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112 West Street
Annapolis, MD 21401

**UNFAVORABLE – Senate Bill 526
Electricity – Offshore Wind Renewable Energy Credits**

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **Senate Bill 526 Electricity – Offshore Wind Renewable Energy Credits**. Senate Bill 256 alters the process for purchasing Offshore Wind Renewable Energy Credits (OREC) to satisfy the offshore wind energy component of the renewable energy portfolio standard and requires the Public Service Commission (PSC) to adopt regulations establishing a certain cost recovery mechanism.

In an effort to encourage offshore wind (OSW) development off Maryland's coast, the State enacted the Maryland Offshore Wind Energy Act of 2013. In this legislation, the PSC was directed, in its project approval process, to specify the OREC price schedule, duration of the OREC pricing schedule and number of ORECs a project may sell each year. The PSC established the OSW procurement regulations under Rulemaking 51 to implement that Act the following year. The legislation also required energy suppliers to satisfy the OREC obligation.

Senate Bill 526 proposes to modify the OSW requirement by transitioning the collection of ORECs payments from a supplier obligation to a non-bypassable charge to all customers through the utility bill. Under the current process, the statute places the obligation on both wholesale and retail suppliers to collect the cost of OREC compliance from the customer. In the proposed change, the escrow accounts will continue to be administered by a financial institution and track the delivery of ORECs, but rather than receive ratepayer payments from the State's electric suppliers and energy and capacity revenues from PJM, the electric distribution companies (EDC) would collect payment. Pepco and Delmarva Power oppose Senate Bill 526 because it does not adequately address the transition needed to accomplish what we understand to be the intent. Several additional language changes will be needed to properly transition the obligation to the utilities.

For the above reasons Pepco and Delmarva Power oppose Senate Bill 526 and respectfully request an unfavorable committee report.

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