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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 13, 2020

HB 418 Renewable Energy Portfolio Standard – Solar Energy – Municipal Electric Utilities

Honorable Chair and members of the Economic Matters Committee:

Thank you for the opportunity to present to you a matter which has a profound negative effect on serval small and mid-size municipalities in Maryland. Thurmont, Hagerstown, Williamsport, Berlin and Easton. This is a bill designed to cap the solar renewable energy requirement in the state's Renewable Portfolio Standard (RPS) at 2.5% for municipal electric utilities, which is the same cap currently provided for non-municipal electric cooperatives in Maryland's Clean Energy Jobs Act. This bill simply brings in line the solar RPS requirements for the five municipal electric utilities with the rest of the state's electric cooperatives which already enjoy a 2.5% cap.

This bill allows for RPS required solar renewable energy purchases to be replaced by other renewable energies and does not affect the over-all state-wide RPS requirement of 50% of all Maryland electric utilities' power sources being derived from renewal sources by 2030. It simply allows for other, less expensive, renewable sources to replace the solar portion.

Failing to pass this legislation would result in a spike in electrical cost for those citizens in Hagerstown, Thurmont, Berlin, Easton and Williamsport. While it is true that in 2030, cost will be reduced from the current projects, the next 10 years will cause undue hardship on these five municipalities and will continue to provide practical long term problems.

For example, Thurmont, in order to comply independently with the current law, has three options:

1) to produce its own solar power which would involve acquiring more than a hundred acres of unutilized land and constructing multiple utility scale sized solar array farms. There is not enough vacant and undevelopable land owned by Thurmont within its Town limits to produce enough solar power to hit the 14.5% solar RPS requirement by 2030 as outlined by the Maryland's Clean Energy Jobs Act

2) pay a compliance fee for any shortfall. If Thurmont does not to produce or purchase any Solar Renewable Energy Credits (SRECs) to meet its solar RPS requirement, then the shortfall of energy will be charged a compliance fee as outlined in the RPS. The solar

RPS compliance fee is currently 10 cents per kilowatt-hour for 2020 and reduces to 2.235 cents in 2030. The solar RPS percentage requirement is currently at 6.0% in 2020 and increases to the 14.5% by 2030. Therefore, based on Thurmont's average annual power requirements, the estimated total compliance fee for 2020 would be $500,000 and would decrease to approximately $270,000 for 2030 and beyond.

3) purchase SRECs from third-party sources to meet their solar RPS requirements. There are many providers and markets that allow Thurmont to purchase SRECs directly from existing solar generators. Since SRECs are a commodity like any other, predicting their future cost (which changes on a daily basis primarily as a result of supply and demand) is extremely difficult and often inaccurate. The cost of SRECs are effectively capped at the compliance fee identified in #2 above because there is no benefit to paying a premium for an SREC when a utility could alternatively just pay the compliance fee. As an example, the current solar RPS compliance fee for 2020 is 10.0 cents per kilowatt-hour and the January 28, 2020 market price for SRECs on SRECTrade.com is 7.8 cents per kilowatt-hour (https://www.srectrade.com/markets/rps/srec/maryland).

The Clean Energy Jobs Act increases how much electricity sold in Maryland is required to come from renewable resources.

Before the passage of the Clean Energy Jobs Act, state utilities were required to source 25 % of their power supply from renewable resources. Of that 25%, at least 2.5 % needed to come from solar-generated resources. The state utilities now have to source half of their power supply from renewable resources, 14.5 percent from solar resources.

Very Respectfully,

Dan Cox