



February 29, 2024

112 West Street
Annapolis, MD 21401

Favorable with Amendments – House Bill 1393: Electric System Planning - Scope and Funding

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support with amendments **House Bill 1393 – Electric System Planning – Scope and Funding**. This legislation expands the information the Public Service Commission (PSC) must provide to the General Assembly regarding electric systems. The legislation also requires the PSC to require each electric company to report at least quarterly to the PSC and Maryland Energy Administration (MEA) information related to IIJA and IRA funds sought. Additionally, House Bill 1393 requires the PSC to adopt regulations or issue orders to require electric companies to apply for federal funding and other available funds in a timely manner and to ensure that least-cost debt is used. Lastly, by July 1, 2025 the PSC shall adopt regulations or issues orders to require investment in demand-side methods and technology to improve reliability and efficiency, including virtual power plants.

House Bill 1393 removes the word “distribution” from 7-801, 7-802, 7-803, and 7-804 of the Public Utilities Article, much of which was enacted under the Climate Solutions Now Act of 2022 and predominantly pertains to the goals and establishment of regulations of electric distribution system planning. Many of the changes are broadly applicable to electric system planning instead of specific electric distribution system planning. The change from electric distribution system information to electric system information will now include transmission data in the annual report that the PSC provides to the General Assembly on the current status of projects designed to promote the goals of the State. Pepco and Delmarva Power are concerned about the legal implications this change may present, as transmission assets are not regulated by the PSC and this change conflicts with processes overseen by Federal Agencies. Transmission planning is accomplished on a more regional basis, and transmission lines are not constructed or operated with state boundaries or state goals in mind. Pepco and Delmarva Power recommend removing the brackets around “distribution” throughout the bill be removed.

House Bill 1393 requires the PSC to adopt regulations that state electric companies must apply for federal and other available funds in a timely manner and ensure that least-cost debt is used. Pepco and Delmarva Power recognize that IIJA is a once-in-a-generation \$1.2 trillion bipartisan infrastructure funding opportunity focused on building resilient infrastructure, accelerating an equitable, clean energy transition and creating good-paying jobs in communities. These projects have the potential to create opportunities across the value chain and ensure an equitable and sustainable energy future, specifically in areas historically subject to disproportionate economic burden and negative effects of climate change. Pepco and Delmarva Power are committed to applying for funding

to ensure a clean energy future is accessible to all communities. However, it should be noted that two-thirds of this funding is not eligible for utilities to apply for. Pepco and Delmarva Power are concerned that utilities would be required to apply for all federal funding no matter what the project specifications are, or whether we are actually eligible. While we understand it is critical to reduce financial impacts on our customers as affordability is always at the forefront of all our investment decisions, we also have the responsibility to ensure we are applying for projects that make sense for our customers. Pepco and Delmarva Power will continue to look for opportunities to partner with the state and local partners to maximize federal funding opportunities. Pepco and Delmarva Power believe the current statute related to applications for federal funding and submitting reports should remain unchanged.

In addition, Pepco and Delmarva Power utilize a combination of debt and equity financing to support projects. If a utility is highly leveraged in debt, this decreases the stability of the utility and the utility's financial health, all of which can lead to increased costs to finance operations. Accordingly, we believe the language in House Bill 1393 is too restrictive and does not reflect the reality of how we finance projects and should be removed.

Pepco and Delmarva Power are committed to working with the bill sponsor and all stakeholders on amendments and respectfully request a favorable report with the amendments suggested.

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