

February 29, 2024

HB 1393: Electric System Planning – Scope and Funding

Committee: House Economic Matters

Position: Favorable with Amendment

Southern Maryland Electric Cooperative (SMECO) is a customer-owned, non-profit electric cooperative based in Hughesville that provides electricity to more than 173,000 customer-member accounts in Charles, St. Mary's, Calvert and southern Prince George's County.

Unlike an investor-owned utility, SMECO's customers oversee the strategic vision, major activities, and spending of their cooperative through a 15-member, democratically-elected Board of Directors. SMECO supports HB 1393 with an amendment to ensure that the Maryland Public Service Commission (PSC) adopts regulations for electric distribution system planning in accordance with Section 7-804 of the Public Utilities Article (PUA) of the Maryland Annotated Code that recognize the inherent differences, individual circumstances, and available resources among investor-owned electric companies, electric cooperatives, and municipal electric utilities.

HB 1393 requires utilities to invest in demand-side methods and technology to improve reliability and efficiency. It also aims to ensure that utilities are seeking the least-cost debt to finance their capital projects while also applying for available federal dollars through grants and loan programs.

As part of the Climate Solutions Now Act of 2022, the PSC, utilities, and other stakeholder groups were tasked with developing specific policies for distribution system planning and improvements with a focus on reducing greenhouse gas reductions and promoting a set of 12 state policy goals set forth in Section 7-802 of the PUA. SMECO has been a regular participant in a Distribution System Planning Work Group established by the PSC to complete this task. The workgroup, which consists of more than 100 participants, must issue a report to the PSC in April of 2024. The PSC is required to adopt regulations on July 1, 2025.

SMECO's amendment is simple, and it is reflective of the language that was included in the PSC's original distribution system planning Order No. 89865 from June 23, 2021. SMECO's amendment would provide legislative guidance to the PSC that not all utilities are the same and each utility has separate and distinct service territories and distribution systems to be considered in crafting the regulations.

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SMECO Amendment No. 1:

Amend House Bill 1393 as follows to ensure that the Commission considers the individual circumstances and differences among electric companies in fulfilling its statutory obligation to adopt regulations or issue orders by July 1, 2025 to implement specific policies for electric system planning, investments in demand-side management, and improvements to electric system planning processes in order to promote the State's policy goals under Section 7-802 of the Public Utilities Article:*

7-804.

(A) On or before July 1, 2025, the Commission shall adopt regulations or issue orders to:

(1) implement specific policies for electric [distribution] system planning;

(2) **REQUIRE INVESTMENT IN DEMAND-SIDE METHODS AND TECHNOLOGY TO IMPROVE RELIABILITY AND EFFICIENCY, INCLUDING VIRTUAL POWER PLANTS;** and

(3) **IMPLEMENT SPECIFIC POLICIES FOR** improvements in order to promote the State's policy goals under § 7-802 of this subtitle.

(B) **IN TAKING THE ACTIONS DESCRIBED IN SUBSECTION (A) OF THIS SECTION, THE COMMISSION SHALL RECOGNIZE THE INHERENT DIFFERENCES, INDIVIDUAL CIRCUMSTANCES, AND AVAILABLE RESOURCES AMONG INVESTOR-OWNED ELECTRIC COMPANIES, ELECTRIC COOPERATIVES, AND MUNICIPAL ELECTRIC UTILITIES AND ESTABLISH SEPARATE REQUIREMENTS FOR EACH TYPE OF ELECTRIC COMPANY AS THE COMMISSION DETERMINES TO BE REASONABLE.**

* EXPLANATION: **Boldface/CAPS** indicates matters added to House Bill 1393, as introduced on February 9, 2024.

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