



February 28, 2023

112 West Street  
Annapolis, MD 21401

**Favorable with Amendments – Senate Bill 697 – Energy Storage – Targets and Maryland Energy Storage Program – Establishment**

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support *Senate Bill 697 – Energy Storage – Targets and Maryland Energy Storage Program – Establishment* with the sponsor’s amendments. As it relates to electric companies, Senate Bill 697 authorizes the Public Service Commission (PSC) to establish targets for the deployment of new energy storage devices with a goal of 3,000 megawatts of cumulative energy storage capacity by the end of delivery year 2033.

Pepco and Delmarva Power are constantly evaluating new technologies and services to build a smarter, reliable energy grid to withstand the impacts of climate change and ensure our customers have reliable service. We believe energy storage systems provide benefits to the electric grid and utility customers by enabling the transition to a clean grid with distributed renewable resources. Additionally, energy storage systems create system efficiencies that can reduce costs and save money for utilities and ratepayers, bolster grid reliability and resilience, improve system capabilities to withstand shocks and stressors and promote economic development and job creation in Maryland communities. Finally, energy storage devices can help to smooth the peak loads on the system.

The sponsor’s amendments address concerns that Pepco and Delmarva Power had with a few provisions of the bill as originally drafted. Pepco and Delmarva Power had concerns with the power purchase agreement (PPA) language that was in the bill. Rating agencies treat long term power purchase contracts as imputed debt on our balance sheet and can raise the cost of borrowing which can result in increased costs to customers. In recent years, supply chain and inflation have led to increased project development costs creating uncertainty in pricing. PPAs may lock customers into paying high rates for these resources even as supply chain and inflation constraints resolve, technology improves, and the cost of storage decreases over time.

Additionally, the sponsor’s amendments add more flexibility in how programs can be structured. Allowing for program flexibility will allow customization of program offerings to specific community needs, provide for a robust, cost-effective energy storage system strategy, and enable agility should new technologies become available.

Pepco and Delmarva Power respectfully request a favorable report on Senate Bill 697 with the sponsor’s amendments and we thank Senator Augustine for sponsoring this legislation and addressing our concerns.

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