



Maryland

Energy Administration

TO: Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee
FROM: MEA
SUBJECT: HB 1419 - Electric Distribution System Support Services - Cost Recovery and Energy Storage
DATE: March 13, 2025

MEA Position: FAVORABLE WITH AMENDMENTS

House Bill 1419 addresses cost recovery mechanisms for electric distribution system support services and expands access to energy storage systems. The Maryland Energy Administration (MEA) supports the bill's overarching objectives of enhancing grid reliability, integrating distributed energy resources, and promoting clean energy solutions. However, MEA recommends certain safeguards to ensure the bill's provisions align with Maryland's energy affordability and equity goals.

If enacted, House Bill 1419 would allow investor-owned electric utilities to recover costs more easily by permitting the use of regulatory asset accounting for expenses related to distributed energy resources and incentive programs. This would enable utilities to spread costs over time rather than immediately impacting customer rates. The bill would also encourage more energy storage options by clarifying that electric companies, private entities, and aggregators can offer energy storage to residential customers outside of pilot programs. Additionally, it would require investor-owned utilities to recover eligible costs within the same calendar year where feasible. Furthermore, the bill would create performance incentives for electric companies to integrate distributed energy resources more effectively by tying cost recovery to measurable benefits such as grid reliability and emission reductions.

MEA acknowledges that allowing investor-owned electric utilities to recover costs through regulatory asset accounting can provide financial flexibility and encourage investment in distributed energy resources. However, MEA urges the Committee to ensure that deferred cost recovery does not lead to undue ratepayer burdens, particularly for low- and moderate-income households. **A thorough cost-benefit analysis should be conducted to assess the long-term rate impacts on consumers before approving the use of regulatory asset accounting. A prudency review should also be conducted for projects covered under this bill.**

MEA strongly supports the bill's clarification that electric companies, private entities, and aggregators of distributed energy resources may offer energy storage solutions outside of existing pilot programs. Energy storage plays a crucial role in enhancing grid reliability, supporting renewable energy integration, and reducing peak demand costs. By fostering competition and innovation in the energy storage sector, this provision can lead to increased accessibility and affordability for Maryland residents.

MEA encourages the General Assembly to ensure consumer protection measures are in place to guarantee fair pricing and transparency in energy storage offerings.

MEA recognizes the benefit of requiring cost recovery within the same calendar year where feasible, as it promotes financial transparency and prevents long-term cost accumulation. However, MEA cautions against any sudden rate adjustments that may disproportionately impact residential consumers. As the bill is written, rate stabilization measures, if any are created, would have to be implemented by the Public Service Commission during the rulemaking process to mitigate potential cost fluctuations resulting from annual cost recovery requirements. Rate stabilization measures such as annual caps on cost recovery or percentage-based rate increase limits to prevent sudden surges in consumer utility bills are options that could be considered.

MEA supports performance-based incentive mechanisms that encourage investor-owned electric companies to integrate distributed energy resources efficiently. However, the Public Service Commission should establish clear performance metrics that align with Maryland's clean energy and greenhouse gas emissions reduction goals. Performance incentives should be directly tied to measurable benefits such as grid reliability improvements, reduced greenhouse gas emissions, and cost savings for consumers. A robust oversight framework should be implemented to ensure that any incentive mechanisms advance the state's public interest.

To further protect Maryland ratepayers, MEA recommends adding language to require that all projects subject to cost recovery under House Bill 1419 pass a cost-effectiveness test and prudence review before approval. This test should evaluate whether the projected benefits, such as energy savings, grid reliability improvements, and emissions reductions, outweigh the costs passed on to consumers. Ensuring cost-effectiveness will help prevent unnecessary rate increases while still encouraging investment in clean and reliable energy solutions.

MEA urges the committee to issue a **favorable report as amended**. Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).