also notes that the proposed legislation does not address generation siting issues that exist within the State for renewable energy resources and these siting issues will remain. While concerns have been expressed as to the level of energy imported into the State, the General Assembly should be cognizant that the location of energy facilities within the State will raise location specific siting concerns. Historically, the siting of any energy facility has the potential to be a publicly contentious proceeding.

HB 398 fundamentally alters the financial structure for renewable energy, and how it is incentivized by the State through the creation of long-term contracts with the generators in lieu of the current renewable energy credit market. Consequently, there may be upward price pressure on customer bills if the proposed legislation leads to resource development that may not have been incentivized under the current incentive structure. The Commission does suggest some amendments to the new REC II and SREC II procurement process to provide policy guidance that helps govern the criteria for which these contracts should be awarded.

The Commission has worked cooperatively with the bill sponsor regarding potential amendments to the proposed legislation. The following are areas of focus to be addressed to improve the bill or provide highlights for the legislature's consideration.

**Energy Storage**

HB 398 amends § 7-207(b)(2) of the Public Utilities Article (PUA) to exempt front-of-the-meter transmission energy storage devices from needing a Certificate of Public Convenience and Necessity (CPCN) and furthermore § 7-1209(b) bestows the same rights to a selected [transmission connected] proposal that a generating system [station] would otherwise be granted through a CPCN process **if** the proposal is reviewed under an alternative process as determined by the Commission. A CPCN process is not currently required for a stand-alone energy storage device; a CPCN may be required for a solar+storage facility if the solar component exceeds is greater than 2 MW capacity.

§7–216.2(b) prescribes a goal for electric companies to procure 150 MWs of distribution–connected energy storage devices as determined by the Commission. Currently HB 398 applies to all electric companies including small cooperatives and municipal electric utilities. Currently, the Maryland Energy Storage Program 3 GW target by the 2033 PJM Delivery Year only applies to investor-owned utilities. The Commission recommends that § 7–216.2(b) mirror the Maryland Energy Storage Program, as these small cooperatives and municipal electric utilities may find HB 398 difficult to implement.

§ 7–216.2(c)(2) requires that on or before March 1, 2026, for electric company energy storage plans submitted by November 1, 2025, and on or before March 1, 2027, for energy storage plans submitted by November 1, 2026, the Commission must either approve each of the plans or approve them with modifications. The Commission requests that its approvals be extended to May 1, 2026 and May 1, 2027, respectively. These dates allow six months for Commission approval, which is a more realistic timeframe to conduct a litigated proceeding with discovery and to issue a final order.

The Commission notes that the timelines for the development of both distribution storage and transmission storage in the proposed legislation may be aggressive. To date, the electric companies have limited experience installing distribution energy storage under the Energy Storage Pilot Program required by § 7-216 and several of these pilot projects have incurred substantial delays. Transmission storage projects can take up to three years to become operational once an interconnection agreement is signed. Therefore, the target dates for

transmission energy storage devices to become operational within 18 months of Commission selection may be difficult to achieve.

**Renewable Energy - Solar, Small Hydroelectric, and Onshore Wind**

HB 398 amends §7-705, §7-709, §7-709.2, and §7-709.3 of the PUA, as well as creating §7-1214, §7-1215, §7-1216, §7-1217, §7-1218, §7-1219, §7-1220, and §7-1221 of the PUA to alter the current structure and paradigm of Maryland's Renewable Energy Portfolio Standard (RPS) Program as well as the procurement and retirement of Renewable Energy Credits (RECs) and the accumulation of Alternative Compliance Payments. HB 398 further establishes an escrow account for RECs. The Commission interprets the bill to allow them to be operated in similar manners: with an independent escrow account administrator and not directly by the Commission. However, to ensure there is no ambiguity, the Commission requests that the language under section 7–1214 be used throughout.

Amendments to §7-705 require that funds that accrue as a result of Alternative Compliance Payments (ACPs) which are made in lieu of purchasing RECs to satisfy RPS compliance will be placed into a new escrow account rather than the Strategic Energy Investment Fund (SEIF). The funds that accumulate in this escrow account will be distributed to electric companies to be refunded or credited to each distribution customer based on the customers electric supply consumption that is subject to the RPS. Returning ACP funds to customers via their distribution bill can help to offset future distribution bill increases that may occur.

§7-709.2 establishes a Utility-Scale Solar REC-II (SREC-II) program that allows Utility-Scale solar systems with a generating capacity over 5 Megawatts (MWs) to generate a specific type of SREC-II with an overall goal of providing incentives for the development of 3,000 MWs of Utility-Scale solar generation by 2035. The legislation authorizes the Commission to conduct a competitive procurement process to procure the SREC-IIs from qualifying systems at a price established via a bidding process. Maryland has never incentivized solar via an SREC procurement process; however, it is believed that this process could lead to the construction of utility-scale solar systems within the State. The Commission suggests language to affirm that its regulatory authority to issue Certificates of Public Convenience and Necessity (CPCN) is not in any way negated by the award of SREC-IIs, and that generation projects must still apply and receive a CPCN to begin construction.

§7-709.3 establishes a Small Solar Facilities Incentive Program with a stated goal of incentivizing the development of 3,000 MWs of small solar systems (community solar and net metering systems) by 2035 accomplished by the Commission setting a specific Administratively Determined Incentive value for SREC-IIs that can be generated by small solar systems participating in the program. The program requires that net bill impacts be limited to 5% of a customer's total bill which includes both distribution and commodity rates. This is a useful cost containment measure and may be considered for application to other provisions.

The creation of §7-1214, §7-1215, §7-1216, §7-1217, §7-1218, §7-1219, §7-1220, and §7-1221 authorizes the Commission to conduct a procurement process to procure SREC-IIs and REC-IIs

generated from Utility-Scale solar systems, small hydroelectric systems, and land-based wind systems, as well as establishing the general procedures and guidelines for executing the procurement. These procurement processes are largely equivalent to the process that exists for Maryland Offshore Wind projects and subsequent Offshore Wind RECs (ORECs) which generally involve the purchase and procurement of RECs by the State and the cost recovery of the RECs via distribution rate surcharges. The Commission has only conducted this type of procurement for Offshore Wind and pursuing this procurement process for an expanded amount of energy types is a shift in renewable energy policy and the renewable energy market for the State of Maryland. This arrangement leads to long-term developer guarantees that are not part of the current incentive structures. The full scope of this impact on the renewable energy market is unknown, but it is believed that it may lead to an increase in renewable energy deployment. The Commission notes that the current bill language does not include a concrete cost containment mechanism that limits costs borne by ratepayers. In addition, the Commission flags the lack of guidance on when SREC-II or REC-II contracts should be rejected as a concern and the legislature could consider adding a requirement for a cost effectiveness test or a bill impact cap to the procurement section to address this.

Amendments to §7-709 of the PUA establishes a requirement for utilities to procure RECs in the following specific order: first, ORECs, REC-IIs, and SREC-IIs; second, "certified" SRECs; and third, RECs other than ORECs, REC-IIs, SREC-IIs, and certified SRECs. The Commission will be required to work with PJM/GATs to be able to distinguish between the various different RECs. The Commission must establish this process to allow for the enforcement of this requirement (i.e. tracking multiple types of the same RECs, SREC-II, certified SREC, and SREC) to determine which RECs were retired and the specific timing and order in which they were retired.

The current net energy metering program along with the Utility Scale SREC-II program and the Small Solar Facilities Incentive Program would provide incentives to at least 9,000 MW of largely solar generation (which is 66% of Maryland's estimated 2024 peak demand of 13,682 MW). These three programs have cost implications for Maryland consumers as each program provides additional incentives to these facilities beyond the compensation that is received from simply participating in the energy marketplace.

**Nuclear Energy**

HB 398 establishes a process for the Commission to award zero emissions credits ("ZEC") to certain nuclear facilities under § 7–232, 7-232, 7-233, 7-234, and 7-235. Further, ZECs may not be received by a nuclear facility if the facility simultaneously receives nuclear power production credits under the Inflation Reduction Act of 2022.

The Commission notes that the process for awarding ZECs under § 7–233 does not set any standards except in the public interest, nor does it explicitly state the Commission can deny an application. The Commission requests that it be made clear that an application can be denied. The Commission also notes it may be appropriate to have supplementary standards in addition to the consideration of public interest when reviewing and approving an application. Finally, § 7–

234 proscribes the equation which sets the price for a zero–emission credit. A clearer definition of the formula would help the Commission implement the legislation.

The Public Service Commission appreciates the opportunity to provide testimony for your consideration for bill HB 398. We request a favorable report with support for the amendments detailed above. Please contact Christina Ochoa, Director of Legislative Affairs at christina.ochoa1@maryland.gov if you have any questions.

Sincerely,

Frederick H. Hoover, Chair
Maryland Public Service Commission

**FAV_HB398_StopMPRPInc..pdf**
Uploaded by: Joanne Frederick
Position: FWA

**WRITTEN TESTIMONY**
**HOUSE BILL 398 – Abundant Affordable Clean Energy – Procurement and Development (AACE Act)**
**Submitted to: House Economic Matters Committee**
**Hearing Date: February 6, 2025**
**Submitted by: Joanne Frederick, President**
**On Behalf of: Stop MPRP, Inc.**

**POSITION: FAVORABLE WITH AMENDMENTS**

Thank you for the opportunity to submit testimony on House Bill 398, the Abundant Affordable Clean Energy – Procurement and Development (AACE) Act. I am submitting this testimony on behalf of Stop MPRP, Inc., a non-profit organization committed to protecting Maryland's landowners, farms, forests, and communities from unnecessary overhead transmission projects like the Maryland Piedmont Reliability Project (MPRP).

We support the goals of HB 398 in expanding Maryland's clean energy infrastructure, increasing energy storage, and modernizing the electric grid. However, we strongly urge the committee to adopt amendments that explicitly prevent unnecessary new overhead transmission projects, ensure that grid expansion prioritizes existing infrastructure, and require undergrounding where new transmission is deemed essential. Without these safeguards, HB 398 could inadvertently allow continued overdevelopment of transmission infrastructure at the expense of Maryland's rural communities, property owners, and natural landscapes.

**Recommended Amendments**

**1. Require Cost-Benefit Analysis Before Any Transmission Expansion**
**Proposed Language:** Amend § 7–704.3 (b)(2)(iii) to include:

"SHALL ENSURE THE COMPLETION OF A COST–BENEFIT ANALYSIS THAT COMPARES ALL NEW TRANSMISSION PROJECTS TO ALTERNATIVE GRID SOLUTIONS, INCLUDING ENERGY STORAGE, DEMAND RESPONSE, AND DISTRIBUTED GENERATION SOLUTIONS."

