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FAVORABLE WITH AMENDMENTS – House Bill 1476

HB1476 – Public Service Commission - Net Energy Metering - Successor Program

Environment and Transportation Committee
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Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 293,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Maryland, Ohio, Pennsylvania, New Jersey, New York, and West Virginia.

Favorable with Amendments

We appreciate the General Assembly's continued efforts to modernize Maryland's distributed energy resource policies and **Potomac Edison / FirstEnergy respectfully request a Favorable with Amendments report on House Bill 1476 -** *Public Service Commission - Net Energy Metering - Successor Program*. HB-1476 takes a crucial step toward establishing a structured, transparent process for developing a successor to the state's existing net energy metering (NEM) framework.

By maintaining the current NEM program until the State reaches 3,000 MW of eligible customer-generator capacity, or until the Maryland Public Service Commission (Commission) submits its legislatively required study and recommendations, the bill offers continuity and stability for customers while setting the stage for a thoughtful transition. HB-1476 also authorizes a combined NEM and successor-program capacity of up to 6,000 MW, allowing Maryland to continue expanding distributed energy generation (DER) while establishing a process to better balance benefits, costs, and equity considerations.

To support the bill's goals, Potomac Edison / FirstEnergy recommends several amendments to strengthen clarity, equity, and policy alignment. We are fully prepared to engage in the Commission led stakeholder process envisioned by the bill, which will require utilities, industry participants, and customer advocates to collaboratively design compensation structures, clarify program rules, and establish an approach to cost allocation that aligns with broader state energy goals. As the Commission undertakes this future rulemaking, several key considerations will be essential to ensuring a fair and sustainable successor program.

The NEM Successor Program contemplated in HB-1776 would permit the state to reconsider how the current 3,000 MW cap is reached and alter when each geographic portion of the state transitions to the new paradigm. Currently, the transition is planned to occur only when the state-wide capacity of 3,000 MW is reached, but it is highly likely that some utility territories will have a greater share of capacity, and their customers will be required to pay significantly more to support the program. These costs will not go away when the state transitions to the NEM Successor Program - but will remain as long as the legacy systems are in service, likely for several decades. The Commission's Technical Staff released a November 2025 report on NEM and reported that Potomac Edison has 720 MW of Community Solar projects in queue, over 40% of the state-wide total, and more than any other utility in the state. To put that 40% in better context, Potomac Edison's peak demand only accounts for about 12% of the total peak electricity demand in Maryland. This same report indicated that Potomac Edison's residential customers will be paying an estimated $20/month to support the current NEM program - if changes capping the amount of capacity in each service territory is not instituted.

Maryland is in a similar position today that California was a decade ago, before they transitioned to a NEM successor program. The California NEM successor program required utilities to transition when a territory-specific cap was reached, and each major electric utility reached the cap at different times. Massachusetts, Nevada, and Hawaii also have allowed for utility-specific transitions to an NEM successor program. Potomac Edison / FirstEnergy offers a simple solution to this issue that helps protect our customers and provides a more equitable solution for all portions of the state while preserving Maryland's clean energy goals and protecting customer affordability throughout the state. We recommend:

> *7-306.(d) should be edited to include* ***"the earlier of"*** *after "until:" at the end of the paragraph.*
>
> *7-306.(d)(1) should be edited to read: the rated generating capacity owned and operated by eligible customer-generators "****in an electric utility's service territory"*** *reaches* ***"its pro-rata portion of the statewide limit of"*** *3,000 megawatts* ***"based on 2025 peak demand";*** *OR add new line*
>
> *7-306.4.(B)(3)(II)****4.*** *Should be added to read* ***"Creation of utility-specific transitions to the successor program as necessary to ensure equitable distribution of capacity throughout the state."***

Ratepayer impacts must be clearly evaluated - not only on a statewide basis, but also within each individual utility's service territory. As mentioned, DER development has been heavily concentrated in Potomac Edison's western counties – and this is creating significant long-term cost impacts on non-participating residential rate payers. We also recommend:

> *7-306.4(B)(2) should explicitly require minimization of "****non-participating"*** *ratepayer costs, and*
> *7-306.4(B)(3) should be amended to ensure cost-benefit balancing "****within each electric company service territory"*** *to better address localized impacts and spread any program costs fairly.*

HB-1476's requirements to both incentivize DER's and minimize costs may conflict with existing DER initiatives - underscoring the need for alignment across all programs. We recommend:

> *In 7-306.4(B)(1), the requirement to* ***"incentivize the development of distributed generation" should be removed entirely****, as these incentive structures are better addressed in separate DER programs.*

Clear standards and program definitions will be crucial to avoid the ambiguity experienced in prior DER-related proceedings. Ensuring predictable outcomes for customers and reducing the potential for prolonged administrative disputes is important for HB-1476's success.

Finally, additional clarifications should require that energy export compensation in 7-306.4.(B)(3)(I) be **"market-based"** rather than reliant on administratively determined credits, and that equity analyses in 7-306.4.(B)(3)(II) consider customer-generator contributions not only to grid maintenance, but also to **"other energy-based ratepayer-funded programs"** and obligations such as the EmPOWER program.

While HB-1476 as drafted does not directly address Potomac Edison's ongoing concerns regarding the disproportionate concentration of Community Solar and NEM-related development in its service territory, our proposed amendments to the Successor Program framework presents a meaningful opportunity to improve transparency, modernize compensation methods, and strengthen cost allocation. Potomac Edison / FirstEnergy supports the bill's intent and looks forward to collaborating with the Commission and stakeholders to design a new NEM structure that balances customer benefits, system needs, clean energy objectives, and equitable cost responsibility across Maryland.

Potomac Edison / FirstEnergy respectfully requests a <u>Favorable with Amendments</u> report on HB-1476.