

Favorable with Amendment
Economic Matters
2/29/2024

House Bill 1393 – Electric System Planning – Scope and Funding

Baltimore Gas and Electric Company (BGE) supports with amendments *House Bill 1393 – Electric System Planning – Scope and Funding*. House Bill 1393 alters the policy goals related to electric distribution system planning and requires electric companies to seek available federal funding for electric system enhancements, including newly mandated investment in demand-side methods and technologies.

BGE understands and supports the need for electric system upgrades and investments in innovative technologies to ensure reliable power for our 1.3 million electric customers. Obtaining grants and federal funding for these projects is critical to reducing the financial impacts to our customers as affordability is one of the many factors considered when making investment decisions at BGE. Since 2020, BGE has applied for and/or supported over \$320M in grant funding for projects across central Maryland to offset project costs and promote affordability, support State policy goals such as environmental stewardship, climate goals, and digital equity, and advance a more resilient clean energy grid of the future. Many of these opportunities are from programs found in the Infrastructure Investment and Jobs Act (IIJA).

As drafted, House Bill 1393 mandates that the Public Service Commission (PSC) adopt regulations or issue orders requiring electric companies to apply for federal and other available funds in a timely manner and to ensure that the least-cost debt is used. BGE believes this would require electric utilities to apply for funding from sources in the IIJA or the federal Inflation Reduction Act, even if the proposed project does not fall within the parameters of those Acts. It takes significant effort to develop grant proposals and having flexibility to be strategic about the opportunities an electric company pursues allows them to focus their efforts on sources they believe have a higher probability of success and reduces the financial impacts on their customers. Additionally, the provision directing the PSC to adopt regulations or issue orders to ensure “least-cost debt is used” is wholly unnecessary. One of the many issues considered by the Commission during a base rate proceeding is the cost of debt. As with all other costs examined in a rate case, the Commission ensures that only prudently incurred costs of debt can be recovered from ratepayers. As such, BGE requests an amendment restoring the PSC’s flexibility under current law to adopt regulations or issue orders, which aligns with the General Assembly’s intent of encouraging, “electric companies of the State to pursue diligently federal funds to meet the State’s policy goals for the electric distribution system.”

While the Maryland electric distribution system is regulated by the PSC, the electric transmission system is an interstate system regulated by the Federal Energy Regulatory Commission (FERC). As drafted, House Bill 1393 seeks to grant the PSC the authority to adopt regulations and issue orders related to the implementation of policies for the planning of and improvements to the

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entire electric system and mandates investments in demand-side methods and technologies. BGE requests amendments to eliminate this investment mandate as it removes the PSC's discretion and authority to make decisions regarding electric utilities that are in the best interest of the State of Maryland and its residents; and specify these provisions only apply to the electric distribution system.

BGE will continue to seek funding opportunities from available federal, state and third-party sources for projects that help the State achieve their climate goals. We thank the committee for your consideration of the aforementioned amendments and request their adoption prior to issuing a favorable committee report.

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