

Department of Legislative Services

Maryland General Assembly

2008 Session

FISCAL AND POLICY NOTE

House Bill 822

(Delegate Feldman, *et al.*)

Economic Matters

**Public Service Commission - Alternatives to Long-Term Electricity Generation
Contracts and New Electricity Generation**

This bill prohibits the Public Service Commission from requiring or approving electric companies to buy or build generation assets or enter into long-term generation contracts until existing alternatives have been considered and pursued including: • transmission enhancements; • demand response solutions; • customer-owned generation facilities; and • postponing the retirement of existing generation facilities.

PSC must conduct investigatory and evidentiary proceedings • to study alternatives to long-term electricity generation contracts and new electricity generating facilities; and • in coordination with the Maryland Department of the Environment, study the environmental and cost impacts to electricity customers. Study and evaluation results must be reported to the Governor and the General Assembly by January 1, 2009.

The bill takes effect June 1, 2008 and terminates December 31, 2010.

Fiscal Summary

State Effect: Special fund expenditures could increase by \$500,000 in FY 2009 as part of PSC investigatory and evidentiary proceedings. Special fund expenditures for the Maryland Department of the Environment could increase by an indeterminate amount to determine site-by-site evaluations of environmental and cost impacts if generation assets are constructed and/or output purchased. 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	500,000	-	-	-	-
Net Effect	(\$500,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Electric Customer Choice and Competition Act of 1999 restructured the electric utility industry in Maryland, and required Maryland's traditional local electric utilities to transfer their electric generation assets to unregulated subsidiaries or sell these assets to unaffiliated companies. With the elimination of the generation functions from regulation, PSC no longer determines the need for additional supply sources as was the case prior to implementation of restructuring.

Background: Chapter 5 of the 2006 special session mandated PSC to complete several reports to assist the General Assembly in assessing the impact of electric restructuring on the State and in altering it for the benefit of consumers. PSC was required to study actions taken to implement restructuring and study the impact of potential changes such as re-regulating electric generation.

Chapter 549 of 2007 required PSC to initiate new proceedings to review and evaluate certain requirements of Chapter 5 of the 2006 special session, including the review and evaluation of any orders that were issued under the 2006 enactment. The Act also required PSC to conduct additional studies and complete reports on the general regulatory structure of the electric industry under the Electric Customer Choice and Competition Act of 1999, including options for re-regulation, if advised. Additionally, PSC was required to study and evaluate the status of electric restructuring in the State as it pertains to the current and future availability of competitive generation to residential and small commercial customers and the structure of standard offer service for these small retail electricity customers.

PSC issued a preliminary report identifying the issues relating to options for re-regulation as required and presented the preliminary report to the Maryland General Assembly in December 2007. A final report containing the complete set of evaluations, findings, and

recommendations required under Chapter 5, as amended by Chapter 549 of 2007, is due December 1, 2008.

State Fiscal Effect: As part of investigatory and evidentiary proceedings, PSC will incur one-time special fund expenditures of \$500,000 in fiscal 2009 to retain consultants and evaluate and analyze the nongeneration alternatives, and then evaluate the environmental and cost impacts of buying or building various generation assets. In addition, the Maryland Department of the Environment advises that additional special fund expenditures would be incurred to conduct investigatory and evidentiary proceedings that are focused on the environmental and cost impacts of buying or building various generation assets such as the output levels of emissions from power plants and land and water usage requirements that vary by technology type and site location. The bill would likely require CPCN hearings and the participation of various State agencies in the licensing process. The Maryland Energy Administration, the Department of Natural Resources, and the Office of the People's Council advise that the requirements of the bill could be met with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/hlb

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