**2. Require Undergrounding of Any New Transmission**
**Proposed Language:** Add a new section to Public Utilities Article § 7–1206 stating:

"(E) ANY NEW TRANSMISSION LINES APPROVED UNDER THIS SECTION SHALL BE PLACED UNDERGROUND UNLESS THE APPLICANT DEMONSTRATES THAT UNDERGROUNDING IS NOT TECHNICALLY FEASIBLE OR THAT THE COST OF UNDERGROUNDING EXCEEDS ALL AVAILABLE ALTERNATIVES, INCLUDING ENERGY STORAGE OR DISTRIBUTED GENERATION."

**3. Limit Transmission Expansion to Existing Infrastructure**
**Proposed Language:** Amend § 7–704.3 (b)(2)(ii)(2) to state:

"TO THE EXTENT POSSIBLE, ALL TRANSMISSION UPGRADES SHALL UTILIZE EXISTING INFRASTRUCTURE BEFORE CONSIDERING NEW CONSTRUCTION, INCLUDING UPGRADING EXISTING TRANSMISSION LINES TO HIGHER VOLTAGE LEVELS AND USING HIGHWAYS OR RAILWAYS FOR NEW TRANSMISSION ROUTES."

**4. Prevent Ratepayer Burden for Unnecessary Transmission Expansion**
**Proposed Language:** Amend § 7–1216 to include:

"(7) TRANSMISSION EXPANSION PROJECTS THAT ARE NOT REQUIRED TO MEET A DEMONSTRATED GRID RELIABILITY NEED MAY NOT BE FUNDED THROUGH RATE INCREASES ON MARYLAND RATEPAYERS."

**Why These Amendments Are Necessary**

While HB 398 takes significant steps toward a cleaner and more resilient energy future, it does not **explicitly prevent unnecessary transmission expansion** or ensure that **storage and distributed energy solutions are prioritized over new transmission lines**. Without these amendments, projects like the Maryland Piedmont Reliability Project could still move forward, impacting private landowners, farmland, and conservation areas.

- Energy storage and grid modernization should replace, not justify, new transmission projects.
- Protecting Maryland's communities from unnecessary eminent domain claims must be a priority.
- Existing infrastructure should be maximized and optimized before any new transmission corridors are considered.

We urge the committee to support HB 398 **only if these amendments are adopted**. Thank you for your time and consideration.

**Respectfully submitted,**
Joanne Frederick
President
On Behalf of Stop MPRP, Inc.

## 2025.02.06_HB0398_AACE Act_FWA_Advanced Energy Uni

Uploaded by: Katie Mettle

Position: FWA

**February 6, 2025**
**Economic Matters Committee**

**HB 0398**
**Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**
**Sponsor: Delegate Lorig Charkoudian**

**Katie Mettle**
**Policy Principal, Advanced Energy United**

**FAVORABLE WITH AMENDMENTS**

Dear Chair Wilson, Vice Chair Crosby, and esteemed members of the Economic Matters Committee:

Advanced Energy United is an industry association that represents companies operating in the clean energy space. Our mission is to accelerate the transition to a 100% clean energy economy. Our members represent the full suite of technologies that are powering this transition. They include, but are not limited to, companies which manufacture, install, and maintain batteries and solar panels, as well as wind turbines, geothermal systems, EVs, EV chargers, and smart grid technologies.

On behalf of our member companies and in alignment with our mission, we support HB 398, with amendments, for broadly the following reasons:

1. The two battery procurement targets will benefit our member companies in the battery industry. It will also allow our state to meet energy demand in a flexible way.

2. Revamping the current Renewable Portfolio Standard system will better support the needs of different types of solar projects. Furthermore, an administratively

determined incentive will provide greater stability and predictability for solar companies than a tradeable renewable energy certificate.

That said, while we do broadly support HB 398, we would like to request some amendments. Some are substantive, whereas others request points of clarification. We have discussed our desired amendments with the sponsor.

1. We have requested clarity from the sponsor on the date the existing RPS system would be replaced with the changes outlined in this bill, and whether that transition would be gradual or overnight.

2. Pages 4-7: We anticipate offering language for a clarifying amendment that specifies the battery storage referenced in this section will all be distribution-connected and in front-of-the-meter, which aligns with the sponsor's intention.

3. Pages 4-7: We anticipate offering language for an amendment that would ensure the distribution-connected, front-of-the-meter energy storage goals work equally well for short- and long-duration energy storage.

4. Page 5: The sponsor has indicated there will be an amendment to specify the goal that at least 30% of distribution-connected, front-of-the-meter batteries will be owned by third parties, not a maximum of 30%. We support this amendment.

5. Page 6: We may offer language for an amendment for a more robust cost-benefit analysis for the construction or procurement of energy storage devices.

Page 10, lines 15-19: We anticipate offering language for an amendment to include the consideration of advanced transmission technologies. Our preferred definition of "advanced transmission technology" is:

*"Advanced transmission technologies" means a set of hardware and software technologies that increase the capacity, efficiency, reliability, or resilience of an existing or new transmission facility, including, but not limited to:*

*a. Advanced conductors;*
*b. Grid-enhancing technologies; and*
*c. Any other technology as determined by the Commission.*

*"Advanced conductor" means a conductor that has a direct current electrical resistance at least 10 percent lower than existing conductors of a similar diameter, while simultaneously increasing capacity by at least 75% on the system and may include rebuilding support structures or other associated facilities.*

*"Grid-enhancing technology" means a hardware or software technology that reduces congestion or enhances the flexibility of electric transmission and distribution systems by increasing the capacity of a line or rerouting electricity from overloaded to uncongested lines, while maintaining industry safety standards. This includes, but is not limited to:*

a. *Dynamic line ratings;*
b. *Advanced power flow controllers;*
c. *Topology optimization; and*
d. *Other technologies that increase grid reliability, flexibility, and capacity.*

6. Page 15: We anticipate offering language for an amendment to clarify that electric companies may only pay the ACP if they are unable to purchase a REC for below that amount.

7. Page 20: While we generally believe that deployment of distributed energy resources like solar will provide benefits to the distribution system, we do not believe it is necessary for the Public Service Commission to make this determination, in light of other provisions related to the 5% net rate impact cap, which already will take such benefits into consideration. We are concerned that if a project doesn't pass whatever criteria the Public Service Commissions sets, that would endanger the State's ability to meet our goal. In addition, it creates an administrative burden, and extra layer of bureaucracy, for the Public Service Commission to make that determination.

8. Page 25: We have asked the sponsor for clarification about aspects of the front-of-the-meter energy storage program, specifically where the money comes from for the State to enter into contracts, how those costs will be recovered from customers, or if there will be some kind of rate cap.

9. Page 27: We have been informed that the sponsor is shaping a clarifying amendment regarding the pricing schedule for solar, which we look forward to seeing.

We respectfully request the Committee issue a favorable report, with amendments. Thank you for your time.

Best Regards,

Katie Mettle, Policy Principal
Advanced Energy United
kmettle@advancedenergyunited.org
202.380.1950 x3197

## hb398test - Abundant Affordable Clean Energy Act.p

Uploaded by: Marcus Jackson

Position: FWA

Associated Builders and Contractors, Inc.

Maryland Joint Legislative Committee

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February 6, 2025

TO: ECONOMIC MATTERS COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTORS

RE: H.B. 398 – ABUNDANT AFFORDABLE CLEAN ENERGY – PROCUREMENT AND DEVELOPMENT (AACE ACT)

POSITION: FAVORABLE WITH AMENDMENT

On behalf of the Associated Builders and Contractors of Maryland, we appreciate the opportunity to opine on H.B. 398, the Abundant Affordable Clean Energy (AACE) Act. We believe this legislation has the potential to significantly advance Maryland's clean energy goals, and we applaud the bill's focus on promoting diverse clean energy resources, including energy storage, offshore wind, and solar power. With that said, we respectfully ask for the removal of the Community Benefit Agreement (CBA) requirements as currently drafted.

We strongly believe in the expansion of clean energy in Maryland. The AACE Act's provisions regarding distribution-connected energy storage, zero-emission credits for nuclear facilities, coordinated offshore wind transmission development, and the establishment of new programs for solar energy development are all positive steps towards a cleaner energy future. We particularly support the emphasis on cost-effectiveness and the inclusion of various technologies to achieve our clean energy targets.

However, the inclusion of mandatory CBAs presents significant concerns. While we understand the desire to ensure community benefits from these projects, mandating CBAs through legislation can create unnecessary burdens and complexities that may hinder project development and ultimately increase costs for ratepayers. These mandated agreements can lead to protracted negotiations, introduce uncertainty into the project timeline, and potentially discourage investment in Maryland's clean energy sector.

We believe that community engagement and benefits are important, but they should be addressed through a more flexible and collaborative approach. Existing mechanisms, such as local permitting processes and voluntary agreements, can effectively address community needs without the rigid mandates of a legislative CBA requirement. Removing the mandatory CBA provisions will streamline the project development process, reduce costs, and ultimately accelerate the deployment of clean energy technologies in Maryland.

Therefore, we urge you to amend the AACE Act by removing the mandatory Community Benefit Agreement requirements. With this modification, we believe

the bill will be a powerful tool for achieving Maryland's clean energy objectives in a timely and cost-effective manner. We are confident that a balanced approach, promoting clean energy development while respecting community interests, will best serve the long-term energy needs of Maryland.

On behalf of the over 1,500 ABC members in Maryland, we respectfully request an unfavorable report on H.B. 398.

Marcus Jackson, Director of
Government Affairs

**NCS - MD - ECM Testimony HB398 Favorablewithamendm**
Uploaded by: Nicole Rentz
Position: FWA

February 4, 2025

Economic Matters Committee
Annapolis, Maryland

**Written Testimony**
**HB398: Abundant Affordable Clean Energy – Procurement and Development 3 (AACE Act)**

**Position: Favorable with Amendments**

Thank you for the opportunity to submit testimony on House Bill 398, the Abundant Affordable Clean Energy – Procurement and Development 3 (AACE Act).

New Columbia Solar is a commercial and community rooftop solar developer with offices in Prince George's County, Maryland, and DC. Our company began operating in 2016 with a team of about 5 people and now employs roughly 70 people working across all aspects of solar development and construction. Our company is made up of administrative staff, accountants, engineers, electricians, construction teams, and project and business development managers. New Columbia has successfully completed over 30 Maryland rooftop commercial net-metered and rooftop community solar projects totaling more than 10 megawatts and currently has another 30 projects across 6 Maryland counties in development.

New Columbia Solar specializes in providing commercial, industrial, and institutional building owners access to the benefits of clean energy by installing solar on their rooftops and parking structures. This market for solar installation has enormous growth potential in Maryland. Installation on these types of buildings provides direct benefits to Maryland business owners and also provides grid benefits that larger, transmission-level solar systems typically do not provide. Further, installing solar on rooftops and parking canopies faces almost no local or community opposition, because it's installed on already developed land. Despite these advantages, Maryland commercial/industrial rooftop solar market installation levels have been relatively low and roughly static for the past few years, adding only about 35 MW per year out of the more than 200 MWs installed annually in the state. This is due in large part to the fact that, before the temporary bridge in the Brighter Tomorrow Act passed last year, Maryland solar incentives have been structured in a one-size-fits-all approach, with all solar systems receiving the same incentive, whether it's a 7 kW system on a homeowner's roof, or a 150 MW system installed on an open field. Installing solar on a rooftop typically costs significantly more per watt than installing on the ground, due to smaller system sizes, the complexity of installing systems on differing rooftop slopes, the need to hire cranes to lift equipment, and the need to provide a greater per-watt benefit to building owners and customers.

