



Committee: Economic Matters

Testimony on: HB891 “Independent Study of the Public Service Commission (PSC Study Act of 2023)”

Position: Support

Hearing Date: March 9, 2023

The Chesapeake Chapter of Physicians for Social Responsibility (CPSR) submits this testimony in support of HB891, which requires the Public Service Commission (PSC, “the Commission”) to contract with an independent entity to conduct a study of the staffing capacity, structural organization, processes, and strategic focus of the Commission.

In public health, such independent expert studies are commonly used to assess and make recommendations regarding the operation of programs and agencies, especially those engaged in fields that are undergoing progressive change; sometimes these studies are included as recurrent parts of the management process.

The energy sector in Maryland can certainly be identified as one in which rapid and significant change is occurring. The Public Service Commission has for decades overseen an energy sector in which a small number of large electricity generators provide all the electricity to the whole population of a service territory. Electricity moved in one direction, from the generators through the transmission system and the distribution systems owned by utilities to industries, households, and businesses. In recent years, this pattern has been disrupted: electricity is being produced by multiple smaller generators, often within the distribution grid itself – on homes, commercial buildings, parking lots, landfills, and open land. This has made many of these entities both consumers (when the sun isn’t shining or the wind isn’t blowing) and producers of energy, selling power back onto the grid. That certainly constitutes significant change.

In addition, the technology, capabilities, and regulatory requirements are also changing. Large scale battery storage is coming online to address the intermittency of wind and solar generation. Electric vehicles and broader electrification processes will change the pattern of demand.

We also now recognize the need to address the underrepresentation of underserved and vulnerable communities, who have largely been left out of the decision-making process. If not included, they are likely to continue being left behind in the energy transition, and will end up bearing the burden of supporting the cost of infrastructure that will be serving fewer customers.

All these changes are being driven by rapidly developing economics and, fundamentally, by climate change. Increasing electrification, combined with the transition to carbon-free energy, are essential components of greenhouse gas reduction. This means that, for the first time, the energy sector is faced with time-specific targets for changes in the energy mix.

Certainly, this magnitude of change merits a systematic assessment of the capacity of the agency that must deal with it – our Public Service Commission.

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The Commission itself has taken an important step in such an assessment. Last year they carried out an evaluation of the PSC's human resources.¹ That evaluation identified a significant shortfall in staff, with a number of vacant positions, as well as staff recruiting and retainment challenges and limitations of Human Resources support owing to lack of internal H.R. capacity. These are important findings, and we support the Commission's request for resources and authority to restore and maintain staffing levels.

However, the description above of the magnitude and nature of the changes underway in the energy sector makes it clear that dealing with numbers of staff – while definitely necessary – is unlikely to be sufficient to respond to those sector changes.

It is likely that new technical capabilities will be required. There may need to be reorganization, with the creation of new divisions within an augmented staff. Other management issues of structure, like the Human Resource problem, may be identified.

These are the things that a well-designed study by qualified independent expert organizations can identify. Working with the Commission and stakeholders, the study will also help identify options for systematic – rather than piecemeal – updating that will position the Commission to deal effectively with present and foreseeable regulatory, oversight, and policy implementation requirements.

We have some personal experience with PSC processes that also suggests the value such a study can offer. We have been active participants in two PSC Work Groups: the Net Metering Working Group (overseeing the Community Solar pilot program) since 2015, and the more recent Distribution System Planning Work Group since its inception in 2021. In both Work Groups we have noted important inconsistencies regarding key aspects of the evolving electricity sector.

- In the Net Metering Working Group, the facilitator has maintained that the determining economic aspect of solar development is the foregone payment of utilities' distribution charges under Net Metering. On several occasions we have asked for consideration of the 2018 "Value of Solar" study developed by the Commission itself under Public Conference 44.² This study has been cited as recently as 2022 by the Commission Chairman, noting that it found solar to provide at least \$0.05 per kilowatt hour in avoided energy, capacity, and transmission investments.
- The Commission's Order establishing the Distribution System Planning Work Group³ included the charge to consider how the planning process could "*best align with Maryland's public policy goals*;" this statement was also included in the RFP for the consultants engaged by the Commission to facilitate the Work Group.⁴ Subtitle 8 of the 2022 Climate Solutions Now Act (CSNA) requires the Distribution System Planning process to include greenhouse gas reduction and renewable energy including distributed energy resources (DERs) and electric vehicle (EV) expansion, among other considerations.⁵ However, in the course of the Work Group's deliberations, participants were repeatedly refused when trying to introduce consideration of DERs, EVs, and other aspects of

¹ Public Service Commission of Maryland, Public Conference 57 – Modernizing the Commission's Staffing and Resources, Summary Report; December 22, 2023

² Daymark Energy Advisors, RLC Engineering, ESS Group; Benefits and Costs of Utility Scale and Behind the Meter Solar Resources in Maryland, Final Report, Prepared for Maryland Public Service Commission; September 18, 2018

³ Public Service Commission Order No. 89865, June 23, 2021

⁴ Potomac Electric Power Company and Delmarva Power & Light Company, Request For Proposals for Technical Consultant to Facilitate the Distribution System Planning Workgroup; September 3, 2021

⁵ SB 528 (As passed March 31, 2022 and enacted under Article II, Section 17(b) of the Maryland Constitution - Chapter 38, April 9, 2022); Subtitle 8 - Electric Distribution System Planning

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CSNA-related policy. As a result, the Group spent almost a year simply documenting the planning processes that utilities already have – not an invaluable process, but one in which utilities specifically reported that their present planning processes do not include proactive planning for DER and EV expansion or other aspects of policy established under CSNA. However, the “Final Report” developed by the facilitators stated that “*Utility DSP processes are adequate for addressing current regulatory realities.*”⁶ This statement was not agreed to by many Work Group participants, and at the last meeting of the Work Group the representative staff of MEA, OPC, and the PSC itself, as well as other stakeholders, announced that their organizations would be withholding consensus on the report’s conclusions.

These inconsistencies suggest that there is not yet a shared or consistent approach to the issues posed by the change to renewable energy and other key policy issues associated with the needed transformation of the energy sector.

For both the general and specific reasons summarized above, we find that a systematic assessment of the PSC’s capabilities, processes, organization, and strategic focus will serve the Moore-Miller administration and PSC leadership itself well. It will provide a comprehensive examination of these elements in the context of our evolving energy sector. It will also provide a coherent set of recommendations, to help strengthen and adapt the Commission to manage this rapidly evolving energy sector reality.

For these policy and experiential reasons, we support HB891 and strongly urge a favorable report by the Committee.

Respectfully,

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⁶ Silverpoint Consulting and EN Engineering Facilitation Team, PC44 Distribution System Planning Work Group Status Report; February 6, 2023

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