

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 585
Finance

(Senator Edwards)

Public Utility Companies - Wind Generating Stations

This bill authorizes the Public Service Commission (PSC) to exempt a wind-powered generating station that is not land-based from the certificate of public convenience and necessity (CPCN) requirement. Currently, only land-based wind-powered generating stations may be exempt from the CPCN requirement. Under current law, the generating capacity must be 70 megawatts or less and the excess electricity must be sold on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company. PSC must provide an opportunity for public comment at a public hearing.

Fiscal Summary

State Effect: The bill will not materially impact State finances or operations.

Local Effect: The bill will not materially impact local finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 163 of 2007 authorized PSC to exempt wind-powered generating stations from the CPCN requirement if the following conditions are met: (1) the wind-powered facility is land-based; (2) the generating capacity is 70 megawatts or less; (3) the excess electricity is sold on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company; and (4) PSC provides an opportunity for public comment at a public hearing. The Code of Maryland

Regulations (COMAR 20.79.01.02) specifies that a small generating facility under 373 kilowatts does not need prior approval of PSC.

There are two other conditions in which an electric generating facility may apply to the PSC for approval without obtaining a CPCN: (1) the facility is designed to provide generated electricity for on-site consumption, the capacity is less than 70 megawatts, and the excess electricity can be sold only on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company; or; (2) the capacity of the generating station is less than 25 megawatts, at least 10% of the electricity generated is consumed on-site, and the excess electricity is sold on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company.

Background: Offshore wind-powered electric generation generally provides more generation from each turbine because wind speeds are generally higher and wind is steadier than land-based turbines; however, offshore wind turbines are roughly twice as expensive to build and operate than land-based turbines. No offshore wind turbines have been installed in the United States, although a number of projects are at various stages of development. BlueWater Wind seeks to implement offshore wind turbines off the coast of Delaware, New Jersey, New York, and Rhode Island. The company agreed to a long-term contract to supply electricity to Delmarva Power in June 2008.

According to the U.S. Department of Energy, Maryland has several areas in the State that are estimated to have a good-to-excellent wind resource. These areas include the barrier islands along the Atlantic coast, the southeastern shore of the Chesapeake Bay, and ridge crests in the western part of the State, west of Cumberland.

Commercial wind-powered electric generation has been slow to develop in Maryland. As of February 2009, PSC has only received two applications for a CPCN exemption. There are currently two potential wind energy projects in Garrett County under consideration that may come for approval in 2009. One has design capacity of 50 megawatts and the other has a capacity of 60 megawatts. **Appendix 1** shows proposed wind-powered generating stations in the State.

Certificate of Public Convenience and Necessity

The licensing of new electric power plants in the State is a comprehensive two-part process involving PSC and several other State agencies, *e.g.*, the Department of Natural Resources and the Maryland Department of the Environment. PSC is the lead agency for licensing the siting, construction, and operation of power plants in the State. Companies wishing to obtain a license for a new power plant must apply to PSC for a CPCN.

During the CPCN application process, the agencies hold extensive discussions with interested parties such as local governments, environmental organizations, the company proposing to build the power plant, and individual citizens. Concerns are identified and the State agencies incorporate those concerns into their evaluation.

Prior to a CPCN being issued for a proposed power plant, the State agencies provide PSC the results of their evaluation and a consolidated set of recommendations as to whether the proposed site is suitable and whether the proposed power plant can be constructed and operated in an acceptable manner. The agencies also provide detailed recommendations on conditions that should be attached to CPCN. These conditions can relate, for example, to minimizing impacts to air, surface and groundwater, aquatic and terrestrial resources, cultural and historic resources, noise, and land use.

State and Local Fiscal Effect: Allowing small offshore wind generation facilities to bypass the process of obtaining a CPCN may reduce the requirements of multiple State agencies and local governments.

Small Business Effect: This legislation would streamline the approval process for a small business to build a small wind-powered generating station that is not land-based.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Department of Energy, Office of People's Counsel, Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2009
mcp/rhh

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Appendix 1

Status of Maryland Wind Projects

Date Granted	Company	Location	Rated Capacity (Megawatts)	Application Date	CPCN Exemption Application	Current Status
10-29-2008	Criterion Power Partners, LLC	Garrett County	70.0	1-23-2008	Yes	Exemption approved 10/29/2008; Construction to begin in 2009
Pending	Dans Mountain Wind Force, LLC	Allegany County	69.6	11-5-2008	Yes	Public hearing and comments phase
10-30-2006 (proposed order)	Synergics Wind Energy	Garrett County	40.0	6-30-2004	No	CPCN withdrawn: May 2008
3-20-2003	US Wind Force, LLC	Garrett and Allegany counties	40.0	8-30-2002	No	Construction has not commenced; construction required to be completed by 3/20/2010
3-26-2003	Clipper Windpower, Inc.	Garrett County	110.0	8-26-2002	No	CPCN expired

Notes: In January 2008, Clipper – under the name Criterion Power Partners – filed a CPCN Exemption for 70 megawatts of wind powered energy. The U.S. Wind Force and Synergics projects were submitted before Chapter 163 of 2007, which provides qualifying wind facilities with the option of applying for a CPCN exemption, was enacted.

Source: Public Service Commission