The ACCE Act would adopt a permanent policy that directs consideration of these factors in setting incentive levels, allowing the Public Service Commission to set and change solar incentives at differing levels for different market segments. This will save ratepayers money by creating a more effective and efficient incentive program that doesn't over-subsidize some market segments while under-subsidizing others. Further, the design of the program, with 15-year fixed incentive levels that do not rely on market sales, will decrease the cost to build systems by decreasing risk of developing systems. Financiers who provide capital to build solar systems know that market-based incentives are subject to market changes, and they increase their pricing to account for this risk. Eliminating the market risk inherent in the current incentive structure will reduce the cost of installing solar in

Maryland, which is a factor that can be considered in setting incentive levels, as well. Further, with changing and increasingly uncertain federal energy policies, the incentive program proposed in the AACE Act can allow Maryland to respond quickly to ensure its in-state solar installation and job levels are protected from harmful federal policies that may be adopted in the future.

Some amendments are needed to fully effectuate the intent of this legislation, and New Columbia Solar supports the amendments proposed by the Chesapeake Solar and Storage Association (CHESSA) to this end. In particular, there needs to be a purchase obligation established for the credits created pursuant to the administratively-determined small solar incentive program, and the bill should clarify that SREC IIs cannot be used to meet the solar carve out in the renewable portfolio standard, to protect against oversupply that would cause legacy system SRECs to potentially become worthless. Further, the bill should add a market category for rooftop and parking canopy community solar, as it differs from groundmount community solar significantly in installation and customer requirements and costs.

In support of its 100% clean energy goals, Maryland is changing how it is powered, and adding solar generation on and near buildings and load centers will reduce the overall cost of that transition. We are hopeful that the AACE Act can help accomplish that goal by growing and supporting *all* sectors of solar in Maryland.

Sincerely,

Nicole Rentz
Director of Market Development and Policy
New Columbia Solar
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**HB 398 abc.pdf**
Uploaded by: Sean Malone
Position: FWA

**ASSOCIATED BUILDERS AND CONTRACTORS**

**SUPPORT WITH AMENDMENTS**

**TO**

**HB 398 - Abundant Affordable Clean Energy – Procurement and Development (AACE Act)**

Pg 23, line 6: (A) AN APPLICATION FOR A PROPOSED PROJECT UNDER THIS SUBTITLE IS 6 SUBJECT TO A ~~COMMUNITY BENEFIT~~ **WORKFORCE** AGREEMENT **BETWEEN THE ELECTRIC COMPANY AND THE CONTRACTOR.**

(B) A ~~COMMUNITY BENEFIT~~ **WORKFORCE AGREEMENT** SHALL:

Pg 23, delete line 24, 25; ~~GUARANTEES AGAINST STRIKES, LOCKOUTS, AND SIMILAR DISRUPTIONS~~;

Pg 23, lines 29,30 CREATES MUTUALLY BINDING PROCEDURES FOR RESOLVING ~~LABOR~~ DISPUTES **BETWEEN THE ELECTRIC COMPANY AND CONTRACTORS** ARISING DURING THE TERM OF THE PROJECT;

Pg 31, Line 2-5 SETS FORTH OTHER MECHANISMS FOR ~~LABOR–MANAGEMENT~~ COOPERATION ON MATTERS OF MUTUAL INTEREST AND CONCERN, INCLUDING PRODUCTIVITY, QUALITY OF WORK, SAFETY, AND HEALTH **BETWEEN THE ELECTRIC COMPANY AND CONTRACTORS**; AND

**HB398 Pavlak UNF - AACE act.1.pdf**
Uploaded by: Alex Pavlak
Position: UNF

February 4, 2025

# HB398 AACE Act – Unfavorable

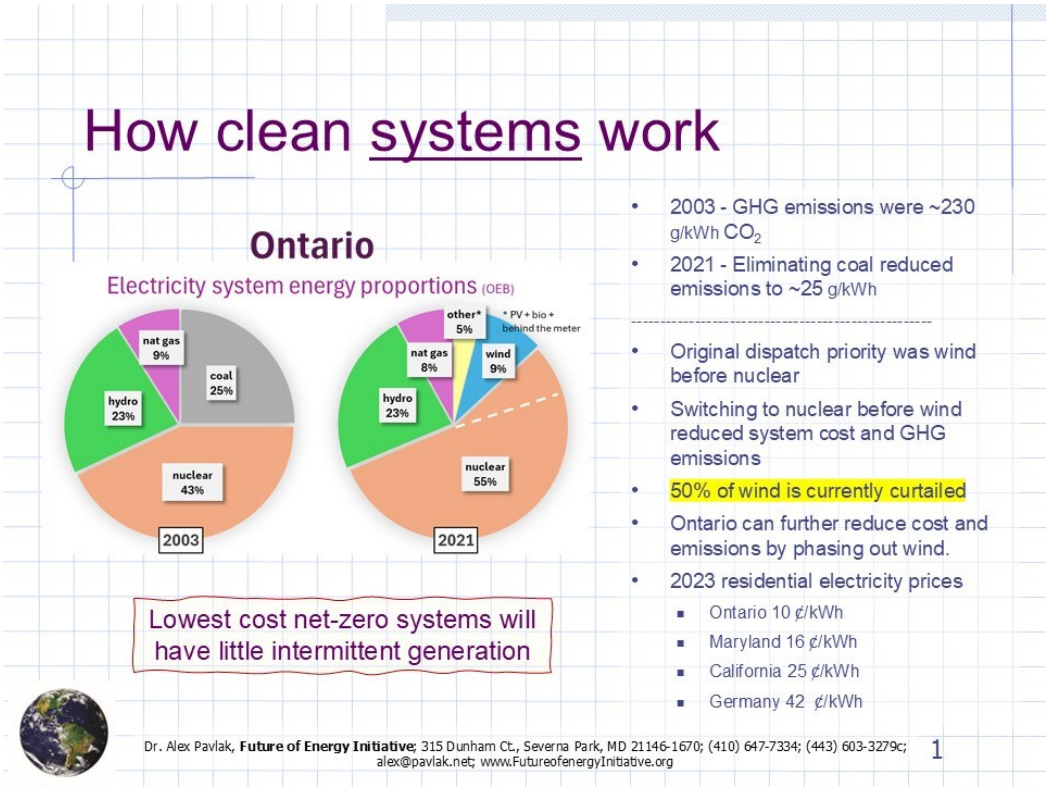
Engineering development of unprecedented systems proceeds through a sequence of 4 steps:

1. Set a technology agnostic performance goal
    a. E.g. net zero electric power (original IPCC definition)
2. Explore all feasible options
    a. E.g. Wind, solar nuclear…
    b. Focus on the end-state, a vision of the final solution, the destination
    c. Based on evidence, analysis, validated models, precedented systems (e.g. Ontario)
3. Choose an option
    a. Value (political) choice, not necessarily the cheapest
4. Develop a risk managed plan
5. Begin development

HB398 continues Maryland's tradition of guessing at solutions without evidence, leaping to phase 5

- 100% renewables
- 8,500 MW of OSW
- 150 MW distribution connected storage devices
- 1,600 MW front of the meter transmission energy storage devices

STOP MAJOR COMMITMENTS THAT ARE UNSUPPORRTED BY EVIDENCE



**HB-398-250204-Energy.pdf**
Uploaded by: Christine Hunt
Position: UNF

Christine Hunt and Jay Crouthers
1014 Dockser Drive
Crownsville, MD 21032

February 4, 2025

Maryland General Assembly
Members of the Economic Matters Committee
Annapolis, MD

RE: HB 398 – Abundant Affordable Clean Energy – Procurement and Development (AACE Act)

Dear Delegates,

We oppose and respectfully request that you vote against the above bill.

It provides subsidies for renewable energy producers and lowers energy costs for data centers.

Data centers are wealthy businesses which do not need government handouts or energy handouts in the midst of a state energy crisis where we cannot produce enough energy for our state and have to purchase it from other nearby states.

Please vote NO on this bill.

Sincerely,

Christine Hunt and Jay Crouthers

**OPC Testimony HB0398 and Resource Adequacy FAQs.pd**
Uploaded by: David Lapp
Position: INFO

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**BRANDI NIELAND**
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**CARISSA RALBOVSKY**
CHIEF OPERATING OFFICER

| | |
|---|---|
| BILL NO.: | HB 398 – Abundant Affordable Clean Energy Act |
| COMMITTEE: | Economic Matters |
| HEARING DATE: | February 6, 2025 |
| SPONSOR: | Delegate Charkoudian |
| POSITION: | Informational |

**********

The Office of People's Counsel (OPC) respectfully offers the following informational comments on HB 398, the Abundant Affordable Clean Energy (AACE) Act. HB 398 aims to support the State's electric system and advance its clean energy goals by fast tracking the development of energy storage and clean, renewable energy. Specifically, the bill directs the Public Service Commission (PSC) to conduct procurements for distribution and transmission connected batteries, directs the PSC to conduct transmission planning related to Maryland's offshore wind goals, and creates new SREC-II and REC-II programs, which function similarly to the State's existing OREC program. The bill also creates a Zero Emissions Credit program for nuclear energy facilities.

Resource adequacy, or the ability to "keep the lights on," requires having enough electricity generation to serve peak demand along with enough room on the transmission system to reliably deliver the power to customers. Under conservative assumptions, Maryland has sufficient resource adequacy in the near term to meet the peak demands on its system. Specifically, sufficient transmission and generation resources currently exist to meet the resource adequacy needs for every part of the State through at least 2029.[1]

[1] *See* Office of People's Counsel Comments, Public Service Commission Admin Doc. No. PC66, Submission No. 31 (explaining results of technical analysis). Beyond 2029, additional planned transmission capacity is needed. PJM has already approved construction of transmission—scheduled to come online in 2028—to fill this need. *Id.*

For additional information and context, please see the attached FAQs, also available on OPC's website.

Many of the policy objectives of the AACE Act have the potential to decrease costs for Maryland ratepayers and enhance resource adequacy:

- Connecting additional distributed energy resources (DERs) —such as rooftop solar, community solar, and batteries—to the distribution grid can promote resource adequacy and decrease capacity costs. DERs connect to the distribution grid—not the transmission grid—and so are not impacted by the current delays in PJM's process for connecting generation at the transmission level.

