



October 16, 2023

*Delivered electronically*

Secretary Serena McIlwain  
Maryland Department of the Environment  
1800 Washington Boulevard  
Baltimore, MD 21230

RE: Public Comment on *Maryland's Climate Pathway* Report

Dear Secretary McIlwain:

Old Dominion Electric Cooperative (ODEC) appreciates the Department of the Environment's work to reduce greenhouse gas emissions in Maryland. I am writing to provide feedback on *Maryland's Climate Pathway* policy proposals for the electricity sector. We respectfully request the Department consider the below concerns for electric cooperative-served communities in developing the final report for the Maryland General Assembly.

### **Background**

ODEC is a not-for-profit wholesale generation and transmission electric cooperative owned exclusively by 11 not-for-profit retail distribution electric cooperatives that serve 1.5 million people in Maryland, Virginia, and Delaware, including Choptank Electric Cooperative's 55,000 members in Maryland. ODEC is dedicated to providing safe, affordable, reliable, and sustainable power. ODEC has reduced CO<sub>2</sub> emissions by 47% since 2005 and has a strategic goal of net-zero carbon emissions by 2050—the second generation and transmission cooperative in the country to establish such a goal.

ODEC is leading the way for electric cooperatives' clean energy transition by enhancing our renewable energy portfolio (See the [Criterion Wind Project](#) in Garrett County), evaluating and investing in battery storage technology (See the [Smith Island Battery Project](#) negotiations with the U.S. Department of Energy), and undertaking a variety of efforts to work toward a clean energy future (See [Letter of Intent](#) applying for federal renewable energy grants). As part of a diversified generation mix, ODEC also owns and operates a state-of-the-art combined-cycle natural gas power plant in Cecil County, the Wildcat Point Generation Facility ("Wildcat Point"). Wildcat Point is one of the cleanest natural gas facilities of its size in Maryland and provides nearly 1,000 MW of reliable power to our members in Maryland and beyond.

As ODEC, Maryland, and PJM move further into the clean energy transition, the requirements to keep the lights on during the transition become paramount. The timelines, costs, and technology challenges need to be planned to ensure economic equity and the elimination of risks to the grid and the consumers it serves.

### **Reliability**

The clean electricity standard (CES) proposal for 100% clean-sourced in-state electricity production by 2035 would impact electric reliability in the state and elevate the risk of energy shortfalls. In the report, the Department relies on PJM as the Regional Transmission Organization to be the balancing authority on energy needs. PJM has expressed growing concern over regional reliability. In June 2023, PJM President and CEO Manu Asthana testified before the U.S. Senate Committee on Energy and Natural Resources that the U.S. electric grid is experiencing an accelerating transition toward the use of intermittent renewable generation. “If these trends continue, our models show increased risk of having insufficient resources later in this decade to maintain the reliable electric service that consumers expect,” Asthana stated referring specifically to generation capacity shortfalls in the PJM region.

Regulations and policies that cause premature retirements of on-demand generation without sufficient time for non-carbon-emitting technology innovation to fill the gap will pose serious risks to keeping the lights on for Maryland residents and businesses. The report does not address how or if ODEC will be permitted to continue operating Wildcat Point for reliability at a time when continued operation is critical. The electrical grid may be deprived of a resource when it is most needed, and we ask the Department to consider reliability impacts in future regulations.

### **Timeline**

The transition towards a clean energy future requires balance between the timing of generation facilities retiring from and coming onto the electric system. Existing on-demand generation plants need to be kept online until sufficient new generation is available to take its place. This includes not just resources that perform during daylight hours, but also those that can provide energy during nighttime hours. Storage requires additional daytime generators to charge the storage. Additionally, from a security standpoint, energy from renewable resources is not a one-for-one replacement for on-demand generation resources, due to the intermittent nature of renewables.

To ensure an orderly transition, ODEC will continue to rely on its Wildcat Point Generation Facility. A combined-cycle power plant uses both a gas and a steam turbine together to produce up to 50% more electricity from the same fuel than a traditional simple-cycle plant, making Wildcat Point a state-of-the-art and highly efficient generation facility. This facility was commissioned in 2017 to provide reliable energy 24 hours a day and will be needed throughout the transition period until suitable alternatives for on-demand energy production are in service.

ODEC raises concerns that *Maryland’s Climate Pathway* timeline would create issues for electric reliability by restricting the remaining useful life of existing energy resources and placing the state’s reliability solely on intermittent resources.

### **Increased costs and double taxation**

The report’s proposals would raise electricity rates and other costs for Marylanders by increasing the costs for the remaining on-demand resources in Maryland or by causing energy to be imported from neighboring states, thus limiting Maryland’s control of its own energy.

ODEC is owned by its electric cooperative members, who are in turn owned by the people and businesses that they serve, making electric cooperatives a unique sector of the electric industry. This not-for-profit model means end users share benefits and costs of cooperative membership equally, and member-consumers at the end of the line are charged at-cost for energy generation by ODEC.

