



TO: Members, House Economic Matters Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB 624 - Electricity - Standard Offer Service - Renewable Energy
DATE: February 24, 2022

MEA POSITION: Letter of Information

House Bill 624 makes significant changes to the way the Renewable Portfolio Standard (RPS) operates, codifying certain provisions that may adversely affect utility rates. The impacts of such significant changes should be studied and thoroughly considered prior to implementation.

HB 624 requires the procurement of long-term contracts to supply a portion of renewable energy credits (RECs) within the RPS. Long-term contracts are agreements of 10-20 years to purchase and continue purchasing RECs from a qualified source.

MEA notes that the bill makes certain determinations that should be, and typically are, considered by the Public Service Commission (the Commission). One of the most obvious examples of this within the bill is the guaranteed compensation for electric utilities equal to 1% of contract payments. Additionally, the costs of the changes prescribed by the bill would be considered regulatory assets. This would include these costs in the rate base that determines how much an electric utility can recover from its ratepayers. In the simplest of terms, the bill may raise electricity rates.

These decisions should rest with the Commission. It is the *only* appropriate body in the state to make determinations of utility rates and regulation. Even in statute, the need to defer to the Commission decisions to a greater degree than other state agencies is explicit, as the General Assembly has made it clear that PSC decisions are “prima facie correct” and are to be affirmed unless they are “clearly shown” to be defective.¹

This language is not applied to other agencies in cases of judicial review under the Maryland Administrative Procedure Act (APA). This distinction is not unintentional, as the Commission’s statute, specifically provisions for judicial review, was enacted prior to the APA, and yet the General Assembly chose to exclude the Commission from the APA.

MEA thanks the Committee for its consideration of this information.

¹ PUA § 3-203