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OPPOSE – Senate Bill 525

SB 525 – Public Utilities – Energy Distribution Planning and Required Labor Standards

Senate Finance Committee

Thursday, February 15, 2022

Potomac Edison opposes Senate Bill 525 – Public Utilities – Energy Distribution Planning and Required Labor Standards.

Senate Bill 525 would create a Distribution System Planning Workgroup regarding: energy distribution planning processes and implementation that promote decarbonization; distributed energy resources; electric vehicles; prioritize vulnerable communities in development of those technologies; energy efficiency and conservation; meeting increased load requirements; labor standards in all elements of electric grid modernization; grid resiliency and adaptation; peak load management; integration of electric vehicles and other bidirectional power flows from storage assets; effective use of demand response and other non-wire alternatives; and transparent stakeholder participation in ongoing distribution planning processes. SB 525 also includes certain restrictions and requirements for contractor and subcontractors.

Unfavorable

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 275,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, and Maryland.

FirstEnergy requests an Unfavorable report on SB 525 for the following reasons.

- The workgroup called for by SB 525 is redundant and unnecessary due to a current Maryland Public Service Commission (MD PSC) workgroup. Background on the MD PSC workgroup: A Task Force was formed by the National Association of Regulatory Utility Commissioners (NARUC) to bring together state regulatory and energy policy agencies to develop ways for states to both increase involvement in distribution system planning, and to further align planning processes with state goals and the proliferation of distributed energy resources. On February 11, 2021, the NARUC Task Force released its Report, titled the *Blueprint for State Action*. Having considered the Task Force's Report and the recommendations of Maryland stakeholders, including Potomac Edison, on June 23, 2021, the MD PSC ordered the formation of a Distribution System Planning Work Group (DSPWG) and directed the DSPWG to engage in an iterative process with frequent opportunities for feedback from the MD PSC. The DSPWG was directed to develop and propose any changes or modifications needed to best align with Maryland's public policy goals and existing processes, including interactions with existing dockets concerning electric reliability, EmPOWER, and other Maryland grid modernization initiative activities. The MD PSC identified several overarching policies for the DSPWG at the outset to frame this process. First, an important goal of exploring and developing a Maryland-specific Distribution System Planning process is to increase opportunities for early, meaningful stakeholder engagement through increased transparency and coordination. Second, the Commission agrees that the utilities should retain control of distribution system planning, as well as risk of cost recovery, because they bear responsibility for providing safe, reliable, and affordable service. Finally, while the Commission intends to develop and approve a standard Maryland-specific planning process, it recognizes that this process will need flexibility to meet the needs and characteristics of Maryland's electric distribution utilities.

- The requirements placed on a utility's usage of contractors / subcontractors in SB 525 is problematic and would likely drive-up cost to customers.
 - This language would limit the pool of potential contractors. This is particularly concerning given that Potomac Edison's Maryland territory adjoins Pennsylvania, West Virginia, and is very close to Virginia.
 - Creating a more limited pool of contractors could hinder Potomac Edison's efforts to fulfill its minority contractor ownership goals in Maryland.
 - The ultimate impact is the potential to drive up costs for our customers.
 - Proposed apprenticeship requirements would likely interfere with Potomac Edison's existing in-house Power Systems Institute programs.
 - Potomac Edison has historically met or exceeded the states diverse supplier commitments, but the requirements in this bill will make meeting those commitments more difficult.
 - The analytical burden to understand and track how contractors are complying with healthcare and retirement benefits, as well as tracking Apprenticeship program participation will be immense.

For the above reasons, Potomac Edison respectfully request an **Unfavorable** vote on Senate Bill 525.