

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 731 (Delegate S. Robinson)
Economic Matters

Generating Stations - Certificate of Public Convenience and Necessity -
Consideration of Water Usage

This bill requires the Public Service Commission (PSC), before taking final action on an application for a certificate of public convenience and necessity (CPCN), to consider the amount of water withdrawal and water consumption from each phase that a generating station's *energy source* goes through to be used by the generating station. The phases begin with raw material extraction and go through end-use disposal. They include drilling, processing, transportation, and operation of the generating station, including the use of environmental controls.

Fiscal Summary

State Effect: PSC, the Department of Natural Resources (DNR), and the Maryland Department of the Environment (MDE) can implement the bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, a person may not begin construction in the State of a generating station, overhead transmission line, or a qualified generator lead line unless a CPCN is first obtained from PSC. PSC regulations define a "generating station" as property or facilities located in Maryland constituting an integral piece of equipment or unit for the production of electric energy, including any new production unit that would

be added to an existing production plant. It does not include an integral piece of equipment or unit less than 1,500 kilowatts if it is installed with equipment that prevents the flow of electricity to the electric system during time periods when the electric system is out of service. There are certain conditions under which a person constructing an electric generating station may apply to PSC for an exemption from the CPCN requirement.

PSC must take final action on an application for CPCN for a proposed generating station only after due consideration of:

- the recommendation of the governing body of each county or municipality in which any portion of the construction of the generating station is proposed to be located; and
- the effect of the generating station on the stability and reliability of the electric system, economics, esthetics, historic sites, aviation safety, air and water pollution (when applicable), and the availability of means for the required timely disposal of wastes produced by the generating station.

Background: The licensing of new electric power plants in the State is a comprehensive two-part process involving PSC and several other State agencies, *e.g.*, DNR and MDE. PSC is the lead agency for licensing the siting, construction, and operation of power plants in the State.

The bill requires PSC to consider the water withdrawal and consumption of a proposed generating station's energy source. For example, if a natural gas plant applies for a CPCN, PSC must consider the water withdrawal and consumption during the extraction, processing, transportation, and use of the natural gas. Similar water usage must be considered for other CPCN applicant fuel sources such as coal, oil, and nuclear.

DNR's Power Plant Research Program (PPRP), in concert with MDE's Water Management Administration, provides recommended conditions to PSC during the CPCN application process. CPCN applicants provide the justification for a water request that is proposed to be used on the project site. This information is reviewed in detail by MDE and PPRP, including conducting an independent review of the potential impacts from the proposed water use. MDE advises that the bill does not change this component of the CPCN application review process already in place, but additionally requires PSC to grant due consideration to the water use of a proposed generating station's energy source.

State Fiscal Effect: PSC, DNR, and MDE can implement the bill with existing budgeted resources. DNR advises that PPRP will review the information required under the bill and provide recommendations to PSC. A CPCN applicant will have the responsibility of

providing all the data needed for PPRP to determine the reasonableness of the information; therefore, no independent analysis is necessary.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Department of Natural Resources, Maryland Department of the Environment, Office of People's Counsel, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2014
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