- Energy storage specifically—whether connected to the transmission grid or the distribution grid—can decrease costs for consumers if (1) it is strategically deployed to decrease generation, transmission, or distribution costs or to generate wholesale market revenues, and (2) said decreased costs or market revenues exceed the costs that customers are required to pay to procure the storage.[2] Energy storage can "firm up" intermittent renewable generation by allowing energy from solar and wind to be stored and later deployed at times of peak demand, although energy storage devices can also, and often do, charge from gas plants. Energy storage can also help avoid costly transmission-system upgrades by pre-flowing energy over a transmission line and storing it on the other side of the line prior to times of peak demand.

- Robust transmission planning can ensure that least-cost transmission system configurations are built.

While these measures have the potential to decrease costs for Maryland ratepayers, locking in energy prices through ratepayer-backed, long-term procurements also has the potential to raise costs for ratepayers. Whether the AACE would increase or decrease costs for customers depends on whether there will be sustained high market prices and whether the solicitation processes proposed by the bill procure energy at prices that end up being below market rates. If the solicitation process locks in prices that are higher than actual market prices, customer bills will be higher than they otherwise would be. This

[2] The Public Service Commission's 2024 interim report to the General Assembly on the Energy Storage Pilot Program shows that of the eight projects approved by the Commission (several of which have yet to be placed in service) only one is projected to have benefits that exceed its costs. As of June 2024, the projects had *collectively* generated less than $50,000 in PJM wholesale market revenues.

risk for ratepayers exists if the facility is owned by a utility or a third party under a long-term, fixed-price arrangement.

If the new facility is owned by a utility—as the AACE Act only anticipates for a portion of distribution-connected storage devices—there is an additional risk for ratepayers. With utility ownership, ratepayers—rather than private investors—would be supporting and fully taking the risks of facility investments, including potential cost overruns. Moreover, as a general rule, utility ownership means customers must rely on regulation—not competition—to keep costs down. Stated otherwise, utility ownership of resources that can be provided competitively means not taking advantage of the opportunity to keep prices lower through competition. Alternatively, if the utility participates in actual competition to provide the resource, the utility has advantages of information and other ratepayer-funded resources (such as access to land) that its competitors don't have—undermining the efficacy of the competition. Finally, utilities have exclusive government monopolies and captive customers and are paid on a "cost plus return" basis. Even if the costs are higher than competitors' costs, the utility is generally entitled, as a matter of law, to recover its costs—including potential cost overruns—plus an opportunity to earn a return.

The competitive procurements contained in other parts of the bill could be more protective of utility customers, avoiding some—though not all—of the problems described above. Competitive procurements would not avoid locking in prices, which puts ratepayers at risk. Further, we are in a period of high wholesale future prices. Competitive procurements could lock in those high prices for years into the future, even though future prices could drop. And today's high capacity market prices could provide sufficient incentive for competitive entities to build generation—though not necessarily clean energy—without the set-prices created by the REC-II, SREC-II, and procurement policies in the AACE Act. To be more protective of utility customers, the legislation should require any such procurements to be tested for cost-effectiveness.

While there are risks inherent to locking in energy prices through ratepayer-backed long-term procurements, the AACE Act includes important provisions that aim to mitigate these risks, including:

- a 5 percent net ratepayer impact cap on the costs of the small-scale solar program;
- refunding 75 percent of data center franchise tax revenue and sales and use tax revenues to ratepayers; and
- refunding alternative compliance payments to ratepayers.

OPC appreciates these efforts to minimize the potential impact on residential customer bills, although we have not quantified the extent to which these measures would offset the risks associated with ratepayer-backed procurements. We also have not assessed how directing alternative compliance payments to ratepayers would impact other programs that help Maryland ratepayers, such as programs for low- and moderate-income households run by the Maryland Energy Administration. We recommend further mitigating the risks to ratepayers by requiring the PSC to find that each procurement is cost effective, meaning that projected benefits must be greater than projected costs, as determined by the PSC.

Finally, as a general matter, public policies funded through electricity rates are regressive. All utility customers—rich and poor alike—pay the same rates, unlike other funding mechanisms such as general funds that rely on progressive income taxes. These policies can increase costs for Maryland residents who already are having a hard time meeting their energy bills.

OPC appreciates the opportunity to provide comments on HB 398.

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(January 28 2025)

# Maryland Resource Adequacy FAQs

**What is resource adequacy?**

Resource adequacy requires having enough electricity generation to serve peak demand—including a "reserve margin" buffer for uncertainty—along with enough room on the transmission system to reliably deliver the power to customers.

**Who is responsible for ensuring resource adequacy in Maryland?**

PJM Interconnection, LLC (PJM), the regional transmission organization (RTO) for Maryland and 13 other jurisdictions in the region, is responsible for ensuring resource adequacy in Maryland. RTOs like PJM operate the transmission system and the wholesale energy markets and are regulated by the Federal Energy Regulatory Commission (FERC). Subject to FERC's oversight, PJM sets the reserve margin necessary to meet the reliability and resource adequacy criteria established by the North American Electric Reliability Corporation (NERC) and the regional entity to which NERC delegates authority, the Reliability First Corporation, to determine and assess electric reliability, including resource adequacy, for PJM.

PJM evaluates resource adequacy for the PJM region as a whole, as well as smaller zones within the region (called Locational Deliverability Areas or LDAs).

**How is resource adequacy achieved in Maryland?**

PJM runs auctions for "capacity" in which generation companies commit to being available to run when needed to meet demand. The capacity auctions (in PJM parlance, the Base Residual Auction, or BRA) are run annually and have the goal of ensuring sufficient generation to meet power needs for the region as a whole (PJM's regional territory) and—based on the ability of the transmission system to import power—for the smaller zones within the region. The auction is designed to enable the procurement of sufficient resources to satisfy the resource adequacy criteria applicable to PJM and Maryland.

**What is the resource adequacy situation now?**

PJM ran its latest capacity auction in July 2024. That auction secured enough capacity to meet anticipated customer peak power demands and a sufficient reserve margin for the PJM region as a whole and for most zones in Maryland for the 2025/2026 delivery year—which runs from June 1, 2025, to May 31, 2026. In that auction, the capacity bids to meet PJM's requirements in Baltimore Gas & Electric's service territory zone—called the "BGE LDA"—fell just short because the Brandon Shores and Wagner power plants, having announced an intention to retire, did not bid into the auction. Although these results *do not* indicate expected outages in the BGE LDA, the results *do* indicate a need for more generation or transmission.

PJM ensured reliability in the BGE LDA for the 2025/2026 delivery year by entering into "reliability must-run," or "RMR" arrangements with Brandon Shores and Wagner. RMR arrangements keep the plants online past their intended retirement date and obligate the plants to generate power until planned transmission enhancements add new capabilities to import power into the area. It is reasonable to conclude that the BGE LDA will not have resource adequacy—or reliability—issues for the foreseeable future because of the RMR arrangements and the planned transmission enhancements that will replace the generation lost by these plants' retiring.

Under RMRs, generators commit not to retire their power plants at their announced retirement date and are guaranteed payment at a regulated rate which is almost always much higher than the market rate. They are paid that higher rate even if their exclusion from the capacity market increases the clearing price for the capacity market.

Following the summer 2024 auction, OPC and many others challenged PJM's policy of excluding Brandon Shores and Wagner from the auction, and PJM is now seeking to change that policy to include RMR units in the auction. Doing so should reduce the costs for ratepayers in the region, who currently functionally pay for the capacity of the power plants twice: once through the inflated capacity market prices, and again through the RMR arrangement that also ensures the units act as capacity.

OPC released a report on the 2024 capacity market auction, the RMR arrangements and their impacts on customers in August 2024.[1]

[1] Bill and Rate Impacts of PJM's 2025/2026 Capacity Market Results & Reliability Must-Run Units in Maryland, OPC (August 2024).

**What are the future prospects for resource adequacy in Maryland?**

Maryland appears to have sufficient resource adequacy in the near term to meet the peak demands on its system.[2] Any assessment of Maryland's resource adequacy should include an assessment of both generation resources located within each of the LDAs in Maryland and an assessment of the power transfer capacity into the LDAs in Maryland using the transmission system. It should also include other measures such as demand response and energy storage, accounting for existing tools the Public Service Commission has to mitigate resource adequacy issues. The contribution to resource adequacy from Maryland-located generation depends, in part, on finalizing RMR arrangements for the Brandon Shores and Wagner power plants near Baltimore—which appears imminent—and the continued availability of the Calvert Cliffs Nuclear Plant to serve existing customers.

Based on information received from Maryland utilities, PJM is not forecasting significant data center growth in Maryland. Some data center growth in the Frederick area will occur, but that area is not transmission-constrained, which means that existing and planned transmission for those data centers will ensure resource adequacy there. PJM's forecasts of average annual demand growth through 2045 for the other Maryland zones—including the BGE zone—are modest, ranging from 0.37% to 0.67%. PJM's transmission solutions for planned power plant retirements intend to address the resource-adequacy impacts of those retirements. Further, all of Maryland's coal-fired power plants have already retired or announced plans to retire. Higher capacity market prices across PJM also are incentivizing plants to remain online or come out of retirement.[3]

PJM is scheduled to run its next auction in June 2025 for the 2026/2027 delivery year that runs June 1, 2026, to May 31, 2027. Some analysts are predicting that there will not be enough capacity to meet the expected demand and reserve margins for PJM as a whole in that auction. These predictions are due to forecasts of data center growth mostly outside of Maryland and present issues largely beyond Maryland's control.

**Does Maryland's status as a "net importer" of generation mean more in-State generation is needed for resource adequacy?**

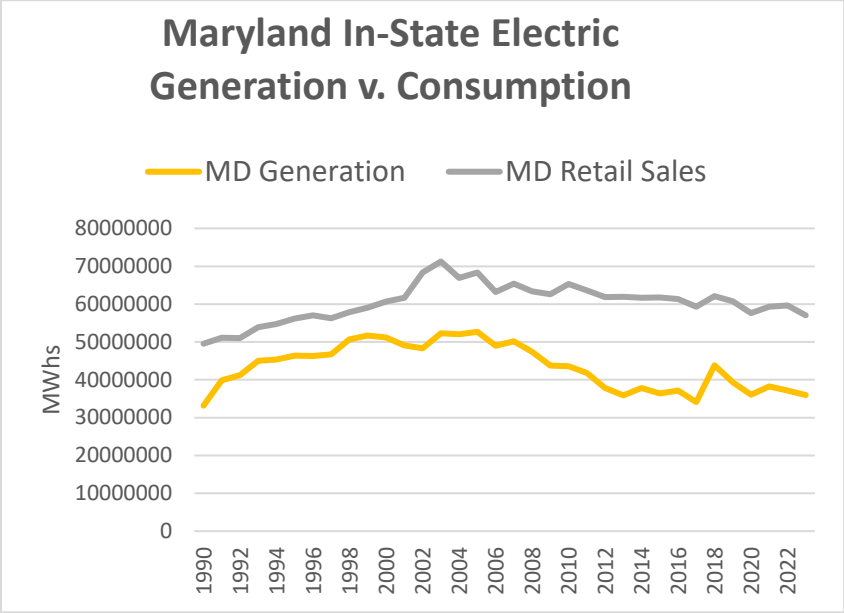
No. Resource adequacy depends only in part on the geographic source of energy production. It is mostly a function of peak demand and the combination of generation and transmission capability to meet that demand. Maryland's status as a net importer speaks to overall energy consumption—at all times of day over the course of a year—and is measured in megawatt-hours (or kilowatt hours), which is a different measurement than used for reliability and system capacity—*megawatts*. Meeting resource adequacy requires

[2] Public Service Commission PC66, Comments of the Office of People's Counsel (Jan. 17, 2025).
[3] *See*, for example, Middle River Power reverses plan to shut 540-MW plant amid record PJM capacity prices, Utility Dive (Sept. 12, 2024). The plant discussed in this article is in Illinois.

having sufficient *megawatts* available at time of highest demand on the system, while Maryland's status as a net importer of 40 percent of its *megawatt hours* speaks only to overall energy consumption.

