

HOUSE BILL 1123

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CF SB 715

By: **Delegates Feldman, Barkley, and Barnes**

Introduced and read first time: February 11, 2011

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Public Service Commission – Long–Term Contracts – Solar Renewable**
3 **Energy Credits**

4 FOR the purpose of authorizing the Public Service Commission, by regulation or order,
5 to require or allow the procurement of solar renewable energy credits under
6 long–term contracts as part of a certain competitive process; requiring the
7 Commission to consider certain factors in determining a certain requirement to
8 procure solar renewable energy credits; providing for an exception to a certain
9 requirement that the duration of a certain contract term for solar renewable
10 energy credits may not be less than a certain number of years; and generally
11 relating to the procurement of solar renewable energy credits under long–term
12 contracts as part of the competitive selection of wholesale electricity suppliers.

13 BY repealing and reenacting, with amendments,
14 Article – Public Utilities
15 Section 7–510(c), 7–548(b)(5), and 7–709(c)(1)
16 Annotated Code of Maryland
17 (2010 Replacement Volume)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article – Public Utilities**

21 7–510.

22 (c) (1) Beginning on the initial implementation date, an electric
23 company’s obligation to provide electricity supply and electricity supply service is
24 stated by this subsection.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2) Electricity supply purchased from a customer's electric company is
2 known as standard offer service. A customer is considered to have chosen the standard
3 offer service if the customer:

4 (i) is not allowed to choose an electricity supplier under the
5 phase in of customer choice in subsection (a) of this section;

6 (ii) contracts for electricity with an electricity supplier and it is
7 not delivered;

8 (iii) cannot arrange for electricity from an electricity supplier;

9 (iv) does not choose an electricity supplier;

10 (v) chooses the standard offer service; or

11 (vi) has been denied service or referred to the standard offer
12 service by an electricity supplier in accordance with § 7-507(e)(6) of this subtitle.

13 (3) (i) Except as provided under subparagraph (ii) of this
14 paragraph, any obligation of an electric company to provide standard offer service
15 shall cease on July 1, 2003.

16 (ii) 1. Electric cooperatives and municipal electric utilities
17 may choose to continue providing standard offer service in their respective distribution
18 territories and may cease offering that service after notifying the Commission at least
19 12 months in advance.

20 2. On and after July 1, 2003, an electric company
21 continues to have the obligation to provide standard offer service to residential and
22 small commercial customers at a market price that permits recovery of the verifiable,
23 prudently incurred costs to procure or produce the electricity plus a reasonable return.

24 (iii) 1. On or before December 31, 2008, and every 5 years
25 thereafter, the Commission shall report to the Governor and, in accordance with §
26 2-1246 of the State Government Article, to the General Assembly on the status of the
27 standard offer service, the development of competition, and the transition of standard
28 offer service to a default service.

29 2. The Commission shall establish, by order or
30 regulation, the definition of "default service".

31 (4) (i) On or before July 1, 2001, the Commission shall adopt
32 regulations or issue orders to establish procedures for the competitive selection of
33 wholesale electricity suppliers, including an affiliate of an electric company, to provide
34 electricity for standard offer service to customers of electric companies under
35 paragraph (2) of this subsection, except for customers of electric cooperatives and

1 municipal electric utilities. Unless delayed by the Commission, the competitive
2 selection shall take effect no later than July 1, 2003.

3 (ii) 1. Under the obligation to provide standard offer service
4 in accordance with paragraph (3)(ii) of this subsection, the Commission, by regulation
5 or order, and in a manner that is designed to obtain the best price for residential and
6 small commercial customers in light of market conditions at the time of procurement
7 and the need to protect these customers from excessive price increases:

8 A. shall require each investor-owned electric company to
9 obtain its electricity supply for residential and small commercial customers
10 participating in standard offer service through a competitive process in accordance
11 with this paragraph; and

12 B. may require or allow an investor-owned electric
13 company to procure electricity for these customers directly from an electricity supplier
14 through one or more bilateral contracts outside the competitive process.

15 2. A. As the Commission directs, the competitive
16 process shall include a series of competitive wholesale bids in which the
17 investor-owned electric company solicits bids to supply anticipated standard offer
18 service load for residential and small commercial customers as part of a portfolio of
19 blended wholesale supply contracts of short, medium, or long terms, and other
20 appropriate electricity products and strategies, as needed to meet demand in a
21 cost-effective manner.

22 B. The competitive process may include different bidding
23 structures and mechanisms for base load, peak load, and very short-term
24 procurement.

25 C. By regulation or order, as a part of the competitive
26 process, the Commission shall require or allow the procurement of cost-effective
27 energy efficiency and conservation measures and services with projected and verifiable
28 energy savings to offset anticipated demand to be served by standard offer service, and
29 the imposition of other cost-effective demand-side management programs.

30 3. A. In order to prevent an excessive amount of load
31 being exposed to upward price risks and volatility, the Commission may stagger the
32 dates for the competitive wholesale auctions.

33 B. By regulation or order, the Commission may allow a
34 date on which a competitive wholesale auction takes place to be altered based on
35 current market conditions.

36 4. By regulation or order, the Commission may allow an
37 investor-owned electric company to refuse to accept some or all of the bids made in a
38 competitive wholesale auction in accordance with standards adopted by the
39 Commission.

1 5. The investor-owned electric company shall publicly
2 disclose the names of all bidders and the names and load allocation of all successful
3 bidders 90 days after all contracts for supply are executed.

