**STATE OF MARYLAND**
**OFFICE OF PEOPLE'S COUNSEL**
**Paula M. Carmody, People's Counsel**
6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.state.md.us

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| **BILL NO.:** | **House Bill 226**<br>**Maryland Offshore Wind Energy Act of 2013** |
| **COMMITTEE:** | **Economic Matters** |
| **HEARING DATE:** | **February 5, 2013** |
| **SPONSORS:** | **The Speaker ,et al.**<br>**(By Request –Administration)** |
| **POSITION:** | **Support** |

House Bill 226 supports the development of offshore wind generation through the purchase of "offshore wind renewable energy credits "(ORECs) by electricity suppliers in the State. Essentially, the Bill provides for an offshore wind "carve-out" under the State's current renewable portfolio standard (RPS). As proposed, electricity suppliers would be required to purchase a certain amount of ORECs from offshore wind generation projects that have been deemed qualified by the Public Service Commission (PSC). As with all RPS requirements, the carve-out would apply to all retail electricity sales in the State by electricity suppliers. The electricity suppliers would be required to acquire no more than 2.5 % of of Tier 1 renewable resources derived from offshore wind energy, as set by the Commission, beginning in 2017. [1]

House Bill 226 establishes a process for submission of offshore wind project proposals to the Commission, and includes a list of application requirements, including a cost-benefit analysis and the proposed OREC pricing schedule. Additionally, the Bill requires the Commission to use specific criteria to evaluate and compare the proposals, including the lowest cost impact on ratepayers under the proposed OREC pricing schedule, impact on reliability long-term and on electricity prices within the State, and "demonstrated" net economic, health and environmental impacts. An applicant must demonstrate certain employment and compensation benefits. The Commission may not approve a project unless the cost-benefit analysis demonstrates "positive net benefits to the State." Furthermore, the projected net rate impact on an average residential customer must "not exceed $1.50 per month in 2012 dollars, over the duration of the proposed OREC pricing schedule."

The Bill is structured to address ratepayer interests in long-term generation reliability and price stability, as well as energy public policy goals already established by the Maryland legislature, in the evaluation and approval of offshore wind projects. House Bill 226 also includes other public policy objectives to be addressed by offshore wind projects, including jobs, economic

[1] The Bill exempts electricity sales at retail by any electricity supplier in excess of 75,000 megawatt hours (MWh) of industrial process load to a single customer in a year, or in excess of the first 3,000 kilowatt – hours (kWh) of electricity per month for certain owners of agricultural land.

development and health benefits. In meeting these goals through the purchase of ORECs, there is general acknowledgement that there will be a near-term cost to electricity customers, including residential customers, in the State. On balance, and consistent with OPC's prior analyses of long-term costs and benefits from inclusion of renewable resources in the State's resource portfolio, OPC supports the Bill.

OPC believes that the Bill's approach is a reasonable way to balance long-term ratepayer interests and existing public policy goals in the State. It sets up a market for wind generation from qualified offshore wind projects to be sold at a competitive price and provides for a broad distribution of the costs related to the purchase of the ORECs to all customer classes and all service territories. This process is not set up to satisfy the energy supply needs of a single class of customers or customers in a particular geographic area; it is being done to meet multiple ratepayer and public policy goals that have broad impacts for price stability, reliability, greenhouse gas reductions, jobs and the economy. Therefore, the broad based cost recovery mechanism is an essential part of this bill, as is the rate impact cap for ratepayers. To that extent, the recovery of costs related to the addition of these wind resources is similar in structure to recovery of costs for other *generation* costs (standard offer service, purchased fuel or gas, and energy efficiency/demand response) with the addition of the critically important provision of the Bill which explicitly constrains the cost impact on residential ratepayers by imposing a statutory rate impact cap.