

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 240 (Delegate Love)
 Environmental Matters

Natural Resources - Environmental Trust Fund - Uses

This bill expands the required uses of the Environmental Trust Fund to include providing grants to counties for studying the environmental impacts of local power plants.

Fiscal Summary

State Effect: Assuming five grants are approved, special fund expenditures could increase \$225,000 in FY 2009. Future year expenditures reflect inflation. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	225,000	229,500	234,100	238,800	243,500
Net Effect	(\$225,000)	(\$229,500)	(\$234,100)	(\$238,800)	(\$243,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: State grants to local governments could increase to fund county efforts to research the environmental impacts of local power plants.

Small Business Effect: Potential minimal.

Analysis

Current Law: An environmental surcharge per kilowatt hour of electricity distributed in the State by an electric company is collected by the Comptroller and placed in the Environmental Trust Fund (ETF). The surcharge amount may not exceed 0.15 mills per kilowatt hour (kWh) or \$1,000 per month for any residential, commercial, or industrial customer. The ETF has a sunset date of June 30, 2010. The surcharge is currently set at

0.15 mills per kilowatt hour. PSC is required to authorize electric companies to add the full amount of the surcharge to retail customers' bills.

Background: The Power Plant Research Program (PPRP) conducts research on the impacts of existing and proposed power plants in each county. PPRP is required to undertake a continuing research program for electric power plant site evaluation and related environmental and land use considerations. The Department of Natural Resources and the Maryland Energy Administration institute procedures for coordinating environmental research assignments to prevent dissipation of money, time, and effort. Program components include:

- environmental evaluation of all electric power plant sites proposed for future development and expansion and their relationship to the waters and air of the State;
- monitoring operations of current electric power facilities located in the State to determine environmental, human health, and welfare effects;
- evaluation of new electric power generation technologies designed to minimize environmental effects;
- research and development of prediction and modeling tools; and
- analyses of the socioeconomic impact of current and proposed electric power plant generation facilities in Maryland.

MEA is entitled to receive administrative and fiscal support from ETF for studies relating to the conservation or production of electric energy. Fiscal support to MEA from ETF may not exceed \$250,000 in any fiscal year.

Activities under PPRP have evolved over the years to reflect the many changes in the utility industry. Recent federal legislation and policy decisions are having a profound effect on the way in which electricity is produced and sold in the country. Although these federal actions are primarily aimed at the electricity sales at the wholesale level, actions in a number of states, including Maryland, have established the deregulation of retail sales. Like other electric consumers, Marylanders now face a change in the way they will be purchasing electricity; however, the impacts of the generation and transmission of electricity will continue to affect the health, safety, and welfare of the public. In order to balance the potentially conflicting issues associated with the licensing and permitting process for proposed power plants, DNR advises that the State needs a detailed and impartial evaluation of proposed sites. PPRP, which is funded entirely from revenues generated from the environmental surcharge, currently provides this oversight.

Exhibit 1 provides revenue and expenditure information for the ETF from fiscal 2005 to 2009.

Exhibit 1
Environmental Trust Fund
Fiscal 2005-2009
(\$ in Millions)

	<u>2005</u> <u>Actual</u>	<u>2006^c</u> <u>Actual</u>	<u>2007^c</u> <u>Actual</u>	<u>2008</u> <u>Working</u>	<u>2009</u> <u>Appropriation</u>
Beginning Balance	\$1.5	\$3.0	\$2.0	\$1.8	\$1.2
Annual Revenue	10.0	8.8 ^a	8.7	9.0	9.0
Total Available	\$11.5	\$11.8	\$10.7	\$10.8	\$10.2
Expenditures					
Department of Natural Resources					
PPRP	5.8	5.7	5.9	6.5	6.6
Admin./Other Programs ^b	2.6	2.7	2.7	2.8	2.9
Maryland Energy Administration	0.1	0.3	0.3	0.3	0.3
Total Expenditures	\$8.5	\$8.7	\$8.9	\$9.6	\$9.8
Balance Ending of Fiscal Year	\$3.0	\$3.1	\$1.8	\$1.2	\$0.4

^aEnvironmental surcharge was lowered to 0.1315 mill per kWh.

^bIncludes funds for the Office of the Secretary, Resource Assessment Service, and Watershed Services.

^cFiscal 2006 and 2007 revenues and expenditures are based on the estimated revenues and appropriations included in the fiscal 2006 and 2007 budgets.

Note: Approximately \$250,000 in ETF revenue is transferred annually to the Maryland Energy Administration.

Source: Department of Natural Resources

State Fiscal Effect: The environmental surcharge is set by PSC in order to generate enough revenues accruing to the ETF to cover the expenses of the budget prepared by the Secretary of Natural Resources for the PPRP and other relative programs. The bill requires the Secretary to redirect funds and consider county grant requests to research localized environmental impacts associated with power plants. Because 0.15 mill per kWh is the maximum amount imposed on the environmental surcharge under State law, PSC would not be able to set the environmental surcharge at a higher level to supplement the reallocation of special funds.

DLS advises that this bill does not specify a maximum number of grants that can be provided to counties in a year. Currently, there are 34 power plants in Maryland with 2 megawatts or more in generation capacity. DLS advises that a comprehensive review and study of a power plant that is noncontroversial in nature typically costs \$25,000,

while a complex, controversial, or proposed power plant study requires \$75,000 per study.

Assuming DNR approves funding for five grants totaling \$75,000 apiece, State special fund expenditures could increase \$225,000 in fiscal 2009 and \$243,500 by fiscal 2013 as shown in **Exhibit 2**. This estimate is based on three noncontroversial and one complex/controversial study grant and one grant to review construction of a proposed power plant. Future year expenditures reflect 2% annual increases in inflation.

Exhibit 2
Environmental Trust Fund Transfer
County Studies

<u>Existing Power Plants</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Typical Studies (3 @ \$25K each)	\$75,000	\$76,500	\$78,030	\$79,591	\$81,182
Controversial Study (1 @ \$75K each)	75,000	76,500	78,030	79,591	81,182
Power Plant Proposal (1 @ \$75K each)	75,000	76,500	78,030	79,591	81,182
Total Expenditures	\$225,000	\$229,500	\$234,090	\$238,773	\$243,546

DLS advises that the language of the bill may not allow DNR to review the scope, costs, or schedule of the results of independent county studies, potentially resulting in duplicative efforts. Therefore, additional, but unknown costs, would be incurred to schedule and integrate the county results into the existing CPCN licensing process overseen by PSC. While DNR will still be required to conduct its own independent analysis of power plant projects, DNR will need to review county projects and either support or disagree with the analyses presented before the PSC.

Additional Information

Prior Introductions: None.

Cross File: SB 106 (Senator Astle) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - February 4, 2008
ncs/hlb

Analysis by: Michael P. Lee

Direct Inquiries to:
(410) 946-5510
(301) 970-5510