4 (5) (I) **AS PART OF THE COMPETITIVE PROCESS UNDER**
5 **PARAGRAPH (4) OF THIS SUBSECTION, BY REGULATION OR ORDER THE**
6 **COMMISSION SHALL REQUIRE OR ALLOW THE PROCUREMENT OF SOLAR**
7 **RENEWABLE ENERGY CREDITS UNDER LONG-TERM CONTRACTS.**

8 (II) **IN DETERMINING A REQUIREMENT TO PROCURE SOLAR**
9 **RENEWABLE ENERGY CREDITS UNDER THIS PARAGRAPH, THE COMMISSION**
10 **SHALL CONSIDER:**

11 1. **THE CURRENT PERCENTAGE OF THE RENEWABLE**
12 **ENERGY PORTFOLIO STANDARD UNDER SUBTITLE 7 OF THIS TITLE THAT IS**
13 **FULFILLED BY SOLAR RENEWABLE ENERGY CREDITS; AND**

14 2. **THE EFFECT THAT REQUIRING THE**
15 **PROCUREMENT OF SOLAR RENEWABLE ENERGY CREDITS UNDER LONG-TERM**
16 **CONTRACTS WILL HAVE ON:**

17 A. **ACHIEVING THE MINIMUM REQUIRED**
18 **PERCENTAGE OF THE RENEWABLE ENERGY PORTFOLIO STANDARD THAT IS**
19 **DERIVED FROM SOLAR ENERGY;**

20 B. **THE POTENTIAL IMPACT ON CUSTOMER BILLS;**

21 C. **THE LEGISLATIVE INTENT AND FINDINGS SET**
22 **FORTH IN § 7-702 OF THIS TITLE; AND**

23 D. **ANY OTHER ISSUES THE COMMISSION CONSIDERS**
24 **RELEVANT.**

25 (6) An electric company may procure the electricity needed to meet its
26 standard offer service electricity supply obligation from any electricity supplier,
27 including an affiliate of the electric company.

28 [(6)] (7) In order to meet long-term, anticipated demand in the State
29 for standard offer service and other electricity supply, the Commission may require or
30 allow an investor-owned electric company to construct, acquire, or lease, and operate,
31 its own generating facilities, and transmission facilities necessary to interconnect the
32 generating facilities with the electric grid, subject to appropriate cost recovery.

1 **[(7)] (8)** (i) To determine whether an appropriate phased
2 implementation of electricity rates that is necessary to protect residential customers
3 from the impact of sudden and significant increases in electricity rates, the
4 Commission in the case of an increase of 20% or more over the previous year's total
5 electricity rates, shall conduct evidentiary proceedings, including public hearings.

6 (ii) 1. A deferral of costs as part of a phased implementation
7 of electricity rates by an investor-owned electric company shall be treated as a
8 regulatory asset to be recovered in accordance with a rate stabilization plan under
9 Part III of this subtitle or any other plan for phased implementation approved by the
10 Commission.

11 2. A deferral of costs under this paragraph must be just,
12 reasonable, and in the public interest.

13 (iii) The Commission shall approve the recovery of deferred costs
14 under subparagraph (ii) of this paragraph as:

15 1. long-term recovery in accordance with a rate
16 stabilization plan under Part III of this subtitle; or

17 2. short-term recovery through a rate proceeding
18 mechanism approved by the Commission.

19 (iv) The Commission may approve a phasing in of increased
20 costs by:

21 1. placing a cap on rates and allowing recovery over
22 time; or

23 2. allowing rates to increase and providing for a rebate
24 to customers of any excess costs paid.

25 **[(8)] (9)** (i) An electric cooperative that as of July 1, 2006,
26 supplied its standard offer service load through a portfolio of blended wholesale supply
27 contracts of short, medium, and long terms, and other appropriate electricity products
28 and strategies, as needed to meet demand in a cost-effective manner, may choose to
29 continue to use a blended portfolio:

30 1. as approved and modified by the electric cooperative's
31 board of directors; and

32 2. with appropriate review for prudent cost recovery as
33 determined by the Commission.

1 (ii) The Commission may not set or enforce a termination date
2 for the procurement of supply through a managed portfolio previously approved by the
3 Commission.

4 **[(9)] (10)** (i) The Commission, on request by an electric cooperative
5 or on its own initiative, shall initiate a proceeding to investigate options for a rate
6 stabilization plan to assist residential electric customers to gradually adjust to market
7 rates over an extended period of time.

8 (ii) If an electric cooperative determines that total electric rates
9 for residential customers are anticipated to increase by more than 20% in a 12-month
10 period resulting from an increase in the cost of generation, the electric cooperative
11 shall survey its membership to determine whether to make a request to the
12 Commission to initiate a proceeding under subsection (a) of this section.

13 (iii) Notwithstanding subparagraphs (i) and (ii) of this
14 paragraph, as approved by the Commission, an electric cooperative may receive a
15 modification in distribution and transmission rates.

16 7-548.

17 (b) (5) The Commission need not conduct evidentiary proceedings under §
18 **[7-510(c)(7)(i)] 7-510(C)(8)(I)** of this subtitle to determine the second or subsequent
19 phase of the transition to full market rates under this part.

20 7-709.

21 (c) (1) (i) **[If] EXCEPT AS PROVIDED IN § 7-510(C)(5) OF THIS**
22 **TITLE, IF** an electricity supplier purchases solar renewable energy credits directly
23 from a renewable on-site generator to meet the solar component of the Tier 1
24 renewable energy portfolio standard, the duration of the contract term for the solar
25 renewable energy credits may not be less than 15 years.

26 (ii) The minimum required term under subparagraph (i) of this
27 paragraph does not affect the ability of the parties to negotiate a price for a solar
28 renewable energy credit that varies over time in any manner.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 July 1, 2011.