The relevant available data does not show that there is a near-term need for generation located in Maryland for reliable electric service. The transmission system in place can import sufficient power into Maryland, and new transmission under development will increase that capability as power plants retire.

Maryland has imported a portion of its power needs for many decades through both periods of high and low energy costs.[4] In fact, more states in PJM are energy importers than exporters. D.C. imports about 98 percent of energy, and Delaware about 57 percent. As long as there is enough capacity in the region and sufficient transmission to deliver the electricity, importing part of Maryland's energy needs poses no risk to Marylanders.




Maryland, like many states in PJM, has long imported more electricity than it generated.

In fact, Maryland customers benefit from being part of a diverse regional system and market, and it has been part of PJM for more than 60 years.

It is true, however, that new generation is needed within PJM's broader footprint, considering increasing demand from data centers and potential power plant retirements.[5]

[4] *See* State Electricity Profiles, EIA, Table 10. Maryland has been a net energy importer of electricity every year since 1990 (the EIA only provides data going back to the '90s). In 2013, Maryland imported 30,881,323 MWh, or 46% of its total electricity from other states, the highest annual import to date. 1998 was the lowest year of imports since 1990, with 13,945,102 MWh, or 22% imported into the state. In 2023, 24,139,011 MWh, or 40% of the state's demand, was imported.

[5] At least some of this demand may be illusory. *See*, e.g., Investors may overestimate benefits to utilities of datacenter boom, S&P Global (June 18, 2024). Regardless, because PJM has accepted projected load growth from data centers, it has increased the capacity requirements to meet the reliability requirement.

Maryland, however, cannot address regionwide resource adequacy issues raised by data center growth elsewhere in PJM without taking on significant costs.

**How can Maryland lower the costs of assuring resource adequacy for customers?**

Even though it is likely that there will be sufficient resources in Maryland to meet resource adequacy standards, tight market conditions *throughout* PJM could lead to high prices for capacity for Maryland customers in upcoming years. A variety of "no-regrets" solutions could enhance resource adequacy, reduce risks to customers of reliability issues, and minimize the chances of paying high prices for potentially unnecessary transmission and generation. These no-regrets measures include:

- *Demand flexibility and response*. Foremost among "no regrets" solutions are measures to enhance demand flexibility and response. Demand response refers to programs that pay or credit consumers for decreasing their energy use during peak demand hours. Estimates from the EmPOWER future programming work group indicate that it would be cost effective to deploy more than four times the amount of demand response utilities paid for in 2023.[6] Demand response can bid into PJM's capacity market, and so, in addition to decreasing the real-time cost of electricity, can decrease capacity costs for consumers.

  The electric system is built for—and resource adequacy is measured based on—peak demands on the system. Programs that encourage consumption more evenly across the day would decrease peaks that drive resource adequacy needs and thereby decrease system costs.

- *Energy efficiency*. Maryland could also take measures to require more energy efficient appliances. While energy efficiency can no longer bid into PJM capacity markets,[7] encouraging energy efficiency can still reduce capacity demand. Energy savings means that less capacity is needed to serve the lower peak demand, thus decreasing capacity costs, while also lowering customer bills. An analysis for the EmPOWER energy-efficiency programs found vast quantities of cost-effective energy-efficiency savings are available beyond what the current EmPOWER program alone can provide.

- *Existing transmission enhancements*. The transmission system is part of the resource adequacy equation. Limits on how much electricity can be delivered

[6] Utilities procured 125 MW of demand reduction in 2023. *See* The EmPOWER Maryland Energy Efficiency Act Report 2024, Public Service Commission (May 2024), at 15. It would be cost effective to procure more than 500 MW of demand response. *See* Maryland GHG Abatement Study Final Response, Applied Energy Group (Dec. 2, 2022), at 40. Originally submitted to the PSC under maillog number 300426.

[7] On Nov. 5, 2024, FERC accepted tariff revisions from PJM that prevent energy efficiency from participating in the capacity markets. *See* Docket No. ER24-2995.

over any given transmission line are determined by the physical characteristics of the wire. Grid enhancing technologies, also called GETs, refer to a suite of new technologies that provide low-cost methods to make the most of existing transmission infrastructure. GETs can help defer, or even avoid, expensive construction of new transmission lines and enable more generation to connect to the system and serve customers. One study estimates that GETs could save $1 billion annually across PJM by 2033.[8]

- *Distributed Energy Resources (DERs)*. Greater deployment of DERs—such as rooftop solar, community solar, and batteries—can also promote resource adequacy and decrease capacity costs. DERs connect to the distribution grid—and not the transmission grid—and so are not impacted by the current delays in PJM's process for connecting generation at the transmission level. DERs can either participate as demand response—by allowing residential customers to draw energy from their battery or "behind-the-meter" solar, rather than the grid, during times of peak demand—or they can be aggregated in a "virtual power plant" (VPP) to act as a generator that can bid capacity into the capacity auction. Studies have shown that virtual power plants can provide great value to the grid, with one study finding that VPPs could save utilities $15-$35 billion in capacity investments over a 10-year period.[9]

- *Energy storage*. Energy storage can "firm up" the capacity value of intermittent renewable generation by allowing energy from solar and wind to be stored and later deployed at moments of peak demand. Energy storage can help avoid costly transmission-system upgrades by pre-flowing energy over a transmission line and storing it on the other side of the line prior to times of peak demand. When demand peaks, energy can then be supplied *both* over the transmission line in real time, and from the batteries.

- *Surplus interconnection service*. PJM is asking FERC to approve more robust surplus interconnection service (SIS), which could also promote resource adequacy and lower costs. Many generators—especially intermittent renewable generation—do not use their full allowable transmission capacity.

  More robust SIS would enable additional generating units to share the interconnection with existing generators so long as the combined generation does not export more than the existing generation's maximum allowed output at any given moment. SIS could allow solar and wind resources to add battery storage to their sites and significantly increase supply in the PJM capacity market. One study estimated that batteries utilizing SIS on existing PJM solar interconnections alone could unlock an additional 5,862 MW of capacity—an

[8] GETting Interconnected in PJM, RMI (February 2024).
[9] Real Reliability: The Value of Virtual Power, Brattle (May 2023), at 25.

amount equivalent to about 90% of Maryland's largest utility's current peak demand.[10] If FERC approves PJM's proposal, State policies to site batteries alongside intermittent generators using SIS could add new capacity within approximately one year.

**Are there other measures that Maryland should take to assess or address resource adequacy?**

Maryland can require greater information about large customers—such as data centers—that plan to locate in Maryland and take measures to ensure that new big customers do not harm existing customers. For example, Maryland could require large customers to provide for their own generation needs and contribute to State policies and programs such as the Electric Universal Service Fund, EmPOWER, and the State's clean energy goals. Further, data centers that have flexible power needs could bring benefits to the system.

Also, the State could take actions to promote more accurate forecasts of future loads, and State agencies can advocate for beneficial changes to PJM and FERC policies. OPC is very active as a member of PJM, engaging daily in PJM workgroups and processes and advocacy before the FERC.

**Is now a good time for Maryland to require in-State generation?**

No. Interest rates are high, supply chain challenges are ongoing, and the high prices in PJM capacity market are providing incentives to existing generation to remain online and new generation to come online without ratepayer backing. As has long been the case for Maryland, if it's profitable because it's needed, private generation companies can provide the investor backing for new generation plants.

Moreover, any new baseload generation would take many years before commencing operations, likely more than six years and potentially longer, extending further out in time the uncertainty of calculating an appropriate cost that ratepayers would be committed to.

Further, the data on load forecasts is fraught with speculation. Demand growth is likely to "fail to materialize as forecast," a January 2025 analysis from Bank of America concludes, and when this happens "there are significant risks to overbuild of resources with no demand to serve."[11] Without an immediate urgency, Maryland would be better off waiting to see how projections for increasing electricity demand in other parts of PJM play out.

[10] ReSISting a Resource Shortfall: Fixing PJM's Surplus Interconnection Service (SIS) to Enable Battery Storage, ACORE (Sept. 18, 2024).
[11] US Power & Utilities: Year Ahead 2025: Is Past What's Prologue?, Bank of America (January 7, 2025)

Finally, as described above, **there is no immediate resource adequacy issue requiring Maryland to take action that risks further increases to utility customer bills**. Most Maryland utility customers are already facing some of the highest bills they've ever seen because of massive rate increases over recent years, as described in our June 2024 rates report.

**Would allowing Maryland's utility monopolies to build and own power plants enhance resource adequacy and, if so, at what cost?**

As noted above, Maryland does not need to take action to encourage the building of large power plants within the State. While any generation may lower costs in the medium to long term, utility-owned generation would likely do so at a higher cost than relying on independent power producers to construct more generation in the competitive market or making the most of the alternatives described above. In Maryland, law in place since 1999 allows utilities to build and own generation subject to Public Service Commission approval, but this law has not been utilized.

Allowing utilities to build generation poses significant risks to Maryland's utility customers, with few offsetting benefits.

*First*, utility ratepayers could bear uneconomic costs. Maryland ratepayers would still have to cover power plant costs (plus a profit margin) if the units sit unused because there are other lower-cost generators available to serve customers or they are incompatible federal or State climate goals. Indeed, data shows that New Jersey customers narrowly avoided paying nearly a half billion dollars above the market over the last ten years because a proposal to build out-of-market generation was overturned by the courts.

*Second*, utilities have no inherent advantages in constructing generation over non-utilities other than their ability to recover all their costs—no matter how high—from their captive customers. Non-utility generation companies, in fact, purchase the equipment to build generating plants from the same vendors as a Maryland utility would. Also, many non-utility companies have much greater experience actually building generation, which utilities have not done for about three decades.

*Third*, any new gas plant will take years—likely much more than five years—to come online.[12] By that time, planned new transmission is highly likely to be completed that will be available to serve Maryland customers and would allow other generation sources to

[12] *See* Silverman et. al, Outlook for Pending Generation in the PJM Interconnection Queue (May 2024) at 9, (finding that "[A]bsent significant reforms or market innovations, most projects entering PJM's queue today are unlikely to come online before 2030.").

compete against—and potentially out-compete—a utility-owned generating plant, to the detriment of customers, as the New Jersey example shows.[13]

*Finally*, although additional new generation anywhere in the PJM region potentially decreases capacity costs by increasing supply, in the case of utility-owned generation, customers themselves do not necessarily benefit from lower prices. Rate-regulated utilities—which have exclusive government monopolies and captive customers—are paid on a "cost-plus return" basis, and if the costs are higher than competitor's costs, the utility is generally entitled to recover those costs plus its return as a matter of law. And because there is great uncertainty with projecting generation market prices over the life of the power plant, it is not possible to know whether utility ownership of generation will benefit customers.

What *would* be certain, however, is that captive utility customers bear all the risks that the future costs paid to the utilities would be higher than market prices. That is the opposite of how risks are allocated currently to the investors of competitive generation companies.

**Would it be different if Maryland directed its utilities to competitively procure new in-State generation through purchase power agreements?**

Requiring a competitive procurement for generation rather than simply requiring utility generation investments would be more protective of utility customers because it would avoid some—though not all—of the problems described immediately above.

Most importantly, it would not avoid the guesswork about future market prices that puts ratepayers at risk. As the New Jersey example noted above illustrates, locking in prices with private generation companies shifts the risks of low future market prices to customers. One simply cannot know what the future capacity and energy markets will do. As with utility ownership, what *would* be certain is that captive utility customers would bear all the risks that the future costs of the procurement would be higher than market prices.

[13] There is currently 427.9 MW of capacity associated with projects that are not yet constructed but that do have signed interconnection service agreements (ISAs) in Maryland. These plants can come online and are not impacted by the queue delays. Queue delays are holding back a much larger tide of generation that wants to interconnect. There is 6,122.0 MW of capacity in the queue in Maryland, and 152,384.0 MW of capacity in the queue or under construction in PJM. *See* Serial Service Request Status, PJM.

**HB0398-ECM_MACo_LOI.pdf**
Uploaded by: Dominic Butchko
Position: INFO

# House Bill 398

*Abundant Affordable Clean Energy – Procurement and Development (AACE Act)*

MACo Position:
**LETTER OF INFORMATION**

To: Economic Matters Committee

Date: February 6, 2025

From: Dominic J. Butchko

The Maryland Association of Counties (MACo) offers a **LETTER OF INFORMATION** on HB 398. This bill sets new goals and targets for increasing Maryland's energy storage capacity.

Maryland is facing a budding energy crisis, largely brought on by Virginia data centers. With exponential increases in regional demand, residents are for the first time in generations facing real concerns of escalating utility costs and potentially even brownouts during extreme demand periods. As Maryland continues to build toward a fully renewable future, utility scale batteries will become an even greater component in our electric infrastructure.

During the 2024 legislative session, this committee passed HB 468, establishing the Commission to Advance Lithium-Ion Battery Safety in Maryland. The committee charged the body with developing legislative, regulatory, programmatic or other recommendations related to ensuring lithium-ion batteries are safely used in Maryland. Counties recognize the need for utility scale batteries both to meet the General Assembly's climate goals and to stabilize the electric grid.

Counties urge that as the committee deliberates on the exact pathway to increase energy storage, legislators consider the hazards of current technologies and require sufficient safety requirements. Lithium-ion battery fires can be several orders of magnitude more destructive than a traditional fire, and add the additional complication of voluminous toxic fumes. Many county career and volunteer fire departments are not yet equipped or trained to handle a worst-case scenario fire for electric vehicles, let alone for a large utility scale fire in a neighborhood.

Additionally, counties urge legislators to consider livability requirements that take into account the diverse environments utility scale batteries may be placed in. Whether in a rural, suburban, or urban landscape, projects should be required to blend in with the larger look, smell, and feel of a community.

Counties have no position on the underlying fundamentals on HB 398, but urge the committee to consider safety and livability factors as they deliberate the future of energy storage in Maryland. For these reasons, MACo offers the Committees this **LETTER OF INFORMATION** on HB 398.

**HB398_LOI_Abundant Affordable Clean Energy - Procu**
Uploaded by: Kevin O'Keeffe
Position: INFO

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8751 Freestate Drive
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Laurel, MD 20723

February 6, 2025

To: Members of the House Economic Matters Committee

From: Independent Electrical Contractors (IEC) Chesapeake

Re: **Letter of Information HB398 - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**

Independent Electrical Contractors (IEC) Chesapeake represents approximately 200 electrical contractors who employ approximately 15,000 workers in the mid-Atlantic region. In addition, IEC Chesapeake has nearly 1,000 electrical apprentices. IEC Chesapeake would like to provide the Committees with informational comments opposing the required use of Community Benefit Agreements in HB398.

The required use of Community Benefit Agreements has the potential to create a disadvantage for merit shop contractors in Maryland. More than eighty percent (80%) of construction in Maryland is performed by non-union contractors. It is unwise public policy to put merit shop contractors at a competitive disadvantage on construction projects in Maryland. Most certified MBE contractors are non-union.

In addition, the mandated requirement of Community Benefit Agreements may significantly drive up the costs of projects at time when the state is facing significant budgetary challenges. We respectfully ask that the Committees eliminate the requirements for the use of Community Benefit Agreements.

Thank you for your consideration. If you have any questions, please contact Grant Shmelzer, Executive Director of IEC Chesapeake, at 301-646-0197 or at gshmelzer@iec-chesapeake.com or Kevin O'Keeffe at 410-382-7844 or at kevin@kokeeffelaw.com.

**About Us**

Independent Electrical Contractors (IEC) Chesapeake represents members throughout Delaware, Maryland, Virginia, West Virginia, and Washington, D.C. Our headquarters are located in Laurel, Maryland. IEC Chesapeake has an extensive apprenticeship program for training electricians. In addition, IEC Chesapeake promotes green economic growth by providing education and working with contractor members, industry partners, government policy makers and inspectors to increase the use of renewable energy.

# HB0398 (SB0316) - LOI - Abundant Affordable Clean

Uploaded by: Landon Fahrig

Position: INFO

Maryland Energy Administration

**TO:** Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee
**FROM:** MEA
**SUBJECT:** HB 398 - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)
**DATE:** February 6, 2025

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**MEA Position: LETTER OF INFORMATION**

This bill would make significant energy policy changes for the State including: creating a distribution-level energy storage program within the Public Service Commission (PSC); creating a zero-emission credit for nuclear generation assets in the State under certain circumstances; making alterations to a PSC study regarding the interconnection and transmission of offshore wind energy; altering the use of Alternative Compliance Payments within the State's Renewable Portfolio Standard (RPS); stand up a novel procurement mechanism for utility-scale renewables and small-scale solar energy projects in the State; and creating a transmission-level energy storage program within the PSC, amongst other changes not discussed herein.

*Reallocation of Alternative Compliance Payments (pg. 13-16 & 36-37)*

Alternative Compliance Payments (ACP) were originally intended to provide flexibility within the RPS while guaranteeing in-state investment to develop renewable generation targeted towards low- to moderate-income, overburdened or underserved (LMIOU) communities. Currently, ACP funds a number of MEA's clean energy initiatives, including the Customer-Sited Solar Program instituted by the Brighter Tomorrow Act passed just last year. In total, ACP contributed ~$49,665,000 in FY24, directly benefitting local governments, neighborhoods and hundreds of Maryland households, and will contribute a total of ~$101,799,000 to MEA's efforts in FY25, benefiting even more LMIOU Marylanders than before. It is noteworthy that the reallocation of ACP proposed in this legislation would result in limiting the following MEA efforts to invest in clean energy initiatives in LMIOU communities:

- Reducing energy burdens for low- to moderate-income Marylanders through community solar
- Increasing access for rooftop solar for low- to moderate-income Marylanders
- Increasing community energy resilience efforts
- Decarbonizing Public Schools
- Supporting solar canopies
- Supporting clean energy for higher education

To the extent that Regional Greenhouse Gas Initiative (RGGI) funding is needed to replace ACP funding, other SEIF-funded programs could be severely affected.

*Distribution-Level Energy Storage (bill pg. 4-7)*

The bill creates a goal of developing 150 megawatts (MW) of distribution-connected energy storage devices by August 2028. The energy storage devices must include a combination of utility-owned and third party-owned devices, but not more than 30% of the devices can be owned by a third party. Each energy storage device will be reviewed by the PSC to ensure the device is beneficial in terms of cost.

Resource adequacy is a growing concern for our State and the nation. In Maryland, to date, its impact and timeline have not yet been quantified. Though there is no panacea to immediately relieve resource adequacy concerns, energy storage can – and should be – part of the solution. By helping to reduce peak load and demand on energy generation and transmission elements, energy storage can serve an important role. For instance, because distribution-level storage does not have to clear the PJM interconnection queue, it can be deployed relatively quickly. This partial solution comes at a cost. The Maryland Energy Administration (MEA) has historically taken a cautious position when considering utility-owned battery storage assets, having warned of the pitfalls of such during the PSC's energy storage pilot program. However, in this limited instance, MEA can support the utility-ownership model outlined in the legislation because of the need to deploy these assets quickly. This also has the added benefit of reducing ratepayer impact, though total ratepayer impacts are unknown at this time. It is possible to consider more stringent ratepayer protections in the form of firm cost caps.

*Zero-Emission Credits for Existing Nuclear Generation (bill pg.7-8)*

Section 13105 of the Inflation Reduction Act (IRA) added a section 45U to the Internal Revenue Code, providing a tax credit for electricity generation at nuclear facilities. The credit is set at a base rate of 0.3 cents per kilowatt hour of electricity generated at a nuclear generation placed in service before entry into force of the IRA. The credit expires on December 31, 2032.

The AACE Act provides a similar benefit when and if the IRA credit expires, and then provides that subsidy through the calendar year 2055. MEA urges the committee to carefully consider the ratepayer impact of such a maneuver. Until now, all information has pointed to the two nuclear reactors in the State as being profitable without the need for subsidization to maintain a profit motive for continued operation.

*Adjustments to Offshore Wind Policy (pg. 9-12)*

The bill modifies Public Utilities Article 7–704.3, declaring that it is the policy of the State to engage in a coordinated transmission planning process to support offshore wind energy on a multi-state and regional basis. The bill further requires the PSC to pursue either PJM's long-term transmission

planning process or "an alternative voluntary agreement"[1] as a coordinated approach to transmission for energy derived from offshore wind. Additionally, the bill alters a provision of law that requires the PSC to consult with other states to evaluate regional transmission options for offshore wind energy, opening up that analysis for substation(s) location(s) located outside of the Delmarva Peninsula.

