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PUBLIC SERVICE COMMISSION

March 5, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: HB 1256 – Information - Electricity – Tariffs, Distributed Energy Resources, and Electric Distribution System Support Services (Distributed Renewable Integration and Vehicle Electrification (DRIVE) Act)

Dear Chair Wilson and Committee Members:

HB 1256 impacts the Public Service Commission (PSC) in various different ways and the comments provided in this testimony address the various provisions of this legislation. The PSC provides the following informational comments on House Bill 1256 for your consideration.

First, HB 1256 describes the intent and implementation considerations of requiring the PSC to approve transition plans by December 31, 2025 for the electric companies to transition all customers to an opt-out Time of Use (TOU) rate on or before September 1, 2028. The PSC notes that the opt-out nature of this TOU rate has consumer protection concerns associated with it. While opt-out TOU rates will likely increase participation in a TOU rate class, it may catch some customers by surprise, and may prove harmful and costly to the customer if they do not wish to participate in this TOU rate or are not properly informed on how to benefit from this TOU rate, even with adequate notification. Additionally, developing the electric companies' transition plans by December 31, 2025 and transitioning all customers to a TOU rate by September 1, 2028 will likely require extensive research to understand all of the impacts associated with switching all customers to an opt-out TOU rate. A Commission rulemaking would need to occur and the rulemaking process may take a year or more to develop new regulation based on stakeholder input.

Second, HB 1256 creates §7-1004 which requires the Commission to adopt regulations for the interconnection of bidirectional electric vehicle chargers. An interconnection process for Bi-Directional Electric Vehicles does not currently exist as this is a developing technology and as such, a comprehensive feasibility study may inform program development to a greater extent than has been presently realized. The April 1, 2025, due date to have the Commission adopt regulations to establish

expedited process' for interconnecting bidirectional electric systems to the electric distribution system, may not provide enough time to have sufficient stakeholder discussion to adopt optimal regulations.

Third, the proposed legislation establishes §7-1005 which requires the Commission to develop a pilot for each electric company to compensate owners and aggregators of distributed energy resources on or before April 1, 2025. A requirement for a positive benefit to ratepayers through a cost-benefit analysis should be a condition of DER deployment under this section and would help to ensure that viable, effective projects are installed. The Commission further notes that providing additional performance incentives for DER owners and aggregators may not align well with TOU rate development because grid support would typically be needed during peak periods when behind the meter storage would be used by customers to shift peak loads. In order to alleviate this conflict, performance payments would have to reliably correspond to realized distribution system savings. Establishing a pilot would require the Commission to convene workgroups and initiate a rulemaking. This will likely occur over one or more years and requires dedication of significant Commission resources including consulting expenses.

Fourth, HB 1256 creates §7-1006 which allows the Commission the ability to approve or require electric companies to offer upfront incentives or rebates to customers to install renewable-on-site generating systems. This section is unclear about how the Commission should prioritize program goals with costs passed on to customers. Clarity should be added allowing the Commission to consider the balancing of the different incentives and deployment goals of the various programs with consideration of the cumulative customer bill impacts.

Fifth, the proposed legislation establishes §7-1007 which allows electric companies to recover all reasonable costs associated with the pilot program and incentives in the same calendar year they were incurred, as well as allowing the electric companies to request a Performance Incentive Mechanism (PIM) for cost recovery. Typically, an electric company may need a few months to complete the recording of expenses prior to determining cost allocation and rate recovery, and it may not be feasible, without forecasting program costs, to establish rates for recovery in the same calendar year in which the electric company incurred program costs. Regarding the section on PIM's, a PIM is often designed as a means to boost the rate of return that a company earns on its invested capital. This would therefore conflict with the stated goal in other subsections which implies that all cost recovery would be as annual expenses, on which the utility would not earn a return on the investment, because the expense is fully recovered each year.

The Commission asks that you consider these comments when reviewing HB 1256. The Commission will continue to engage with stakeholders on the language of HB 1256. Please direct any questions you may have to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa1@maryland.gov.

Sincerely,

A handwritten signature in blue ink that reads "Frederick H. Hoover". The signature is written in a cursive style.

Frederick H. Hoover, Chair
Maryland Public Service Commission