

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 886
Finance

(Senator Hershey)

Public Utilities - Solar Photovoltaic Systems

This bill expands the applicability of an existing requirement that a person apply for approval to construct a solar photovoltaic (PV) generating station from the Public Service Commission (PSC) and provide a deposit equal to 1% of the project's installed costs under certain circumstances. Specifically, the requirement is expanded from just solar PV systems constructed under an exemption from the certificate of public convenience and necessity (CPCN) process to include all solar PV generating stations – those larger than two megawatts – whether constructed under a CPCN exemption or otherwise. The timelines for submitting the deposit and receiving a refund are generally shortened from 18 months to 12 months, but the period begins based upon application approval, rather than application submission to PSC, and ends based upon project commencement, rather than full authorization to commence. A discretionary extension period is likewise shortened from 18 months to 12 months.

Fiscal Summary

State Effect: PSC can handle the bill's requirements with existing budgeted resources. Nonbudgeted revenues and expenditures increase beginning in FY 2020 from additional project deposits and refunds. Strategic Energy Investment Fund (SEIF) revenues and expenditures may increase from forfeited project deposits beginning as early as FY 2021; however, the amount cannot be reliably estimated at this time. The bill is not expected to materially affect the price of electricity in the State.

Local Effect: The bill is not expected to materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law/Background:

Exempt Solar Projects – Mandatory Deposits

Pursuant to Chapter 572 of 2013, a person constructing a generating station that produces electricity from a solar PV system that is exempted from the requirement to obtain a CPCN must file an application for approval to construct the generating station with PSC at least six months before construction commences. A person who files an application for such approval must pay a deposit of 1% of the total installed costs of the project to an escrow account held by PSC. PSC must refund the deposit, less reasonable administrative costs, of a person who demonstrates to PSC that the person is fully authorized to commence construction within 18 months after filing an application. If the person does not commence construction within 18 months, unless granted an extension by PSC, the money is considered abandoned and is transferred to SEIF.

Certificate of Public Convenience and Necessity

Generally, a person may not begin construction in the State of a generating station, overhead transmission line, or a qualified generator lead line unless a CPCN is first obtained from PSC. As defined in regulation, a “generating station” does not include an integral piece of equipment or unit less than or equal to two megawatts if it is installed with equipment that prevents the flow of electricity to the electric system during time periods when the electric system is out of service.

There are three general conditions under which a person constructing an electric generating station may apply to PSC for an exemption from the CPCN requirement.

- The facility is designed to provide on-site generated electricity, the capacity is up to 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;
- at least 10% of the electricity generated is consumed on-site, the capacity is up to 25 megawatts, and the excess electricity is sold on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company; or
- the facility is wind powered and land based, the capacity is up to 70 megawatts, and the facility is no closer than a PSC-determined distance from the Patuxent River Naval Air Station, among other requirements.

However, PSC must require a person that is exempted from the CPCN requirement to obtain approval from the commission before the person may construct a generating station as described above. The application must contain specified information that PSC requires, including proof of compliance with all applicable requirements of the independent system operator.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

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an/lgc

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