



TO: Members, Senate Finance Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB 525 - Public Utilities - Energy Distribution Planning and Required Labor Standards
DATE: February 15, 2022

MEA POSITION: Letter of Concern

Senate Bill 525 would **duplicate an existing electric distribution planning process** that has been heavily invested in for more than two years, largely wasting time, effort, and expense that has already been invested. Additionally, there is an apparent contradiction in the bill and the **timeline set forth in the bill is impractical**.

Duplicative Processes Fails to Recognize Existing Efforts

This bill is a duplication of efforts. The Maryland Public Service Commission (Commission or PSC), in cooperation with the Maryland Energy Administration (MEA), has already taken significant steps toward a potential modification of the existing distribution planning process. Last year, the two agencies concluded their joint participation in a 2-year task force hosted by the National Association of Regulatory Utility Commissioners (NARUC) and the National Association of State Energy Officials (NASEO). Maryland, along with 14 other states, worked with industry experts, engineers, utilities, and other planning experts to explore electricity planning approaches to more effectively meet ratepayers' needs and state policy goals. After the conclusion of the 2-year task force, the PSC opened a Distribution Planning docket, in which the Distribution System Planning Work Group (DSPWG) was established.

Furthermore, this docket and the DSPWG is an outgrowth of Public Conference 44 (PC44) at the PSC, which is an ongoing and well-established process to modernize Maryland's electricity grid dating back to 2016; under former Commission Chair Kevin Hughes. PC44 has already implemented various positive changes to the distribution grid, and consists of a thoughtful, thorough approach that manages this incredibly complex subject with the necessary detail and expertise while incorporating broad stakeholder input.

DSPWG Financial Investment

When the PSC approved the merger of Exelon and Pepco Holdings, Inc. (PHI), one condition of the merger required Exelon to fund up to \$500,000 for the PSC to retain a consultant to study opportunities to transform the electric distribution grid, including the incorporation of smart-grid technology, microgrids, renewable resources, and distributed generation; the same apparent goals of this legislation. A portion of these funds are being used to jumpstart the work of the DSPWG by providing the capital needed for a consultant with the requisite engineering and technical skills. **The workgroup proposed in SB 525 lacks the specialized engineering knowledge and expertise that is provided by the third-party consultant in the DSPWG; expertise that comes at a significant expense. SB 525 also**

fails to include the several Commission engineers and experts that participate in PC44 and the DSPWG.

MEA has no objection to any individual member of the proposed SB 525 workgroup joining the effort to improve Maryland's electrical distribution grid. However, the existing DSPWG and Commission proceedings are already available to them. Any one of the interested parties listed in 7-803(b) of SB 525 may, should they so choose, can simply request to be involved in the existing process. The Commission's first stated goal in establishing the DSPWG is "to increase opportunities for early, meaningful stakeholder engagement through increased transparency and coordination."

Workgroup Results Issue

SB 525 creates a workgroup to "study and make recommendations regarding energy distribution planning..." However, the bill also specifies no less than 11 predetermined priorities (*See* 7-804(b)). Thereafter, regardless of the recommendations received, the Commission must adopt regulations that include those 11 mandated elements. If the PSC is limited in what regulations they can adopt under SB 525, it will be difficult - if not impossible - to meaningfully incorporate the advice of the workgroup; negating the expertise, hard work and contributions of the stakeholders.

Bill Timeline

The prescribed timeline will likely limit stakeholder input. SB 525 would go into effect October 1, 2022. Only two months after the bill goes into effect, a Commission report on the "status of electrical distribution grid evolution" is due to the General Assembly. Additionally, only 3 months after the bill takes effect, the newly formed SB 525 workgroup is required to "report its findings and recommendations" to the PSC. The Commission must then draw up, publicly vet, and finalize new regulations within a year. The sheer volume of interested parties that would likely be filing comments, reply comments, and then participating in hearings would make this challenging, and the schedule for public input would be truncated. Furthermore, given that the electric grid is incredibly complex, this is not enough time to thoroughly explore and vet all the matters in the proposed legislation.

Conclusion

MEA takes seriously the need to evaluate the distribution planning process in order to incorporate future changes to the electrical grid and individual utilization habits, both anticipated and unforeseen. Absent this bill, there have already been significant steps forward in making Maryland's distribution grids ready for what the future holds. MEA asks that the committee consider the forgoing when issuing its report.