Center for Progressive Reform

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Before the Maryland House of Delegates Environment and Transportation Committee Requesting an Unfavorable Report on HB0674: Public Service Commission – Full Costs and Benefits Analysis of Sources of Electricity Generation

Dear Chairman Korman, Vice-Chair Guyton, and the members of the Environment and Transportation Committee,

Thank you for the opportunity to provide testimony on HB0674 on behalf of the Center for Progressive Reform. The Center is a research and advocacy organization that focuses on advancing good governance, and achieving equitable public protections. HB0674 directs the Maryland Public Service Commission (MD PSC) to conduct a study on certain generation costs of electricity in Maryland and formulate recommendations "for policy changes to support the lowest costs and greatest benefits to the ratepayers of the state."[1] While the Center is supportive of data driven analysis that provides policy recommendations to support least-cost generation for Marylanders, HB0674 will not achieve this purpose, and as such the Center respectfully requests this committee to return an **unfavorable** reading of this bill.

Traditional Cost analysis Models

There are numerous methodologies for evaluating the cost of a generation asset that are available for industry and policy makers to utilize. For example: levelized cost of electricity (LCOE) is a model used for the last three decades by both industry and policy makers[2] to determine the lifetime costs of generation produced by a given facility. Similarly, levelized avoided cost of electricity (LACE) is a well vetted tool to evaluate generation's cost and benefit to the grid, and is often used in conjunction with LCOE to evaluate whether it is economically beneficial to build

[1] HB 0674, 2026 Regular Session (MD, 2026)
[2] For instance, LCOE is heavily used by both the national renewable energy laboratory (NREL) and the energy information administration (EIA)

a generation project. While, as with all models, there are grounds for tweaks or improvements,[3] these models have been vetted, and are useful in evaluating costs because they concern themselves with what the actual conditions of the grid and generation mix a facility will be operating in.

Levelized full system cost of electricity

Levelized full system cost of electricity (LFSCOE), which this bill directs MD PSC to use as *the* modelling tool to evaluate current gas-fired and nuclear generation costs, as well as future offshore wind generation costs[4], *sounds* similar to existing, vetted, modeling tools – however, it, in both history and practice diverges substantially.

In history, LFSCOE, unlike commonly accepted models such as LCOE or LACE, was developed only in 2022 in a PhD dissertation paper, and lacks the vetting and proving of traditional modeling. It is accordingly not a sound basis for MD PSC to utilize to conduct a cost benefit analysis, especially absent conducting said analysis also using industry accepted models such a LCOE or LACE.

In practice, the model inputs for LFSCOE are broadly similar to LCOE – with one critical difference - LFSCOE makes an assumption that the generation type being analyzed is the *only* type of generation present on the grid, and as such adds to the project's lifetime cost the amount of storage required ensure firm delivery for that generation type. This has two major implications as to the model. The first is that it sharply increases the modeled cost for any generation system that is intermittent, or otherwise has a low capacity factor.[5] The second, is that outputs of the LFSCOE model are purely hypothetical.

Neither in Maryland, nor any transmission connected grid in United States, is there a market that relies on only one source of generation. Unlike traditional cost models, which concern themselves with evaluating the actual costs of generation on actual grids, LFSCOE evaluates generation under purely hypothetical market circumstances. Although this may be interesting as a thought experiment, directing MD PSC to conduct a cost study that is modeled upon a hypothetical single generation-type plus storage state grid, is, at best, not a useful exercise given the diverse generation mix in the state. At worst, it opens the door to support for misguided policy changes based on modeling assumptions that are divorced from reality.

For these reasons the Center for Progressive Reform respectfully requests an **Unfavorable** reading by this committee.

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[3] for example, standard LCOE does not include in its calculations the impact of greenhouse gas (GHG) emissions or public health impacts from pollution in its costs, which is something policy makers in Maryland should consider under the Climate Solutions Now Act of 2022's provisions related to GHG reduction and overburdened and underserved communities.

[4] The 8.5 GW of offshore wind directed by the POWER Act

[5] The amount of generation produced by a generator compared to its full generation potential over a period of time

Sincerely,
Bryan Duning
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