MEA supports the bill sponsor's approach to interconnection of offshore wind energy through alternative approaches, and especially approaches that look beyond the Delmarva Peninsula for interconnection.

*Creation of an SREC-II and REC-II (bill pg. 16-24 & 29-33)*

The bill calls for an overhaul to the RPS system in which, instead of utilizing market mechanisms to determine the price of Renewable Energy Credits (RECs), the price of RECs would be administratively set by the PSC. While this approach would be novel for the State, New Jersey has recently adopted a similar model. The model and its impact are still unproven as far as its efficacy and cost on ratepayers. Here, the bill sponsor attempts to limit cost implications of small-scale SREC-IIs by capping the overall bill impact to 5% of the total utility bill. However, MEA would note that 5% may constitute a considerable increase in light of other expected increases in residential utility rates.

*Transmission-Level Energy Storage (bill pg. 25-29)*

The bill creates a competitive process for the procurement of transmission energy storage devices, with a goal of achieving 1,600 MW of transmission energy storage.

MEA would note that these energy storage devices must clear the PJM queue. This creates two challenges. Firstly, the queue is severely delayed. It is not clear how quickly these projects could clear the queue and be brought online. Additionally, very few energy storage projects that make it through the PJM queue are actually developed/built. Because of this, the 1,600 MW goal may be too high. For comparison, California has only been able to procure ~1,500 MW of such storage, of which 506 MW are operational.[2] Given the option of being ambitious with distribution-connected storage and transmission-connected storage, it is probably more appropriate to be more ambitious with the distribution goal rather than the transmission goal since we would not be relying upon the PJM queue.

[1] PJM's State Agreement Approach (SAA) is a provision in PJM's Operating Agreement that enables a state to propose a transmission project for inclusion in PJM's Regional Transmission Expansion Plan that advances that state's Public Policy Requirements, as long as the state agrees to assume the cost of the project's build-out.

[2] In 2013, the California Public Utilities Commission issued Decision (D.)13-10-040, which set an energy storage procurement target of 1,325 MW by 2020. To date, the CPUC has approved procurement of more than 1,533.52 MW of new storage capacity to be built in California. Of this total, 506 MW are operational.
Reference: California Public Utilities Commission, Energy storage, CPUC, n.d., https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/energy-storage.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).

**HB398-MEAC-Informational.pdf**
Uploaded by: Laurel Peltier
Position: INFO

# Economic Matters Committee Hearing
# House Bill 398
# Abundant Affordable Clean Energy - Procurement and Development (AACE Act)
# Informational Testimony

Hello Mr. Chairman, Vice Chair and members of this committee. I want to thank you all for the enormous focus and time on addressing the utility rate crisis that has hit home this winter. Like you, I'm out in the field directly helping residents, and I am also seeing and hearing about today's utility rate unaffordability first-hand.

I am Laurel Peltier, the Chair for Maryland Energy Advocates Coalition, and I want to share that HB398 includes 3 smart, consumer rates relief ideas that do not cost the state anything. Analyzing the energy crisis solutions introduced this session, HB39's positive ratepayer relief idea fall into 2 categories: Short-term, immediate rate relief and Mid-term rate relief.

HB398 includes a practical **SHORT-TERM** idea to refund today's large ACP balance. The same ratepayers struggling to keep their power on, funded this ACP balance. Given today's high compliance REC prices, electricity suppliers paid the lower ACP fees. **This large, ratepayer funded account could be refunded as soon as possible.** A similar refund process happened during COVID in 2021 under PC53 when the PSC worked with utilities to distribute $83 million in COVID relief funds directly to residential utility bills.

One **MEDIUM-TERM** rate relief provision is redesigning the SREC procurement process, which was modeled on New Jersey's state-run SREC market. Rate payer RPS SREC investments should only go to new solar facilities that generate new, local solar in Maryland.

Another **MEDIUM-TERM** rate protection has been designed within HB398 is about future Data Center tax revenues. This critical idea should be incorporated into any Maryland data center legislation as this industry takes off in Maryland. HB398 requires that a portion of data center tax revenue be used to pay data centers' fair share for clean energy. Not the rate payers.

I wish I had better news to report from the field, especially for Maryland's 450,000 low-income accounts. Immediate rate relief is needed because we anticipate very high account terminations in 2025.

**HB398-MEAC-Informational2.pdf**
Uploaded by: Laurel Peltier
Position: INFO

# Economic Matters Committee Hearing
# House Bill 398 Feb. 6th
# Abundant Affordable Clean Energy - Procurement and Development (AACE Act)
# Informational Testimony

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HB398 includes a practical **SHORT-TERM** idea to refund future ACP balances starting after bill implementation. The same ratepayers struggling to keep their power on, funded this ACP balance. Given today's high compliance REC prices, electricity suppliers paid the lower ACP fees. **This large, ratepayer funded account could be refunded after implementation.** A similar refund process happened during COVID in 2021 under PC53 when the PSC worked with utilities to distribute $83 million in COVID relief funds directly to residential utility bills.

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## AACE Bill Informational Testimony PTC backstop Ame

Uploaded by: Maurice Simpson, Jr.

Position: INFO

Constellation

**February 6, 2025**

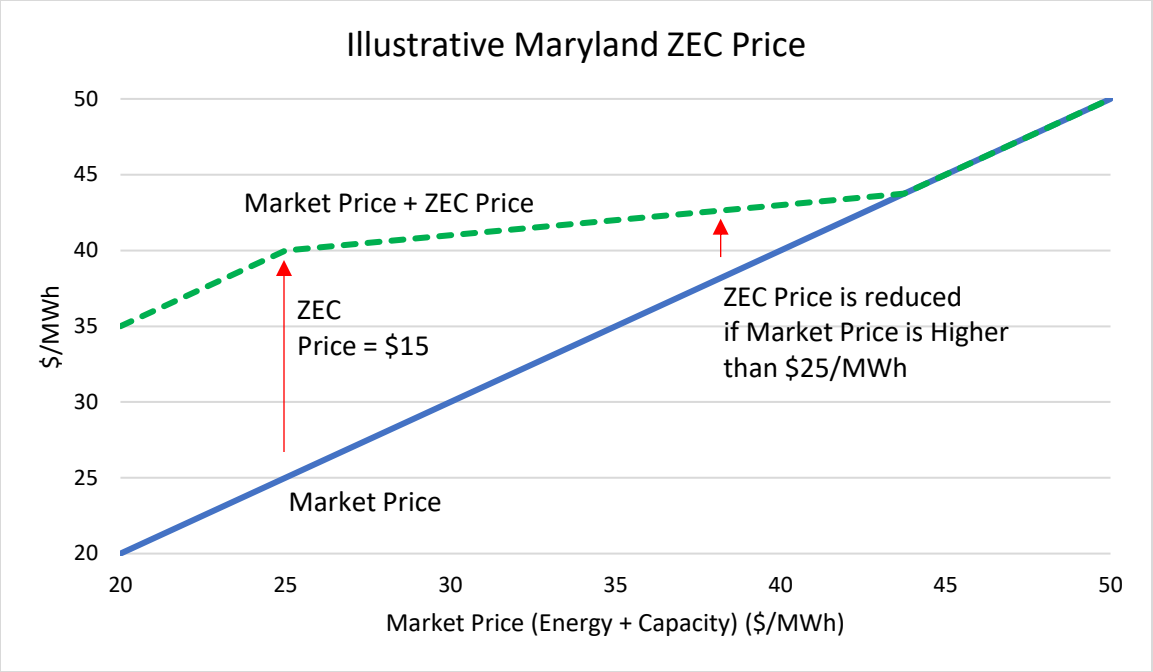
**Chair C.T. Wilson**
**House Economic Matters Committee**
**6 Bladen Street**
**Annapolis, Maryland 21401**

**RE: Information – Abundant Affordable Clean Energy – Procurement and Development (SB 316/HB 398)**

Constellation is pleased to provide information on the Abundant Affordable Clean Energy Act (SB 316/HB 398) -- specifically the benefits to Maryland, with clarifying amendments, of a Zero Emission Credits (ZEC) program. Sections 7–231 to 7–235 reflect the federal nuclear production tax credit in Section 13105 of the Inflation Reduction Act of 2022, as codified in Section 45U of the Internal Revenue Code (Federal Nuclear Credit). The Maryland ZEC program will serve as a state-level backstop to the Federal Nuclear Credit should the federal program not be extended beyond its current 2032 expiration or is repealed.

The Federal Nuclear Credit program has provided significant benefits to the nuclear industry, and the country, by providing a revenue floor to the nation's existing nuclear fleet, which secures the continued operation of the country's most abundant and reliable sources of clean energy. Beneficiaries of the Federal Nuclear Credit include Maryland's largest producer of zero-emission electricity – the Calvert Cliffs Clean Energy Center.

The ZEC program proposed in SB 316/HB 398 will provide consumer protection similar to the Federal Nuclear Credit through a simple to administer formula that caps the maximum amount of the ZEC at $15/mwh, inflation adjusted, and reduces the amount of the credit between $15 to $0 in each year based on the amount of revenues a nuclear plant receives from the market in that year. The chart below illustrates a $15/mwh ZEC price when market prices are at or below $25/mwh, and linear reduction of the ZEC price from $15 to $0 when market prices are between $25/mwh and $44/mwh.




The proposed Maryland ZEC program, with the attached clarifying amendments to more directly align with the Federal Nuclear Credit will provide similar benefits to Maryland by safeguarding the environmental and reliability benefits of Calvert Cliffs. Further, by serving as a backstop to the Federal Nuclear Credit, it provides necessary long-term certainty to justify important investment decisions, most notably a decision to relicense Calvert Cliffs to operate for another 20 years and play its vital role in Maryland reaching its ambitious 100% clean climate goals.

The licenses are set to expire for Calvert's two units in 2034 and 2036, both after the 2032 expiration of the Federal Nuclear Credit, assuming no extension. However, the relicensing process begins five or more years prior to current license expiration, meaning that important business decisions to move forward with a costly relicensing process will need to be made by 2029. Currently, these decisions must be made under the uncertainty of an expiring Federal Nuclear Credit. The proposed 2055 expiration of the Maryland ZEC program would match the end of extended 20-year license renewals for Calvert Cliffs, thereby, removing post-2032 uncertainty by preserving a policy in Maryland through 2055.

Attached to this testimony are proposed clarifying amendments to HB 398 to better align the Maryland program with the federal program, but to not alter the purpose and intent of the bill. We appreciate the sponsor's willingness to work with us.

Sincerely,

Maurice Simpson, Jr.
Senior Manager, State Government and Regulatory Affairs
maurice.simpson@constellation.com

**Amendments to Nuclear PTC Backstop Provision**

PART III. ZERO–EMISSION CREDITS.

7–231.

(A) IN THIS PART THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) "BENEFICIAL NUCLEAR FACILITY" MEANS A NUCLEAR REACTOR THAT IS LOCATED IN AND PROVIDES ENVIRONMENTAL BENEFITS TO THE STATE.

