SIERRA CLUB

P.O. Box 278
Riverdale, MD 20738

Committee: **Education, Energy and the Environment**
Testimony on: **SB682 "Limitations on Cost Recovery by Public Service Companies and Reports on Votes Cast at Meetings of Regional Transmission Organizations (Utility Transparency and Accountability Act)"**
Position: **Support**
Hearing Date: **February 22, 2024**

The Maryland Chapter of the Sierra Club urges a favorable report on SB682. This bill provides greater transparency regarding decisions and actions undertaken by Maryland utilities in their role as providers of electricity to Maryland residents. The bill also clarifies existing law which requires utility shareholders, not utility ratepayers, to cover direct utilities' lobbying expenses by specifying other, similar utility expenses that must be paid out of shareholder funds and may not be included when calculating the rates paid by utility customers.

Transparency

The bill will help illuminate the role Maryland utilities play in a multistate, quasi-governmental electricity organization known as PJM Interconnection (PJM). PJM exerts significant control over the electricity sector, including decisions as to what new large electricity generation facilities are built in Maryland.[1]

PJM policies, procedures, and actions are decided upon by its members, which include utility companies and electricity generators. PJM procedures include several levels of member voting, and votes often are not disclosed. Consequently, it is difficult to know how Maryland utilities are exercising their discretion. Although PJM policies and procedures are regulated by the Federal Energy Regulatory Commission (FERC), Maryland retains regulatory authority over its utilities and thus the manner in which they participate in PJM.

[1] PJM is one of several multistate and single-state organizations that regulate electricity grids within the United States. Stated broadly, PJM "coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia," including Maryland. https://www.pjm.com/about-pjm.

This coordination involves several essential tasks, including decisions on what new large electricity generation facilities (including offshore wind turbines and utility-scale solar fields) may interconnect with the electricity grid, thus influencing whether these facilities are built. PJM rules regarding electricity markets also may impact distributed energy resources, energy efficiency, and demand response, and can affect the amount that Maryland residents pay for electricity. https://en.wikipedia.org/wiki/Regional_transmission_organization_(North America). In sum, PJM is a key gatekeeper regulating Maryland's efforts to significantly expand its homegrown, clean electricity generation.

PJM's significance is highlighted by the long processing delays that have arisen for approving interconnections by new generation facilities..This logjam has resulted in a significant slowdown in bringing online new clean energy generation throughout the PJM area, including Maryland. PJM is taking steps now to attempt to rectify this problem.

The bill simply requires that Maryland utilities disclose their recorded votes at PJM meetings by filing reports with the PSC. The reports will need to include brief explanations of how the utilities' PJM votes served to advance the public interest. This will enable Maryland's public officials, regulators, and residents to know more about how Maryland utilities are carrying out their responsibilities, while maintaining utilities' discretion to decide how to cast their PJM votes.

Utility Lobbying and Similar Expenses

Current state law provides that "[a] public service company may not charge off lobbying expenses against its ratepayers." MD Pub. Util. Code, sec. 4-103(b). The rationale for this is that ratepayers should pay for the services provided by their utility, but utility shareholders should pay for expenses unrelated to the provision of safe and reliable electricity.

Experience with this prohibition indicates that it is unduly narrow, and allows utilities to seek to charge ratepayers for similar expenses unrelated to the provision of electricity. The bill, accordingly, further defines lobbying expenses, and specifies additional categories of expenses that shareholders should take responsibility for, including advertising aimed at shaping public opinion, entertainment, and gifts.

Conclusion

For these reasons, the Maryland Chapter of the Sierra Club urges a favorable report on SB682.

Mark Posner
Clean Energy Legislative Team
Mposner5719@gmail.com

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org