

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

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BILL NO: SENATE BILL 910
Comprehensive Energy Plan

COMMITTEE: Finance

HEARING DATE: March 17, 2010

SPONSORS: Senators Lenett and Rosapepe

POSITION: Support

This bill would require the Department of Planning to submit interim and final reports to the Governor and General Assembly on July 1, 2011 and December 31, 2011, analyzing options to meet the State's energy needs. The report would include estimates of the State's long-term energy supplies and needs; identification of all reasonable options for meeting those needs; how the options would promote cost stability, reliability of supply, minimization of adverse environmental impacts, and consistency with the State's environmental laws and goals; explore energy efficiency and renewable programs, transmission and distribution system issues and new technologies, and make recommendations for legislation. The Office of People's Counsel understands that certain amendments will be offered by the sponsor during the bill hearing on SB 910

today¹.

OPC would prefer that the Public Service Commission be designated as the agency to develop the comprehensive energy plan. As the agency with regulatory authority over the electric and gas companies, the Commission has the unique ability to direct the companies to provide information deemed necessary for development of the plan, and to institute proceedings, or authorize or order certain utility actions in response to the plan. In that regard, the bill might benefit from additional language that allows the Department of Planning to submit requests to the Commission for utility data. However, the most important thing is to institute an energy planning process for Maryland, and make the information and analysis available for public consideration. Therefore, OPC supports the bill and the anticipated sponsor amendments.

Although the federal government has encouraged the implementation of markets for wholesale electricity supply and wholesale markets exist for our region through PJM Interconnection, L.L.C., Maryland retains the ability to take actions on behalf of the interests of its citizens as buyers of electricity in the wholesale markets. The State can effectively carry out this function on behalf of its citizens by establishing an on-going long-term planning process that provides an open and transparent basis for discussion and consideration of demand and supply alternatives. The Office of People's Counsel (OPC)

¹The original bill adds a provision to section 7-207 of the Public Utility Companies Article (CPCN applications for generating and transmission facilities) that would require the Commission to give the recommendations in the plan due consideration when ruling on a CPCN application. OPC understands that the sponsor's amendments would remove this provision.

has been seeking the establishment of such a planning process and supports efforts to encourage comprehensive planning for our State's electricity needs. As described in Senate Bill 910, this planning process would require consideration of how different options (demand resources, generation and transmission) would promote objectives of reasonable cost and cost stability, reliability, reduction of environmental impacts and consistency with environmental laws. The bill therefore would provide for a process to assess how different supply and demand resources can meet these multiple policy objectives.

While the comprehensive energy plan described in Senate Bill 910 is intended to address broad statewide energy concerns, the plan may also have value to the Commission in developing appropriate procurement options for residential Standard Offer Service customers. The General Assembly restored broad authority over electricity supply to the Commission with the passage of Senate Bill 1 in 2006.² Specifically, the Commission has the authority to "require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generation facilities with the electric grid, subject to appropriate cost recovery."³ Further, the Commission has the authority to direct the investor-owned utilities to assemble a portfolio for SOS "of blended wholesale supply contracts of short, medium, or long-term and other appropriate electricity products and

² Chapter 5, Acts 2006 Special Session.

³ Section 7-510(c)(6).

strategies, as needed to meet demand in a cost-effective manner.”⁴ The portfolio for SOS must be “designed to obtain the best price for the residential and small commercial customers in light of the market conditions at the time of procurement and the need to protect these customers from excessive price increases.”⁵ The creation of a comprehensive plan for the State’s electricity needs and the analysis that would be part of that process could provide guidance for making the decisions necessary to implement the requirements of Senate Bill 1.

Finally, with the amendments to be introduced, the plan would be re-assessed every three years. This modification would ensure that the comprehensive energy plan is not simply an end point but becomes a tool to provide information and an assessment on how the different options can meet the State’s energy needs over time.

For these reasons, OPC recommends a FAVORABLE REPORT.

⁴ Section 7-510(c)(4)(ii)(2).

⁵ Section 7-510(c)(4)(ii)(1).