(C) "ZERO–EMISSION CREDIT" OR "ZEC" MEANS A PAYMENT EQUAL TO THE GENERATION ATTRIBUTES OF 1 MEGAWATT–HOUR OF ELECTRICITY THAT IS DERIVED FROM A BENEFICIAL NUCLEAR FACILITY.

7–232.

(A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, A BENEFICIAL NUCLEAR FACILITY MAY SUBMIT AN APPLICATION TO THE COMMISSION TO RECEIVE ZERO–EMISSION CREDITS FOR A TERM OF TEN YEARS.

(B) (1) A BENEFICIAL NUCLEAR FACILITY MAY NOT RECEIVE ZERO–EMISSION CREDITS DURING ANY PERIOD IN WHICH THE FACILITY RECEIVES ZERO–EMISSION NUCLEAR POWER PRODUCTION TAX CREDITS UNDER § 13105 OF THE INFLATION REDUCTION ACT OF 2022.

(2) THE COMMISSION MAY NOT OFFER ZERO–EMISSION CREDITS AFTER 2055.

(3) TO BE ELIGIBLE TO RECEIVE A ZERO–EMISSION CREDIT, A BENEFICIAL NUCLEAR FACILITY MUST MAINTAIN A NEUTRAL POSITION IN ANY LABOR ORGANIZING THAT TAKES PLACE AT THE FACILITY AND ENSURE THAT ANY LABORERS AND MECHANICS EMPLOYED BY THE TAXPAYER OR ANY CONTRACTOR OR SUBCONTRACTOR IN THE ALTERATION OR REPAIR OF SUCH FACILITY SHALL BE PAID WAGES AT RATES NOT LESS THAN THE PREVAILING RATES FOR ALTERATION OR REPAIR OF A SIMILAR CHARACTER IN THE LOCALITY IN WHICH SUCH FACILITY IS LOCATED AS MOST RECENTLY DETERMINED BY THE SECRETARY OF LABOR, IN ACCORDANCE WITH SUBCHAPTER IV OF CHAPTER 31 OF TITLE 40, UNITED STATES CODE.7–233.

(A) AFTER NOTICE AND AN OPPORTUNITY FOR A HEARING, THE

COMMISSION SHALL APPROVE OR DENY AN APPLICATION SUBMITTED UNDER § 7–232 OF THIS SUBTITLE WITHIN 9 MONTHS AFTER THE APPLICATION IS FILED.

(B) THE COMMISSION MAY APPROVE AN APPLICATION:

(1) IN WHOLE OR IN PART; AND

(2) SUBJECT TO ANY LIMITATIONS AND QUALIFICATIONS THAT THE COMMISSION CONSIDERS NECESSARY AND IN THE PUBLIC INTEREST.

(C) EACH ELECTRIC COMPANY MUST PURCHASE THE PORTION OF THE ZERO EMISSION CREDITS APPROVED BY THE COMMISSION EQUAL TO THE RATIO OF THE ELECTRIC COMPANY'S DISTRIBUTION SALES DURING EACH DELIVERY YEAR COMPARED TO THE TOTAL DISTRIBUTION SALES IN THE STATE DURING SUCH YEAR.

18 7–234.

(A) (1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE PRICE FOR A ZERO–EMISSION CREDIT SHALL BE CALCULATED ANNUALLY BY THE COMMISSION STAFF EQUAL TO THE AMOUNT THAT THE BASE ZEC PRICE EXCEEDS THE REDUCTION AMOUNT.

(2) THE BASE ZEC PRICE SHALL BE $15 PER MEGAWATT-HOUR.

(3) THE REDUCTION AMOUNT SHALL EQUAL 80% OF THE AMOUNT THAT THE MARKET INDEX PRICE EXCEEDS $25 PER MEGAWATT-HOUR.

(4) THE MARKET INDEX PRICE SHALL EQUAL THE SUM OF:

(i) THE ANNUAL AVERAGE LOCATIONAL MARGINAL PRICE FOR THE PJM WESTERN HUB FOR THE APPLICABLE DELIVERY YEAR, AS DETERMINED BY PJM INTERCONNECTION, LLC, AND

(ii) THE BASE RESIDUAL AUCTION PRICE FOR THE SWMAAC LOCATIONAL DELIVERABILITY AREA FOR THE APPLICABLE DELIVERY YEAR, AS DETERMINATED BY PJM INTERCONNECTION, LLC., DIVIDED BY 24 HOURS PER DAY.

(B) THE $15 PER MEGAWATT-HOUR AND $25 PER MEGAWATT-HOUR IN SUBSECTION (A) SHALL BE ADJUSTED FOR INFLATION FROM A BASE YEAR OF 2023.

24 7–235.

(A) THE COMMISSION SHALL ADOPT REGULATIONS TO IMPLEMENT THIS PART NOT LATER THAN 365 DAYS BEFORE THE EXPIRATION OF THE AVAILABILITY

OF ZERO–EMISSION NUCLEAR POWER PRODUCTION TAX CREDITS UNDER § 13105 OF

THE INFLATION REDUCTION ACT OF 2022.

(B) THE REGULATIONS SHALL:

(1) INCLUDE DATA SUBMISSION REQUIREMENTS NECESSARY TO

EVALUATE A BENEFICIAL NUCLEAR FACILITY'S PROJECTED ENVIRONMENTAL

BENEFITS AND ANNUAL GROSS RECEIPTS;

(2) ESTABLISH A NONBYPASSABLE SURCHARGE APPLICABLE TO ALL DISTRIBUTION CUSTOMERS THAT ALLOWS EACH ELECTRIC COMPANY IN THE STATE TO RECOVER ITS COSTS ASSOCIATED WITH THE PURCHASE OF ZERO EMISSION CREDITS; AND

(3) PROVIDE FOR THE RECAPTURE OF THE ALLOCATION OF ANY

ZERO–EMISSION CREDIT WITHIN THE PREVIOUS 3 YEARS TO A BENEFICIAL NUCLEAR

FACILITY THAT PERMANENTLY TERMINATES OPERATIONS, EXCEPT IN THE CASE OF

FORCE MAJEURE.

https://uscode.house.gov/view.xhtml?req=(title:26%20section:45U)

**§45U. Zero-emission nuclear power production credit**

**(a) Amount of credit**

For purposes of section 38, the zero-emission nuclear power production credit for any taxable year is an amount equal to the amount by which-

PTC Price = 5 x 0.3 = 1.5 ¢/kWh or $15/MWh

(1) the product of-

(A) 0.3 cents, multiplied by

(B) the kilowatt hours of electricity-

(i) produced by the taxpayer at a qualified nuclear power facility, and

(ii) sold by the taxpayer to an unrelated person during the taxable year, exceeds

(2) the reduction amount for such taxable year.

**(b) Definitions**

**(1) Qualified nuclear power facility**

For purposes of this section, the term "qualified nuclear power facility" means any nuclear facility-

5x multiplier in formula defined below

(A) which is owned by the taxpayer and which uses nuclear energy to produce electricity,

(B) which is not an advanced nuclear power facility as defined in subsection (d)(1) of section 45J, and

(C) which is placed in service before the date of the enactment of this section.

**(2) Reduction amount**

**(A) In general**

For purposes of this section, the term "reduction amount" means, with respect to any qualified nuclear power facility for any taxable year, the amount equal to the lesser of-

(i) the amount determined under subsection (a)(1), or

(ii) the amount equal to 16 percent of the excess of-

(I) subject to subparagraph (B), the gross receipts from any electricity produced by such facility (including any electricity services or products provided in conjunction with the electricity produced by such facility) and sold to an unrelated person during such taxable year, over

PTC Adj. = 5 x 16% x (Gross Rec. – 2.5 ¢/kWh) or 80% x (Mrkt Price – $25/MWh)

(II) the amount equal to the product of-

(aa) 2.5 cents, multiplied by

(bb) the amount determined under subsection (a)(1)(B).

**(B) Treatment of certain receipts**

**(i) In general**

Subject to clause (iii), the amount determined under subparagraph (A)(ii)(I) shall include any amount received by the taxpayer during the taxable year with respect to the qualified nuclear power facility from a zero-emission credit program. For purposes of determining the amount received during such taxable year, the taxpayer shall take into account any reductions required under such program.

**(ii) Zero-emission credit program**

For purposes of this subparagraph, the term "zero-emission credit program" means any payments with respect to a qualified nuclear power facility as a result of any Federal, State or local government program for, in whole or in part, the zero-

emission, zero-carbon, or air quality attributes of any portion of the electricity produced by such facility.

**(iii) Exclusion**

For purposes of clause (i), any amount received by the taxpayer from a zero-emission credit program shall be excluded from the amount determined under subparagraph (A)(ii)(I) if the full amount of the credit calculated pursuant to subsection (a) (determined without regard to this subparagraph) is used to reduce payments from such zero-emission credit program.

**(3) Electricity**

For purposes of this section, the term "electricity" means the energy produced by a qualified nuclear power facility from the conversion of nuclear fuel into electric power.

**(c) Other rules**

**(1) Inflation adjustment**

Inflation adjustment for the $15 and $25 with 2023 base year

The 0.3 cent amount in subsection (a)(1)(A) and the 2.5 cent amount in subsection (b)(2)(A)(ii)(II)(aa) shall each be adjusted by multiplying such amount by the inflation adjustment factor (as determined under section 45(e)(2), as applied by substituting "calendar year 2023" for "calendar year 1992" in subparagraph (B) thereof) for the calendar year in which the sale occurs. If the 0.3 cent amount as increased under this paragraph is not a multiple of 0.05 cent, such amount shall be rounded to the nearest multiple of 0.05 cent. If the 2.5 cent amount as increased under this paragraph is not a multiple of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.

**(2) Special rules**

Rules similar to the rules of paragraphs (1), (3), (4), (5), and (13) of section 45(e) shall apply for purposes of this section.

**(d) Wage requirements**

5x multiplier, if satisfying prevailing wage reqs.

**(1) Increased credit amount for qualified nuclear power facilities**

In the case of any qualified nuclear power facility which satisfies the requirements of paragraph (2)(A), the amount of the credit determined under subsection (a) shall be equal to such amount (as determined without regard to this sentence) multiplied by 5.

**(2) Prevailing wage requirements**

**(A) In general**

The requirements described in this subparagraph with respect to any qualified nuclear power facility are that the taxpayer shall ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the alteration or repair of such facility shall be paid wages at rates not less than the prevailing rates for alteration or repair of a similar character in the locality in which such facility is located as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code.

**(B) Correction and penalty related to failure to satisfy wage requirements**

Rules similar to the rules of section 45(b)(7)(B) shall apply.

**(3) Regulations and guidance**

The Secretary shall issue such regulations or other guidance as the Secretary determines necessary to carry out the purposes of this subsection, including regulations or other guidance

which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.

**(e) Termination**

This section shall not apply to taxable years beginning after December 31, 2032.