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BILL NO.:	**House Bill 1158** **Clean Energy Jobs**
COMMITTEE:	**Economic Matter**
HEARING DATE:	**March 8, 2019**
SPONSORS:	**Delegates Lisanti *et al.***
POSITION:	**Informational**

House Bill 1158, titled "Clean Energy Jobs," seeks to achieve a number of goals for clean energy. The Bill makes significant changes to the current renewable energy portfolio standard (RPS). House Bill 1158 increases the minimum required percentage of energy that must be derived from Tier 1 renewable sources from 25% by 2020 to 50% through 2030.[1] It also increases the minimum required percentages of Tier 1 solar energy and offshore wind. Further, it increases the threshold for an electricity supplier to request that the Commission grant a delay of the scheduled RPS percentages from 2.5% to 6%.[2]

House Bill 1158 includes provisions for a second round of applications for the development of offshore wind projects that would be in addition to the two projects approved by the Public Service Commission in Case No. 9431. The Bill establishes certain criteria for qualified offshore

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[1] The Senate version of this bill, Senate Bill 516, eliminates waste-to-energy and refuse-derived energy from the list of eligible Tier 1 resources.

[2] Senate Bill 516 does not have this provision.

wind projects applied for on or after January 1, 2020, and permits the Public Service Commission to establish a new OREC price schedule for energy produced by qualified offshore wind projects. Finally, the Bill establishes a Clean Energy Workforce Account funded from the Strategic Energy Investment Fund (SEIF) and provides for an additional study on the costs and benefits of increasing the renewable energy portfolio standard to 100% by 2040.

The General Assembly has changed the RPS numerous times since the law was passed in 2004, most recently in 2017 to the current 25% by 2020 standard.[3] During that time, the list of eligible Tier 1 resources has been modified, and bills have been introduced to modify the list even further. In 2017, the General Assembly also passed an RPS study bill, requiring a comprehensive review of the RPS by the Power Plant Research Program of the Department of Natural Resources.[4] Part of that study includes a review of the availability of all clean energy sources "at reasonable and affordable rates, including in-state and out-of-state renewable energy options" and whether the standard "is able to meet current and potential future targets without the inclusion of certain technologies." An interim report has been provided to the General Assembly and a final report is due on December 1, 2019. The Office of People's Counsel (OPC) is a member of the Power Plant Research Advisory Council (PPRAC), and reviewed, and provided comments on, the draft interim report. House Bill 1158 also includes a provision, which adds to the 2017 RPS study, to consider the impacts of in-state clean energy generation as an increasing percentage of RPS, as well as a "supplemental" study to assess the costs and benefits of increasing the '[RPS] to 100%."

[3] HB 1106, 2016 Session was vetoed by the Governor. The General Assembly overrode the veto on February 2, 2017 and it became Ch. 0001.
[4] HB1414, Ch.393, Public Utilities Article, §7-714.

The costs of compliance with the RPS are included in the prices for all electricity supply sold in Maryland. All competitive electricity suppliers and electric utilities (that supply Standard Offer Service) must comply with the RPS requirements. Except for large industrial process load, the retail price or rate for electricity supply paid by customers will reflect the costs for complying with the RPS.

Since House Bill 1158 would increase the percentage of renewable sources in the Maryland supply portfolio, OPC expects that there will be some price impact on customers. While prices of renewable energy have been declining, renewable energy resources tend to be more expensive than other sources of supply. Any increase in the required annual RPS percentage is likely to increase the overall compliance costs of the program.

With regard to the cross-filed bill, Senate Bill 516, the Department of Legislative Services has estimated the impact of the bill on residential electricity bills to be between $2.00 and over $6.00 per month for the same increases in the RPS and off shore wind requirements.[5] OPC expects that the General Assembly, as it has done in the past, will weigh the possible price impacts of proposed changes to the overall RPS requirements against the environmental, health and other benefits associated with increased reliance upon renewable energy in Maryland's electricity supply portfolio.

Solar land use issues may present an emerging challenge to meeting additional Tier 1 goals. There has been increasing public opposition to placement of utility scale solar in certain areas of the State and some counties have imposed zoning restrictions on the location of such facilities. It

[5] Fiscal and Policy Note, HB1158, 2019 Session, p. 6.

remains to be seen what impact this may have on future in-State solar development.[6] The inability to meet the RPS goals may result in energy suppliers incurring alternative compliance payments (ACPs). The cost of those ACPs will be passed on to customers.

Separate from the overall increase in RPS requirements, the Bill provides for the possibility that ratepayers face a maximum projected incremental price increase of $0.88 per month ($10.56 per year)[7] in 2018 dollars for new "qualified" offshore wind projects that may be approved after January 1, 2020. This amount would be in addition to the projected approximately $1.40 (2012 dollars) per month that ratepayers will pay for the two already approved offshore wind projects off the coast of Ocean City.

Additionally, the Bill requires that any ACPs paid as a result of failing to meet the RPS standard may only be used to make loans and grants to support the creation of new Tier 1 renewable energy sources or new solar energy sources in the State. Under the Bill, these sources must be owned by or directly benefit low-income residents of the State.

Finally, Bill provides for a total of $22.0 million of funding out of the Strategic Energy Investment Fund (SEIF) for access to capital, job and apprenticeship training, and technical education. OPC notes that the current funding source for the SEIF is primarily auction proceeds from the Regional Greenhouse Gas Initiative (RGGI). The Maryland Energy Administration (MEA), the Administrator of the Fund, must allocate the RGGI proceeds in the Fund in a prescribed manner. Up to 50% of the RGGI proceeds must be directed to the Department of Human Services for electricity bill assistance programs for low-income households, At least 20% must be

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[6] A bill has been introduced to establish a Commission to address renewable energy and land use issues, and develop a blueprint for solar energy in Maryland. See House Bill 532.
[7] Section 7-704.1 (e) (1) (II) (2), p.20 of the Bill.

allocated to energy efficiency programs for low and moderate-income households, and another 20% for renewable and clean energy programs. As a result, OPC expects that funding for the $22.0 million in capital, job and apprenticeship training, and technical education would need to come from a non-RGGI source of SEIF Funds. The source of those funds is not known. Otherwise, the percentage of SEIF Fund proceeds and the total dollars directed towards electricity bill assistance may be decreased.

This would be problematic from OPC's perspective. In October 2018, OPC released a "Maryland Low-Income Market Characterization Report," prepared by APPRISE, which documented the continuing disproportionate energy burdens on low-income households, even after the application of energy assistance benefits (both EUSP and MEAP) to customer accounts.[8] OPC believes that the impact of any decline in funds, never mind the assessment of the need for additional assistance funds, is a topic that is ripe for discussion. This is particularly so, as the State's clean energy goals and related programs may impose additional costs on electric customers during transition periods.

House Bill 1158 increases the RPS significantly. The adoption of these changes during this legislative session without the benefit of the final RPS Study, required by the General Assembly, increases the likelihood of unintended consequences. Alternatively, a delay in the adoption, to allow PPRP to continue with its assessment, could produce a better outcome for customers and for meeting the State's energy goals.

[8] See OPC's December 21, 2018 Comments on OHEP's FY 2018 Annual Report on EUSP, pages 3-12, and Attachment A, pages 64-71 in Public Service Commission Docket 8903, Item No. 518, at www.psc.state.md.us. OPC notes also that only about one-third of income eligible households receive energy assistance through the OHEP programs; the remaining two-thirds of low-income households experience even higher energy burdens.