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PUBLIC SERVICE COMMISSION

February 10, 2022

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

RE: HB 696 – INFORMATION – Public Utilities – Electric School Bus Pilot Program

Dear Chair Wilson and Committee Members:

HB 696 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, 2024. HB 696 would allow an investor-owned electric company to use electric bus batteries to store and access electricity through vehicle-to-grid (“V2G”) technology, to provide further resiliency to the electric grid. HB 696 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.

HB 696 provides for a maximum of \$50 million for rebate incentives, per the pilot program. While the rebate incentives would cover the incremental costs of purchasing and deploying electric school buses as well as the participating school’s incremental administrative and operating costs, the total pilot program costs could well exceed \$50 million. 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 frequently, and the costs of electric school buses are also uncertain as they are an emerging technology. 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 696 provides that the electric school bus pilot program shall become a regular rate schedule of the participating utility, the bill allows the utility to establish a pilot tariff or rate to provide service to an electric school bus. This would, in theory, allow the pilot program to recover some or all of its own costs. Absent a pilot tariff, however, it is possible that some or all

of the 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.

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. While these applications may present a potential revenue stream, the pilot’s tangible benefits to the distribution grid are limited. 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 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 696 requires each participating electric utility with an approved electric school bus pilot program to submit annual reports to the Commission, the Governor, and the Maryland General Assembly. The bill establishes a reporting deadline of February 1, 2024, for the first utility report, which precedes the October 1, 2024 commencement deadline for the utility’s pilot program. **This first reporting date should be changed to February 1, 2025, to align with the utility’s latest possible pilot program start date.**

The Commission appreciates the goals of HB 696 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. Although those program costs could be offset by potential revenues from PJM and saving from deferred capital investments, those and other benefits of the pilot program are not guaranteed.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jason M. Stanek".

Jason M. Stanek
Chairman