

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 381
Economic Matters

(Delegate Clagett)

Finance

Electric Companies - Generation Request for Proposals - Expansion of Area

This emergency bill requires the Public Service Commission (PSC) to include all areas of the State in the scope of a draft Request for Proposals (RFP) when considering the need for new electric generation facilities. When PSC requires an electric company to submit an RFP for new electric generation facilities, the electric company must refer to generation capacity in all areas of the State. In addition, an electric company must consider generation capacity in terms of location, economic and environmental benefits, and other factors. The bill applies only prospectively and may not be applied or interpreted to have an effect on or application to any RFP submitted before the effective date of the bill.

Fiscal Summary

State Effect: None. PSC can implement this bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: PSC may, by regulation or order, and in a manner designed to obtain the best price for residential and small commercial customers in light of market conditions at the time of procurement, and the need to protect these customers from excessive price increases, require or allow an investor-owned electric company to procure electricity for these customers from an electricity supplier through one or more bilateral contracts outside of the competitive process.

An investor-owned electric company may solicit bids to supply anticipated standard offer service load for residential and small commercial customers as part of a portfolio of blended wholesale supply contracts of short, medium, or long terms, and other appropriate electricity products and strategies, as needed to meet demand in a cost-effective manner.

Finally, PSC may require an investor-owned electric company to construct, acquire or lease, and operate generating facilities in order to meet long-term anticipated energy demand in the State.

Background: In December 2010, PSC issued a draft RFP for new generation facilities and asked interested persons to review the draft RFP and provide comments, suggestions, and revisions. Through that process, PSC decided a formal RFP issuance was in the best interest of the State, and in September 2011, PSC required that each of the State's regulated electric distribution companies (EDCs) issue an RFP inviting interested persons to submit proposals to PSC to construct new generation facilities that would produce and sell electricity to the EDCs. Through a series of questions and comments pertaining to the RFP, PSC modified several aspects of the RFP, including extending the proposal due date to January 20, 2012. An updated RFP was issued in December 2011, and PSC will decide which bids to accept (if any) on April 6, 2012.

The current RFP requires that a proposal for new generation facilities (1) must include the sale of capacity and energy; (2) must be for a new natural gas-fired unit, not exceeding 1,500 MW in nameplate capacity; and (3) must be located inside the Southwestern Mid-Atlantic Area Council (SWMAAC) Locational Deliverability Area. SWMAAC includes the PJM BGE Zone and PJM PEPCO Zone. Further, the RFP requires responses to include a description of other reliability, economic, socioeconomic, and environmental benefits that are likely to be realized in the State as a result of the new generation facility. Legislative Services notes that the site of the Alcoa Eastalco aluminum plant, which ceased production in 2005, has been frequently discussed as a potential location for a new natural gas plant. The 2,000 acre site is located approximately 10 miles from the current RFP's geographic boundary.

Additional Information

Prior Introductions: None.

Cross File: SB 754 (Senator Young) – Finance.

Information Source(s): Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2012
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