

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 333

(Senators Frosh and Forehand)

Education, Health, and Environmental Affairs

Economic Matters

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**Commission on Maryland's Energy Future**

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This bill establishes a Commission on Maryland's Energy Future to solicit input from various sources and undertake specified tasks generally aimed at assessing the State's existing and continuing electricity supply from nonrenewable energy sources, projected future energy needs, and alternative and efficient energy source options. The commission must submit recommendations regarding the development of long-term energy efficiency and alternative energy strategies, increasing the State's energy self-sufficiency, and reducing emissions of greenhouse gases and other pollutants.

The bill takes effect June 1, 2007 and terminates December 31, 2008.

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**Fiscal Summary**

**State Effect:** General fund and/or higher education expenditures would increase to carry out the requirements of the bill in FY 2008 and 2009. The extent to which expenditures would increase cannot be reliably estimated but could be significant. Any expense reimbursements for commission members are assumed to be minimal and absorbable within existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** The commission consists of representatives from the Maryland Energy Administration (MEA); the Departments of the Environment, Natural Resources, Agriculture, and Business and Economic Development; and the University of Maryland Energy Research Center (UMERC). Representatives from UMEREC and MEA jointly chair the commission and the University of Maryland and MEA must provide staff for the commission. The commission must hold its first meeting within one month of the bill taking effect and must submit findings and recommendations to the Governor and the General Assembly by September 1, 2008.

**Current Law/Background:** Each year, the Public Service Commission (PSC) submits a 10-year plan to the Department of Natural Resources (DNR) on the long-range plans of Maryland's electric companies, which also summarizes events that have affected, or may in the near future, the State's electric utility industry. PSC was also required, between 2001 and 2007, to submit a report to the General Assembly every two years (most recently submitted in January 2007) assessing the amount of electricity generated in Maryland and the amount imported from other states.

PSC is required to "evaluate the cost-effectiveness of the investments by electric companies in energy conservation, to reduce electrical demand, and in renewable energy sources, to help meet electrical demand." Gas and electric companies are required to develop and implement programs and services to encourage and promote the efficient use and conservation of energy by consumers, gas companies, and electric companies. PSC must adopt rate-making policies that provide cost recovery and, in appropriate circumstances, reasonable financial incentives to encourage establishment of such programs and services. PSC must also ensure that electric industry restructuring does not adversely impact the continuation of cost-effective energy conservation and efficiency programs.

DNR's Power Plant Research Program (PPRP) coordinates the State's review of, and develops licensing conditions for, proposed power generation and transmission facilities, in concert with various State agencies. A *Cumulative Environmental Impact Report* is published on a biennial basis by PPRP, which addresses power generation, transmission, and usage in Maryland; its environmental and other impacts; and various other energy issues.

Various programs and efforts are established under State law to encourage the conservation of energy, efficient energy use, and the generation and use of renewable energy, including:

- the Renewable Energy Portfolio Standard;
- grant and loan programs administered by MEA;
- net metering;
- tax credits for green buildings and producers of qualified energy resources; and
- energy efficiency standards for new products.

### *Electricity Use in Maryland*

According to PPRP figures, 71.3 million megawatt-hours (MWh) of electricity were consumed in Maryland in 2005. Maryland's electric utilities and PJM Interconnection, Inc. (PJM) forecast electricity demand in Maryland to continue to rise between 1% and 2% per year, according to PSC. PJM is a regional transmission organization that coordinates the flow of electricity from power plants to distribution companies in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

A recent PPRP forecast, somewhat contrary to the electric utilities and PJM forecasts, projects the State's energy consumption to decrease by an average of 0.39% per year between 2005 and 2015, largely due to price increases in the early years of the forecast. The forecast also sets out alternative high- and low-end scenarios where energy consumption could increase at an average annual rate of 0.96% or decrease at an average annual rate of 1.68%. Between 1995 and 2005, electricity consumption in Maryland increased by an average of 2.07% per year, which was close to the national growth rate of 2.24%.

Maryland is a net electricity importer, importing over 25% of its electricity needs. PSC indicates that states to the south, east, and north of Maryland are also significant importers of electricity – resulting in Maryland only being able to import electricity in appreciable amounts from West Virginia and Pennsylvania. The current capacity of the transmission network through which electricity is imported into Maryland can also limit the amount of electricity that can be delivered into the State during times of peak demand. Upgrades are planned, however, to help ensure reliability. PSC expects Maryland's dependence on out-of-state electricity supplies will likely increase due to the projected increases in demand by PJM and electric utilities, little new in-state electric generation scheduled to be built in the next five years, and the possibility of fossil-fired generating capacity being de-rated or retired to comply with federal and State air emission requirements.

**State Expenditures:** Without knowing the specific parameters of studies that would be carried out under the bill, it cannot be accurately estimated to what extent general fund and/or higher education expenditures would increase.

While MEA and UMERB are responsible for staffing the commission, MEA and PPRP advise that PPRP likely would be best suited to accomplish many of the requirements of the bill. PPRP contracts out a large part of its work and would expect to do the same for these studies. Significant costs could be associated with the following tasks:

- creating an inventory of existing, nonrenewable energy resources and energy production and conversion facilities and the long-term potential supply for each type of nonrenewable energy resource;
- assessing any unmet needs resulting from a gap between projected energy requirements and available energy resources;
- assessing the potential for disruptions to traditional nonrenewable energy resources;
- developing alternative and energy efficient scenarios; and
- evaluating statewide opportunities for increased use of alternative and efficient energy sources.

PPRP advises that thorough studies could result in overall contractual services costs of up to \$500,000 (the most significant costs are attributed to assessing the potential for disruptions to nonrenewable energy resources and evaluating statewide opportunities for increased use of alternative energy resources) in fiscal 2008 and 2009. On the other hand, costs associated with the bill could conceivably be significantly lower if existing studies and information were more heavily relied on to accomplish the bill's goals. It is assumed that the information expected to be developed by the commission would possibly be pursued by State agencies in the future, regardless of the bill's requirements, yet the relatively short tenure of the commission would require resources that would not otherwise be included in the State budget for fiscal 2008 and 2009.

If the substantive work of the commission were contracted out, whether through PPRP or otherwise, general administrative support and coordination of commission activities could potentially be handled with existing MEA staff, though a contractual position or a contractor could be required in fiscal 2008 and 2009. UMERB advises that it could require a professor/graduate assistant position and supplies to staff the commission in fiscal 2008 and 2009 assuming the other tasks are funded by other means. Additional

resources for contractual services would likely be required by MEA and/or UMERB if studies were not conducted through PPRP.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Energy Administration, Department of Natural Resources, Department of Business and Economic Development, Public Service Commission, Energy Information Administration, University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2007  
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