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PUBLIC SERVICE COMMISSION

March 30, 2021

Chairperson Delores G. Kelley
Senate Finance Committee
Room 3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: HB 832 – INFORMATION – Public Utilities – Electric School Bus Pilot Program

Dear Chair Kelley, Vice Chair Feldman, and Committee Members:

HB 832 authorizes investor-owned electric companies in Maryland to apply to the Maryland Public Service Commission and implement an electric school bus pilot program, with an initial deployment of at least 25 electric school buses by October 1, 2023. HB 832 would allow an investor-owned electric company to use electric bus batteries to store and access electricity through V2G technology, to provide further resiliency to the electric grid. HB 832 also requires the utility to provide the necessary interconnection equipment and facilities to charge the school buses. These costs are separate from the rebate budget and are not subject to a statutory cost cap. Participating school systems in the utility's service territory will receive rebates to cover their incremental costs for purchasing and deploying electric buses—compared to diesel buses—as well as any incremental administrative and operating costs for implementing the pilot program.

As originally drafted HB 832 directed the \$50 million budget to exclusively cover rebates for participating school systems. It was amended in the House to redirect the \$50 million budget for total pilot program cost. While the envisioned vehicle-to-grid application may present a potential revenue stream to offset pilot program costs, the pilot's tangible benefits to the distribution grid are limited, particularly when viewed against the costs to ratepayers.

Under the amended legislation, an investor-owned electric utility's total pilot program costs could well exceed \$50 million. If the utility reaches the maximum rebate budget and incurs additional program-related costs, such as administrative expenses and capital expenditures for procuring and installing necessary interconnection equipment and facilities, this will have a significant cost impact on ratepayers. While HB 832 requires that the electric school bus pilot program become a rate schedule of the participating utility, the bill does not require the pilot to recover its own costs. Thus, the full costs of the electric school bus pilot program could be collected across rate classes, which would result in pilot participants being subsidized by other ratepayers. Also, the proposed incremental costs to a participating school system—and, therefore, the rebate amount—are uncertain at this time. The costs of fueling, either diesel or

electricity, fluctuate frequency, and the costs of electric school buses are also uncertain as they are an emerging technology.

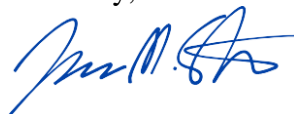
The core purpose of the electric school bus pilot program is to study V2G applications on the utility system—i.e., allowing the electric utility to use the energy stored in the school bus batteries to support the distribution system. In theory, pilot costs may be offset by any revenue the utility receives from providing this “storage” resource to PJM wholesale markets. Additionally, the utility’s distribution system costs could be further offset by leveraging the school bus batteries as grid support to increase grid resiliency or defer distribution system investment. However, under the amended bill, the electric school bus V2G technology is only available at specific times. Therefore, the ability for the school bus pilot to provide tangible benefits to the distribution system would be limited. Furthermore, battery storage is typically deployed at specific locations in order to avoid distribution system upgrades. For the electric school bus pilot, it is unclear how the school bus batteries would be deployed in a manner that allows the utility to avoid distribution system upgrades.

Lastly, HB 832 requires the participating electric utility to submit annual reports to the Governor, the Commission, and General Assembly. As amended, the bill now provides that a utility electric school bus pilot program must commence no later than October 1, 2023. However, the original reporting deadline of February 1, 2023, for the first utility report was not revised accordingly. This should be changed to February 1, 2024, to align with the new pilot program start date.

The PSC appreciates the goals of HB 832 and also wishes to ensure that the Committee has information regarding the potentially significant financial costs to utility ratepayers to pay for this pilot program, in light of the House amendments. Although those program costs could be offset by potential revenues from PJM and savings from deferred capital investments, those and other benefits of the pilot programs are not guaranteed.

Thank you for the opportunity to provide informational testimony regarding House Bill 832. Please contact my Director of Legislative Affairs, Lisa Smith, at 410-336-6288, if you have any questions.

Sincerely,



Jason M. Stanek
Chairman