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Executive Nominations Committee

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

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The House Environment and Transportation Committee  
SB 270 – Public Service Commission – Full Costs and Benefits Analysis of  
Sources of Electricity Generation  
Statement of Support by Bill Sponsor Senator Mary Beth Carozza

Thank you Chair Korman, Vice Chair Guyton, and members of the distinguished House Environment and Transportation Committee for this opportunity to present Senate Bill 270 – Public Service Commission – Full Costs and Benefits Analysis of Sources of Electricity Generation as amended and ask for a favorable report.

SB 270 would require the Public Service Commission to conduct an analysis of the full costs and benefits of sources of electricity generation in the State, including natural gas, nuclear, offshore wind, solar, and energy storage. The bill has been amended at the recommendation of the Public Service Commission to use “other models the Commission determines appropriate.”

The Public Service Commission is favorable with amendments, which I have included in SB 270 as amended. The PSC notes that SB 270 would be beneficial to help inform State policymakers as strategies are developed to attract additional sources of generation to Maryland to help lower costs and to meet State climate goals. In addition, PSC has indicated options to reduce the fiscal note.

The information from this analysis will be particularly instructive as it is fuel neutral and simply looks at the practical performance characteristics of each type of generation. It can help the Commission and policymakers determine which type of generation sources (or combination thereof) can actually power the grid, and at what cost. This is essential information that our constituents expect us to consider and use as we make energy policy decisions to ensure safe, affordable and reliable energy generation in Maryland.

Currently, calculating the “Levelized Costs of Electricity”, or LCOE, is the most popular method used to compare the costs of generating electricity using different technologies. A company called Lazard (a financial advisory/asset management company) is best known for producing the leading LCOE report. LCOE specifically calculates the average revenue per unit of electricity needed to break even. However, LCOE is a limited calculation method as it leaves out important factors regarding renewable generation, such as the impact of intermittency and non-dispatchability. The LCOE calculation does not capture the total costs of energy generation.

A growing number of experts are cautioning that using LCOE severely understates many broader system costs of intermittent resources, making these resources seem artificially cheap. As Maryland transitions toward renewable energy sources and electrification, we as policymakers have a responsibility to ensure grid reliability and affordability for residents.

LCOE is an outdated calculation method that does not factor in the full costs of modern energy generation. In essence, LCOE has significant limitations that hide the true cost of generation. This is why SB 270 would require the PSC to use the calculation method known as the Levelized Full System Costs of Electricity”, or LFSCOE, and as amended, any other models the Commission deems appropriate.

LFSCOE analyzes the cost of serving an entire market using only one generating source, plus the necessary storage. In contrast to LCOE and other alternatives, LFSCOE condenses the cost for each technology into one number per market.

To be clear, this bill is NOT intended in any way as a criticism of renewable generation or any other type of generation. Rather, SB 270 simply requires the Commission to prepare a study of the true costs of different types of electricity generation that can be used to inform policy decisions. This is about collecting accurate data that is essential to our responsibilities as policy makers and our obligation to the ratepayers and our constituents.

We have an obligation to understand how the development of various energy sources would impact Maryland ratepayers. This bipartisan bill is a commonsense approach to ensure the full costs and benefits in developing energy are calculated and to consider policy recommendations that prioritize the lowest cost and greatest benefit to the ratepayers.

I thank you for your kind attention and consideration, and I respectfully request a favorable report on SB 270.