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PUBLIC SERVICE COMMISSION

February 15, 2022

Chair Delores G. Kelley
Finance Committee
Miller Senate Office Building, 3 East
Annapolis, Maryland 21401

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

Dear Chair Kelley and Committee Members:

Senate Bill 525 requires the Maryland Public Service Commission to establish a workgroup to study electric distribution planning and implementation.¹ Specifically, the legislation requires three deliverables from the PSC: (1) a workgroup report to the Commission on January 1, 2023; (2) an annual report from the Commission to the Maryland General Assembly on the current status of electric grid “evolution,” due every December 1st; and (3) the adoption of regulations related to energy distribution planning and implementation, by January 1, 2024.

SB 525 is Unnecessary Because the Commission Has Already Established a Workgroup to Explore Distribution System Planning

SB 525 duplicates existing processes and presupposes specific outcomes of ongoing Commission work. Beginning in February 2019, the Commission joined a National Association of Regulatory Utility Commissioners (NARUC) and National Association of State Energy Officials (NASEO) taskforce on distribution system planning. Following a public conference in March 2021 on the results of that taskforce, the Commission issued Order No. 89865 to formally establish a Distribution System Planning docket in Case No. 9665. In that docket, the Commission established the Distribution System Planning Workgroup and, in addition to providing formal notice, sent notifications to members of existing grid modernization

¹ The workgroup would include representatives from the Maryland Department of the Environment, the Office of People's Counsel, the Maryland Energy Administration, and each investor-owned electric company with Maryland customers. Additionally, representatives will be appointed by the Chairman of the Commission for residential and small commercial customers, low-income communities, minority communities, environmental advocacy groups, environmental justice groups, the Baltimore-DC Metro Buildings Trade Council, the Maryland State and District of Columbia AFL-CIO, the distributed energy resource industry, the electric vehicle industry, along with one representative with energy distribution planning experience, and any other individuals identified by the Commission.

workgroups. In addition, pursuant to a formal RFP process, the Commission secured the services of Silverpoint Consulting to lead and facilitate the workgroup process. As recently as January 18, 2022, the workgroup held a series of public educational sessions to discuss the basics of electric distribution systems, existing practices of Maryland's utilities and the goals of stakeholders. In addition, the workgroup, which is open to the public, represents a broad membership of over 80 individuals from state agencies, Maryland utilities, national policy experts and interest groups including the renewables industry and environmental groups.

At the outset, the Commission identified several overarching policies to frame the workgroup's activities. First, the Commission set the goal of developing a Maryland-specific distribution system planning process to increase opportunities for early, meaningful stakeholder engagement through increased transparency and coordination. Second, the Commission determined that the utilities should retain primary control of distribution system planning because the utilities bear ultimate responsibility for providing safe, reliable and affordable service. Finally, the workgroup has been directed to consider the interactions of existing public policy goals and ongoing Commission dockets such as electric reliability, energy efficiency (*i.e.*, EmPOWER), and other PC44 grid modernization activities (*e.g.*, Electric Vehicles, Battery Storage, Generator Interconnection, and Competitive Markets).

In launching the DSP workgroup, the Commission indicated its intention to develop Maryland-specific best practices or requirements for utility planning processes. These processes and any subsequent outcomes will require flexibility to meet the needs and characteristics of Maryland's distinct electric distribution utilities. While the Commission has established broad policy foundations for this exploration, it would be inappropriate to prejudge the outcomes or ultimate deliverables before allowing the expert stakeholders to fully explore this complex topic. While the existing workgroup may determine that distribution system planning regulations are appropriate to implement its recommendations, that is not a foregone conclusion. Furthermore, all of the specific provisions of SB 525 may not be appropriate for regulation.

If enacted, SB 525 would undermine the Commission's current progress by creating a separate and distinct workgroup with mandated membership and prescriptive topics of discussion. This has the potential to produce conflicting results and recommendations as compared to the existing distribution system planning workgroup.

SB 525 is Duplicative of a Number of Established Workgroups Which Have Been Assisting the Commission over a Number of Years

The workgroup outlined in SB 525 is duplicative of multiple established workgroup processes and would divert resources from existing PSC workgroup activities. Many of the required topics of discussion included in SB 525 are already under consideration in existing workgroups, which will only increase the cost and resources that stakeholder representatives must spend to discuss these topics further. This redundancy would also impact the Commission Staff's ability to lead and participate in this new workgroup, creating the need for additional Staff resources.

SB 525 is Likely to Increase Costs to Ratepayers

As drafted, the proposed legislation may impose higher utility costs on ratepayers. SB 525 sets forth several potentially conflicting policy priorities that will be difficult to achieve individually, nearly impossible to deliver all together, and may have unintended consequences. The regulations required by SB 525 could limit a utility's ability to determine the optimal and least cost course of action when undertaking distribution system design and operation. While utility decisions are presently disciplined by the rate case process; by imposing new and potentially competing policy directives, without knowledge of costs, the end results could be rushed and more costly to ratepayers. The Commission's existing workgroups and processes are well structured and integrated into the existing regulatory framework. Because SB 525 would result in a statutory change, it would supersede existing orders and regulations. Layering SB 525's broad requirements onto the current regulatory framework without deliberate study and consideration of the consequences could compromise other ongoing priorities.

Conclusion

As outlined, the Commission's engagement with stakeholders regarding distribution system planning issues is extensive and ongoing. Since these efforts are likely to result in the identification of initial regulatory or legislative recommendations in the coming year, the Commission cannot endorse SB 525's specific requirements at this time. Without the benefit of the knowledge and experience to be gained from the distribution system planning process that is currently underway, legislative action in this area is premature. Accordingly, the Commission respectfully asks the Committee to wait one year to learn from the workgroup process that is underway.

For these reasons, the Commission opposes SB 525. Thank you for your consideration of this information. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman