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PUBLIC SERVICE COMMISSION

Chair CT Wilson
Economic Matters Committee
230 House Office Building
Annapolis, MD 21401

RE: HB 505 – Favorable with Amendments - Empowering New Energy Resources and Green Initiatives Toward a Zero-Emission (ENERGIZE) Maryland Act

Dear Chair Wilson and Committee Members:

The Public Service Commission (the Commission) requests a favorable report for HB 505 with the amendments detailed in this testimony.

The proposed legislation redesignates the renewable portfolio standard (“RPS”) to the clean energy standard (“CES”) subject to certain modifications to alternative compliance payments and establishes a process to count nuclear within the new standard. The CES also establishes a goal for the deployment of 3000 additional MWs of clean energy subject to certain goals. Additionally, the proposed legislation makes certain modifications to the offshore wind procurement statutes that could impact future procurements. Finally, HB 505 establishes a procurement process that the Commission must conduct at least three times, which is like previous offshore wind procurement in terms of process and contracts. This legislation has the potential to lead to meaningful deployment of generation resources that align with the State’s clean energy goals while also securing additional capacity to assist with meeting Maryland’s energy needs.

HB 505 further modifies the Commission’s roles with respect to clean energy development in the State by requiring the Commission to procure nuclear generation resources in lieu of leaving the entire transaction to the third-party developers. To achieve this, the Commission will need additional staff and consultants as explained in our fiscal note. The Commission notes that some of the expected timelines may be ambitious and thus there will need to be flexibility afforded to the Commission and developers on both the review and development of projects. The Commission also notes that the proposed legislation does not address generation siting issues that exist within the State for clean energy resources and these siting issues will remain. The General Assembly should be cognizant that the location of energy facilities within the State will raise location specific sitting concerns. Historically, the siting of any energy facility has the potential to be a publicly contentious proceeding. The Commission suggests as a possible amendment to clarify that granting of a contract does not guarantee approval of a certificate of public necessity and convenience by the Commission.

The Commission also notes that there may be some upward price pressure on customers’ bills from the revised solar alternative compliance payments and incentivized nuclear, but these may be negated

depending upon how any new generation interacts with the electricity power markets. There is also some financial risk when entering into any long-term agreements with third party merchant generators.

Clean Energy Standard

§ 7-703(b) adds 22.5% to each year's RPS requirements, which comes from existing nuclear power. Specifically, § 7-703(g)(1) calls for reducing the revised CES requirements of § 7-703(b) by a percentage equal to last year's nuclear generation divided by last year's retail sales. The Commission requests that § 7-703(g)(1) be revised to more clearly give suppliers notification before a compliance year begins what their obligation will be after removing nuclear generation. This can be done by using two years of historical nuclear generation that is typically used continuously and to start the process for compliance year 2026 instead of requiring a backdating.

§ 7-704(a)(2) replaces the phrase "electric distribution **grid** serving Maryland" with "electric distribution **system** serving Maryland". Accordingly, solar, geothermal, poultry litter, waste-to-energy, and refuse-derived fuel are now required to be connected to the distribution **system**. However, the new § 7-701(d)(3) states that nuclear energy is connected with the electric distribution **grid**. It is unclear why nuclear is connected in a different manner than solar or waste-to-energy. Finally, note that § 7-1205(a)(1) requires that nuclear generation be connected to the electric distribution system serving the state. The legislation should be revised to have a consistent description of how generating stations using the various fuels are connected to the electric distribution grid/system serving Maryland.

§ 7-705(b)(2)(i)(2) eliminates the decline in solar compliance fees after 2024 and keeps the rate at \$60 per MWh in perpetuity. It may be difficult for the Commission to establish tracking mechanisms to differentiate compliance by different REC types. The legislature should consider if there are ways to incentivize new solar without increased funding to solar that has already been developed.

Offshore Wind

§ 7-704.1(c)(6)(iii) adds a requirement that an offshore wind applicant: deposit into an escrow account an amount determined by the Commission, not less than \$5,000 per megawatt of nameplate capacity, to dissuade withdrawal from the OREC process; and abide by a withdrawal process established by the Commission, including forfeiture of any deposit required by the Commission. Other edits are made to § 7-704.1 which also impact offshore wind procurement. Currently there is no clarification in the statute that these edits only apply to future procurements. This potentially becomes problematic when read with uncodified Section 7 which specifies that the bill is to be applied retroactively. This could result in unintended consequences to the offshore wind program. It is recommended that all edits to § 7-704.1 only apply on a prospective basis.

Nuclear Procurement

§ 7-1201(b)(1)(i) requires that the Commission open an application period where other interested persons may submit applications after the Commission receives the first application. Subsection (II) also requires that the Commission provide notice that the Commission is accepting nuclear energy generating station applications. § 7-1202 gives the Commission one year after the close of the application period to approve, conditionally approve, or deny an application, unless all parties agree to extend this requirement. As currently drafted, this provision allows a single party to veto an extension. This provision could cause an extension to not be approved. The bill should be modified to allow the Commission to extend its review of applications for good cause.

The Public Service Commission appreciates the opportunity to provide testimony for your consideration for bill HB 505. We request a favorable report with support for the amendments detailed above. Please contact Christina Ochoa, Director of Legislative Affairs at christina.ochoa1@maryland.gov if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Frederick H. Hoover". The signature is written in a cursive style with a large initial 'F'.

Frederick H. Hoover, Chair
Maryland Public Service Commission