Increased operational costs prompted by the Cap-and-Invest Program and RGGI are an especially pressing concern for ODEC, which by necessity passes costs – without profit – directly to members. The Cap-and-Invest Program conceptually appears to duplicate emissions auction fees ODEC (and all other generators) pays for Wildcat Point already through RGGI. These doubled-up costs would negatively impact Maryland businesses, families, and especially low-income households, who spend a larger portion of household budgets on energy costs.

The report provides no details on the Cap-and-Invest Program, a critical flaw of the draft report. The details of any kind of market-based program like cap-and-trade programs are essential for understanding the impacts, both positive and negative, of such a program. From our experience working on other cap-and-trade programs at the federal level, ODEC understands the importance of the intricate details of program design. More details must be provided, preferably through a process involving all stakeholders, before a final report is issued. Further, the report contains no analysis of compliance or closure costs to generation utilities, the corresponding financial impact to ratepayers, or fiscal impacts to county and state budgets – a significant oversight in analyzing issues affecting all Marylanders and particularly environmental justice communities.

Additionally, the report does not calculate the economic impact of policies which drive generation facility closures, such as stranded investment costs and loss of jobs. ODEC's Wildcat Point employs 30 full-time employees and creates an estimated \$33.5 million annual impact for Cecil County. ODEC also has a revenue agreement in place that will dedicate roughly \$124 million to the County over 30 years. Allocation of costs for stranded investments in a plant that has closed due to increased regulations will place additional burdens on businesses, residential customers, and local governments.

The Pathways Report's policies would also affect Wildcat Point operations that were guaranteed by the Public Service Commission when it approved Wildcat Point's Certificate of Public Convenience and Necessity in 2014. Wildcat Point provides clean, reliable power but would be forced to pursue costly compliance pathways to meet the 2035 goal as well as retire prematurely. Maryland officials celebrated the opening of Wildcat Point just 4 years ago, and now this report represents an abrupt about-face. The report lacks guidance on how the state will manage premature retirements of generation facilities and does not provide a plan for dealing with stranded investments or their allocations.

### **Technology Challenges**

The CES and strengthened RGGI proposals rely on renewable energy resources that will be exceedingly difficult to bring online in the proposed compliance timeframe, and on renewable technologies that have not yet been demonstrated as commercially viable. ODEC is actively pursuing varied renewable energy efforts and incentives from the federal government made available from the Inflation Reduction Act and Bipartisan Infrastructure Law, but the development of new generation in the PJM transmission system is constrained by a large backlog of interconnection applications. A multiyear Interconnection Process

Reform is underway, delaying renewables development in addition to wide-ranging engineering, procurement, permitting, and construction schedules.

Additionally, carbon capture and sequestration technologies and use of hydrogen for power generation are under expedited development but not yet an economical or technically viable choice for Wildcat Point. ODEC is partnering with U.S. DOE to advance long-duration battery storage technology to improve dispatchability of renewable resources. In the meantime, Wildcat Point plays an important role in the cooperatives' diversified mix of generation.

### **Finding Solutions**

Cost-effective regulations that minimize unnecessary burdens are very important to cooperatives' ability to provide affordable and reliable electricity to their members.

The "Energy Industry and Revitalization Working Group" mandated by the *Climate Solutions Now Act* of 2022, and on which ODEC has a position, was supposed to create policy proposals to address these very concerns. This workgroup is the result of negotiations with the stakeholders during the legislative process to ensure all parties had a seat at the table.

As stated in the statute (Md. Art. Env. §2–1303.2):

"(g) The Working Group shall:

... (2) Conduct a study of the impacts of transitioning to renewable energy; and

(3) Include in the study...

(iii) The economic impact of the transition to renewable energy and new energy sources, including supply chain impacts

(iv) **An analysis that identifies energy generating facilities that may close as a result of a transition to renewable energy, including issues and opportunities related to repurposing the sites; and**

(v) An analysis that identifies or estimates, to the extent practicable:

**1. The timing and location of facility closures and layoffs in nonrenewable energy industries;**

**2. The impact of facility closures and layoffs on affected workers, businesses, and communities; and**

**3. How the Commission can most effectively respond to the impact of facility closures and layoffs, including the potential to:**

**A. Compensate businesses that closed due to the effects of the transition to renewable energy; and**

**B. Incentivize businesses to transition to renewable energy through subsidies**

(h) On or before December 31, 2023, the Working Group shall report to the Commission and, in accordance with § 2–1257 of the State Government Article, the General Assembly on the findings of the study required under subsection (g) of this section."

We urge the Department to utilize this work group, and the others mandated by the *Climate Solution Now Act*, to create policies to alleviate the concerns of all stakeholders. We hope the final report will take reliability into account and adopt mitigation measures that will protect against the adverse impacts to reliability and electricity rates.



ODEC remains dedicated to combatting climate change, and we look forward to working with the Department, Governor, General Assembly, and other stakeholders to help Maryland achieve its clean energy and CO<sub>2</sub> reduction goals. For more information, please contact Stephanie Kane, Director of Government Relations and External Affairs, at [skane@odec.com](mailto:skane@odec.com).

Respectfully Submitted,

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