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PUBLIC SERVICE COMMISSION

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

RE: HB1225 - Information - Electric Distribution System Plans - Establishment (Affordable Grid Act)

Dear Chair Wilson and Committee Members:

During the 2022 Legislative session, the Maryland General Assembly passed the Climate Solutions Now Act of 2022 (SB0528), which requires the Public Service Commission (Commission) to establish distribution system planning (DSP) regulations by July 1, 2025, among other things. In the 2024 Legislative session, the Maryland General Assembly passed the Electric System Planning - Scope and Funding Act (HB1393) to make system planning requirements more broadly applicable to “electric system planning” instead of specific to “electric distribution system planning”, among other things. In addition, the scope of a Commission annual DSP report due to the General Assembly under PUA §7-802 starting on December 1, 2024, was modified under HB1393 to now require information regarding projects designed to promote the goals of the section in addition to requiring investment in demand-side methods and technology to improve reliability and efficiency, including virtual power plants. Due to the additional requirements in HB1393, the statutory deadline to establish distribution system planning regulations was extended from July 1, 2025, to December 1, 2025.

However, the Commission's efforts to implement a transparent electric system planning process that provides new opportunities for stakeholder participation and feedback predates these legislative initiatives. In 2021, in considering the product of the NARUC/NASEO Taskforce on electric distribution planning and the work of the PC44¹ workgroups, the Commission issued Order No. 89865 and launched the DSP Workgroup. The DSP Workgroup was initially tasked to review existing utility processes and determine how they align with the NARUC/NASEO Taskforce recommendations and where there may be opportunities for early and meaningful stakeholder engagement. Commission workgroup proceedings are open to all participants who wish to join and are intended to develop consensus proposals for the Commission, where possible.

¹ See PC44 Docket, In the Matter of Transforming Maryland’s Electric Distribution Systems to Ensure that Electric Service is Customer-Centered, Affordable, Reliable, and Environmentally Sustainable in Maryland

The DSP Workgroup scope has expanded over time to include the requirements from SB0528(2022) and HB1393(2024) in addition to several Commission Orders² providing direction in response to DSP Workgroup reports. The DSP Workgroup is currently **on-track** [*Emphasis Intentional*] to implement DSP regulations by December 1, 2025, as required by HB1393. The result will be an integrated DSP process³ that ensures that the Commission and stakeholders have insight and input into the ongoing incremental investments necessary to ensure delivery of electricity in Maryland in support of state policy goals. This will be a significant milestone. While Maryland's electric utilities have always engaged in DSP planning resulting in system investments to provide safe, reliable, and affordable service, historically utility DSP processes have not been transparent and have provided suboptimal opportunities for consideration of stakeholder feedback in the plan development phase. Also, utility DSP plans will now be focused on specific state policy goals in addition to other requirements in SB0528(2022) and HB1393(2024).

HB1225 substantially expands the requirements being contemplated in the current Commission process. While many areas within HB1225 are already being addressed in the current DSP Workgroup, the general requirements of HB1225 are more extensive, requiring more metrics, reporting and meetings than is contemplated in the current DSP Workgroup direction. HB1225 would require the Commission to adopt regulations or issue orders on or before December 1, 2025, that require electric companies to develop an electric system distribution plan to be approved by the Commission, thereby requiring fully litigated DSP cases for each utility, and also provide the Commission with annual progress reports. HB1225 also requires the Commission to adopt certain metrics to monitor and assess electric distribution system plans; requires an electric company to provide certain public comment opportunities; requires the Commission to adopt regulations or issue orders adopting a certain information-sharing framework; and other requirements generally relating to electric distribution in the State.

While the Commission is aligned with the general intent of HB1225 to improve the DSP process in pursuit of state policy goals and to also provide more transparency and opportunities for stakeholder input into DSP plans, the Commission recommends several amendments. Specifically, the Commission seeks amendments to avoid the burden of fully litigated DSP cases which make up the bulk of the Commission's resource needs to implement HB1225. The Commission also seeks amendments that provide more flexibility for the Commission to address the pace of utility development of advanced forecasting and planning capabilities in pursuit of several of the HB1225 objectives. The amendments sought by the Commission do not seek to strike these items from HB1225 completely, but rather provide discretion to the Commission to consider DSP Workgroup recommendations in these areas and allow the Commission to make final determinations on the implementation details and the pace of improvements that consider the inherent differences, individual circumstances, rate impacts and available resources among investor-owned electric companies, electric cooperatives and municipal electric utilities. We are willing to work with the bill's sponsors on these amendments.

² See Order No. 90777 on Recommendations of Distribution System Planning Work Group, August 2023, Order No. 91256 on Recommendations of Distribution System Planning Work Group. Case No. 9665 in July 2024 and Order No. 91490 on Recommendations of Distribution System Planning Work Group in January 2025.

³ As described by the Regulatory Assistance Project, Integrated DSP "is a process that systematically develops plans for the future of a distribution grid using inputs supplied by the electric utility, the Commission, and interested stakeholders. The planning process is integrated in the sense that all possible solutions to distribution system needs are considered. The objective of the final plan is a distribution system that operates for the public good, meeting the objectives set out by stakeholders in a cost-effective manner." Unlike traditional siloed distribution planning, Integrated DSP will look to the interconnected relationships of the PUA §7-802 policy goals to lead to more effective grid investments.

Finally, the Commission seeks an amendment to modify the requirement for DSP regulations to become effective from December 1, 2025, to December 1, 2026. Since HB1225 as it currently exists modifies the intent and items to be covered by the regulations, the Commission believes that the existing December 1, 2025, deadline in PUA §7-804 needs to be extended by 12 months. It is important not to further delay DSP regulations which would further delay the benefits to the state and ratepayers of an integrated DSP process. If we can collaboratively work with the bill sponsors to introduce the amendments we seek, we may be able to mitigate rework and any associated delays in promulgating regulations and enforcing utility compliance for new DSP requirements. We are still in the early phases of this journey to implement new DSP processes. It's important to keep on-track to implement our current DSP Workgroup initiatives while retaining flexibility in implementing the objectives of the bill's sponsors in addition to any lessons learned once we start the new DSP process.

The Public Service Commission appreciates the opportunity to provide informational testimony on HB 1225. Please contact the Commission's Director of Legislative Affairs, Christina M. Ochoa, if you have any questions.

Sincerely,

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

Frederick H. Hoover, Chair
Maryland Public Service Commission