

**STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL**

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BILL NO.: **Senate Bill 715**
Public Service Commission –
Long-term Contracts – Solar Renewable
Energy Credits

COMMITTEE: **Finance**

HEARING DATE: **March 8, 2011**

SPONSOR: **Senator Garagiola, et al.**

POSITION: **Support with Amendment**

The Office of People's Counsel (OPC) supports Senate Bill 715 with an amendment, as discussed below.

Senate Bill 715 would mandate the purchase of SRECs under long-term contracts for SOS customers. The bill does not specify how much of the SREC requirement for SOS is required to be procured through long-term contracts but apparently leaves that determination up to the Commission in proposed section 7-510(c)((5)(ii). Procurement through long-term contracts is a viable strategy for procurement for *any* of the electricity products needed to supply SOS customers. Although it would be a procurement for all customers instead of just SOS customers, an example of long-term procurement is the draft request for proposals recently issued by the Commission in Case No. 9214. The draft RFP is for the purchase of the output of a new power plant, which could be a renewable

energy facility, using a long-term contract of up to 20 years. OPC supports that effort and believes that long-term purchases can be cost-effective and useful as part of an overall procurement strategy. However, OPC believes that the Public Service Commission (Commission) already has the authority to direct investor-owned utilities to enter into long-term purchases of solar renewable energy credits (SRECs) for standard offer service (SOS), if it finds that it is a cost-effective way to make the purchases.

Current section 7-510(c)(4)(ii)(2) states that the SOS power should be procured as a “portfolio of blended wholesale supply contracts of short, medium, or long terms, and other appropriate electricity products and strategies, as needed to meet demand in a *cost-effective manner*.” The contracts for SRECS that are the subject of Senate Bill 715 will be allowed under this section. As a result of the Renewable Portfolio Standard¹ there is a demand for SRECS, which is a type of “electricity product” that must be met by electricity suppliers for SOS customers. As long as the Commission is satisfied that the use of a long-term contract to procure SRECs for SOS customers is a cost-effective strategy, the Commission has the authority to approve the use of such contracts. If the Commission finds that the use of long-term contracts to procure SRECs would *not* be cost-effective, then it would not be appropriate or equitable to pursue such a procurement on behalf of SOS customers.

OPC recognizes that others may have a different interpretation of the Section 7-510(c) requirements for SOS procurement. If so, OPC believes that the

¹ Section 7-701 *et seq.* of the PU Article.

Commission authority can be clarified with this bill. However, to avoid any conflict with the cost-effectiveness requirements of section 7-510(c) (4) (ii) (2), OPC recommends that the bill be amended to permit, rather than require, the Commission to order the use of long-term contracts for SRECs as part of the overall SOS procurement for customers.

With this amendment, OPC supports Senate Bill 715.

AMENDMENT

1. On page4, line 6, strike "**SHALL**" and insert "**MAY.**"