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Support with Amendments – Senate Bill 316 - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support with amendments **Senate Bill 316 - Abundant Affordable Clean Energy - Procurement and Development (AACE Act)**. Senate Bill 316 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, respectfully request that certain provisions within the legislation, particularly the construction timelines and the storage capacity mandate, be modified to ensure successful implementation.

In 2019, the Maryland General Assembly passed the Energy Storage Pilot Project Act. The legislation required each investor-owned electric company submit applications for Commission approval to deploy energy storage projects. Through these deployments, Pepco and Delmarva Power have gained, and continue to gain valuable insights into managing supply chain issues for lithium-chemistry batteries, integrating distributed energy resources with utility IT and communications, and engaging with local communities.

Pepco’s Montgomery County Bus Depot Storage Project is a third-party owned and operated 1.0 MW project with an output of 3.0 MWh over the lifetime of the project. The project is planned to defer the need to upgrade a feeder in Silver Spring to accommodate incremental loads due to electric bus charging and provide support for bus charging during distribution system outages. The energy storage system is designed to charge from the onsite solar array and will support charging activities at times when the load is too high and Pepco’s distribution system is unable to supply the load.

Another example of one of our storage projects is Delmarva Power’s Elk Neck Project, a virtual power plant (“VPP”) with a capacity of 0.5 MW with a guaranteed energy output of 1.5 MWh. Although the Project does not defer any distribution upgrades or address a contingency, the Project helps further the State’s clean energy goals by providing the opportunity to learn more about VPPs as behind-the-meter (“BTM”) energy storage, explore the capability of residential batteries to accommodate distributed generation, and study how VPPs can participate in the PJM Wholesale Market.

While Pepco and Delmarva Power support the overarching goal of the bill, we'd like to suggest the following amendments to the legislation. 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. 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 Senate Bill 316 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 conduct its operations. These provisions should be made less prescriptive to enable the utilities to manage its business effectively. Senate Bill 316 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, Senate Bill 316 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 Senate Bill 316.

Pepco Holdings, the parent company of Pepco, an electric utility serving Washington, D.C., and suburban Maryland; Delmarva Power, an electric and gas utility serving Delaware and portions of the Delmarva Peninsula; and Atlantic City Electric, an electric utility serving southern New Jersey. Anthony and his team are responsible for guiding the company's delivery of reliable and excellent service to more than two million customers in the Mid-Atlantic. Pepco Holdings is a subsidiary of Exelon Corporation, one of the nation's leading energy services companies.

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