

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 499
Finance

(Senator Kramer, *et al.*)

Task Force to Study Offshore Wind Farms

This bill establishes a Task Force to Study Offshore Wind Farms staffed by the Department of Natural Resources and the Maryland Energy Administration. The responsibilities of the task force include studying specified impacts of the construction and operation of wind farm facilities and attendant transmission cables; evaluating the effect of the facilities on the reliability and affordability of electricity in the State; and studying the impact of the facilities on the State's economy, including the potential for new employment. The bill establishes a related reporting requirement.

The bill takes effect July 1, 2008 and terminates June 30, 2010.

Fiscal Summary

State Effect: General/special fund expenditures could increase to carry out the requirements of the bill in FY 2009 and 2010. 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.

Analysis

Current Law/Background: The American Wind Energy Association indicates there are just over 16,800 megawatts (MW) of wind power capacity in the United States and just

over 3,600 MW under construction. Texas, California, Minnesota, Iowa, Washington, and Colorado currently rank highest among the states in amount of existing capacity.

A recent National Renewable Energy Laboratory paper notes there are currently no offshore wind energy projects installed in the U.S., though at least 10 projects totaling over 1,800 MW in rated capacity had been proposed as of December 2007. According to the paper, regulatory delays, turbine supply shortages, uncertainty about true costs, and public acceptance issues are hampering progress for offshore wind energy projects; however, the paper also cites enhanced renewable energy policy incentives, increased environmental concerns, looming energy supply shortages, and rising fossil fuel prices as factors lending toward the future economic viability of such projects.

Wind energy is a Tier 1 renewable energy source under Maryland's renewable portfolio standard (RPS), under which electricity suppliers must accumulate renewable energy credits (commodities equal to the renewable energy generation attributes of one megawatt hour of electricity) equal to specified percentages of the supplier's electricity sales. The percentage applicable to Tier 1 sources (2.005% in 2008) increases each year through 2022.

Renewable energy credits derived from wind energy sources were not used by electricity suppliers to meet RPS in calendar 2006, the first RPS compliance year and the most recent year for which compliance information is available (electricity suppliers will not report to PSC with respect to 2007 until April 1, 2008). However, there are a small number of wind energy sources in Pennsylvania, Illinois, and West Virginia that are certified as renewable energy facilities by PSC, from which electricity suppliers can obtain renewable energy credits.

Two land-based wind energy projects have been approved in Western Maryland in recent years and an additional project is under appeal, though none have been constructed to date. Chapter 163 of 2007 allows land-based wind energy generating facilities, subject to specified conditions, to request an exemption from the need for a certificate of public convenience and necessity (CPCN) that is otherwise required to build an electricity generation facility.

State Fiscal Effect: Without knowing the specific parameters of studies that would be carried out under the bill, and the extent to which technical support would be needed, a reliable estimate of any increase in general fund and/or special fund expenditures cannot be made.

Staffing would be handled by MEA and likely the Power Plant Research Program within DNR. PPRP's operating budget is funded by the Environmental Trust Fund, capitalized by an environmental surcharge on electricity. MEA indicates that it would devote an

existing program manager to coordination of staffing activities, though MEA and PPRP estimate that costs to contract for additional support could total \$75,000. This reflects an expectation that a contractor would provide a considerable level of technical support to the task force through research, document drafting, presentations, and drafting of the final report. To the extent the task force requires less support, costs could be less.

PPRP advises that to the extent the studies outlined in the bill would be limited to issues relating to siting of projects within Maryland waters, this would fall within PPRP's existing research mandate and would not necessarily require additional resources.

PPRP and MEA, however, advise that the studies conducted under the bill could reach beyond research PPRP would normally conduct. To the extent the studies would address more regional impacts on commercial shipping, recreational and commercial fishing, coastal tourism, aquatic life, migratory birds, etc., PPRP and MEA advise that the cost of such studies could easily exceed \$300,000. To the extent the task force takes a more limited approach, however, by using existing research and expertise, cost would be less.

Additional Information

Prior Introductions: None.

Cross File: HB 1217 (Delegate Kramer, *et al.*) – Economic Matters.

Information Source(s): Department of Natural Resources; Maryland Energy Administration; Public Service Commission (*Renewable Energy Portfolio Standard Report of 2008*, February 2008); American Wind Energy Association; Musial, W., Ram, B., *Status of Offshore Wind Energy Projects, Policies and Programs in the United States* (conference paper), National Renewable Energy Laboratory (January 2008); Department of Legislative Services

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