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.maryland.gov

BILL NO.:	**Senate Bill 732** **Renewable Energy and Job Development**
COMMITTEE:	**Finance**
HEARING DATE:	**March 6, 2018**
SPONSORS:	**Senators Feldman *et al.***
POSITION:	**Informational**

Senate Bill 732, titled "Renewable Energy and Job Development," seeks to achieve a number of goals for clean energy. The Bill makes three significant changes to the current renewable energy portfolio standard (RPS). First, it increases the minimum required percentage of energy that must be derived from Tier 1 renewable sources from 25% by 2020 to 50% through 2030. Second, the Bill eliminates waste to energy and refuse derived energy (including black liquor) from the list of eligible Tier 1 resources. Third, it increases the minimum required percentages of Tier 1 solar energy and offshore wind (if available).

Senate Bill 732 also includes provisions for the development of offshore wind projects, in addition to the two projects approved by the Public Service Commission in Case No. 9431. The Bill establishes certain criteria for qualified offshore wind projects applied for on or after January 1, 2020, and permits the Public Service Commission to establish a new OREC price schedule for energy produced by qualified offshore wind projects. Finally, the Bill establishes a Clean Energy

Workforce Account, and provides for additional studies on the impact on ratepayers of the 50% by 2030 RPS, and the costs and benefits of increasing the renewable energy portfolio standard to 100%.

The General Assembly has changed the RPS numerous times since the law was passed in 2004, most recently in 2017 to the current 25% by 2020 standard.[1] During that time, the list of eligible Tier 1 resources has been modified, and bills have been introduced to modify the list even further. In 2017, the General Assembly also passed an RPS study bill, requiring a comprehensive review of the RPS.[2] Part of that study includes a review of the availability of all clean energy sources "at reasonable and affordable rates, including in-state and out-of-state renewable energy options" and whether the standard "is able to meet current and potential future targets without the inclusion of certain technologies." An interim report is due at the end of this year and a final report is due on December 1, 2019.

Senate Bill 732 also includes a provision, which adds to that 2017 RPS study, to consider the impacts of in-state clean energy generation as an increasing percentage of RPS, as well as a "supplemental" study to assess the costs and benefits of increasing the '[RPS] to 100%." The Office of People's Counsel (OPC) is a member of the Power Plant Research Advisory Council (PPRAC), and anticipates that an initial draft of the preliminary report will be available for review by PPRAC members this spring.

The costs of compliance with the RPS are included in the prices for all electricity supply sold in Maryland. All competitive electricity suppliers and electric utilities (that supply Standard

---

[1] HB 1106, 2016 Session was vetoed by the Governor. The General Assembly overrode the veto on February 2, 2017 and it became Ch. 0001.
[2] HB1414, Ch.393, Public Utilities Article, §7-714.

Offer Service) must comply with the RPS requirements. Except for large industrial process load, the retail price or rate for electricity supply paid by customers will reflect the costs for complying with the RPS.

Since Senate Bill 732 would increase the percentage of renewable sources in the Maryland supply portfolio, OPC expects that there will be some price impact on customers. While prices of renewable energy have been declining, renewable energy resources tend to be more expensive than other sources of supply. Any increase in the required annual RPS percentage is likely to increase the overall compliance costs of the program.[3]

OPC does not have as yet a full analysis of the likely price impacts. OPC expects that the General Assembly, as it has done in the past, will weigh the possible price impacts of proposed changes to the overall RPS requirements against the environmental, health and other benefits associated with increased reliance upon renewable energy in Maryland's electricity supply portfolio.

While the Bill increases the overall percentage goal amounts, it removes waste to energy and refuse-derived fuel from the definition of Tier 1 resources.[4] OPC observes that removal of those resources from the definition of Tier 1 resources may make achieving the increased percentage in RPS goals more difficult as a large percentage of the sources currently used to satisfy Tier 1 RPS requirements consist of "black liquor," municipal solid waste and wood and waste solids.[5] Solar land use issues may also present an emerging challenge to meeting additional Tier 1 goals. There has been increasing public opposition to placement of utility scale solar in certain

[3] See, for example, file:///J:/Legislation/2018%20Session/Issue-Papers-2018-Legislative-Session.pdf at p.155.
[4] P.27.
[5] See "Renewable Energy Portfolio Standard Report" prepared by the Public Service Commission of Maryland, p.11 (January 2018). (Using data for Calendar Year 2016).

areas of the State and some counties have imposed zoning restrictions on the location of such facilities. It remains to be seen what impact this may have on future in-State solar development. The inability to meet the RPS goals may result in energy suppliers incurring higher alternative compliance payments (ACPs). The cost of those ACPs will be passed on to customers.

Separate from the overall increase in RPS requirements, the Bill provides explicitly for the possibility that ratepayers face a maximum incremental price increase of $0.70 per month ($8.40 per year)[6] in 2017 dollars because of new "qualified" offshore wind projects that may be approved after January 1, 2020. This amount would be in addition to the projected approximately $1.40 (2012 dollars) per month that ratepayers will pay for the two already approved offshore wind projects off the coast of Ocean City. Additionally, the Bill would allow for the recovery in rates of the cost of offshore wind projects up to 80 miles off the coast of the State. Offshore wind is currently more expensive than any other source of power, due in part to the cost to transmit the power back to land. OPC's understanding is that the current estimated cost of transmission for offshore wind is approximately $1 million per mile.

Additionally, the Bill requires that any ACPs paid as a result of failing to meet the RPS standard may only be used to make loans and grants to support the creation of new Tier 1 renewable energy sources or new solar energy sources in the State. Under the Bill, these sources must be owned by or directly benefit low-income residents of the State. The source of the ACP would determine which "bucket" of new sources would be supported.

Finally, Bill provides for $27 million of funding out of the Strategic Energy Investment Fund (SEIF) for access to capital, job training and technical education. OPC notes that the current

[6] Section 7-704.1 (e) (1) (III) (1), p.15 of the Bill.

funding source for the SEIF is primarily auction proceeds from the Regional Greenhouse Gas Initiative (RGGI). The Maryland Energy Administration (MEA), the Administrator of the Fund, must allocate the RGGI proceeds in the Fund in a prescribed manner. At least 50% of the SEIF Fund proceeds must be directed to the Department of Human Services for electricity bill assistance programs for low-income households, At least 20% must be allocated to energy efficiency programs for low and moderate-income households, and another 20% for renewable and clean energy programs. As a result, OPC expects that funding for the $27 million in capital, job training and technical education would need to come from a non-RGGI source of SEIF Funds. The source of those funds is not known.

Senate Bill 732 increases the RPS significantly. The removal of certain energy resources from the list of eligible resources magnifies the impact of that RPS increase. The adoption of these changes during this legislative session without the benefit of the detailed RPS Study, required by the General Assembly, increases the likelihood of unintended consequences. Alternatively, a delay in the adoption, to allow PPRP to continue with its assessment, could produce a better outcome for customers and for meeting the State's energy goals.

.