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PUBLIC SERVICE COMMISSION

February 18, 2021

Chair Dereck E. Davis
House Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

RE: HB 1007 – Unfavorable – Renewable Energy Portfolio Standard and Geothermal Heating and Cooling Systems

Dear Chair Davis and Committee Members:

House Bill 1007 creates a carve-out beginning in 2022 for the newly defined post-2021 geothermal systems, similar to those for solar and offshore wind. While the Commission does not oppose the idea of a carve-out for geothermal systems, the Commission has identified several technical concerns with implementing this bill.

First, geothermal systems have historically represented a low percentage of Renewable Energy Credits (“RECs”) in Maryland. In 2020, all previously certified geothermal systems generated 2,158 RECs, which would equal 0.0036% of retail electric sales. To meet the 1% carve-out by 2026 would require increasing the number of RECs by 278% from the current level. While there are some incentives available through EmPOWER Maryland and other state programs for geothermal systems, there is a substantial risk that sufficient geothermal systems may not be deployed to meet the new requirements. The cost of the Renewable Portfolio Standard (“RPS”) may be more expensive to ratepayers if suppliers need to pay alternative compliance payments in lieu of purchasing RECs for compliance with the law.

Second, there are several provisions of the law that present resource and implementation issues for the Commission. HB 1007 requires that at least 25% of the post-2021 geothermal carve out come from systems installed on low income facilities, places certain requirements for the employees of a post-2021 geothermal system with a 360,000 BTU capacity, and requires the Commission to adopt regulations providing for the certification of installation companies. The Commission may have difficulty determining if a system meets these requirements and specifically does not have expertise in reviewing or analyzing how companies would comply with employment, salary and benefits required by the legislation.

HB 1007 requires the Commission to file reports by December 1, 2021 and December 1, 2022 on the status of the implementation of geothermal heating and cooling systems in the State, including information on the number of geothermal systems installed, the feasibility of increasing incentives to promote geothermal systems and an assessment of best practices. The

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Commission would need to hire a consultant to assist in the development of regulations and the two reports.

A potential solution to the issues raised in this legislation is to more closely examine the current state of geothermal systems in Maryland as proposed under HB 40. The results of the HB 40 study could be used to determine an appropriate path forward to further incentivize and deploy geothermal systems in Maryland to meet the renewable energy needs of residential and non-residential customers.

Thank you for the opportunity to provide testimony regarding HB 1007. Please contact my Director of Legislative Affairs, Lisa Smith, at 410-336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman