

HOUSE BILL 624

C5, M5

2lr2873
CF SB 334

By: **Delegate Brooks**

Introduced and read first time: January 31, 2022

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Electricity – Standard Offer Service – Renewable Energy**

3 FOR the purpose of requiring an electric company to contract for renewable energy credits
4 and electricity generated from certain Tier 1 renewable sources to meet a portion of
5 the renewable energy portfolio standard for the electric company; authorizing an
6 electric company to receive annual remuneration for contracts; authorizing an
7 electric company to account for the purchase of contracts as a regulatory asset, but
8 prohibiting the collection of an additional return on the regulatory asset; requiring
9 an electric company to submit contracts to the Public Service Commission for review
10 and approval; requiring an electric company to sell purchased energy into the
11 wholesale spot market; requiring an electric company to sell certain renewable
12 energy credits and solar renewable energy credits; requiring that renewable energy
13 credits, solar renewable energy credits, and electricity be used to meet a certain
14 portion of the renewable energy portfolio standard for electricity provided to
15 standard offer service customers; and generally relating to standard offer service and
16 renewable energy.

17 BY repealing and reenacting, without amendments,
18 Article – Public Utilities
19 Section 7–701(a) and (s)
20 Annotated Code of Maryland
21 (2020 Replacement Volume and 2021 Supplement)

22 BY adding to
23 Article – Public Utilities
24 Section 7–703.1
25 Annotated Code of Maryland
26 (2020 Replacement Volume and 2021 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
28 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Public Utilities

7–701.

(a) In this subtitle the following words have the meanings indicated.

(s) “Tier 1 renewable source” means one or more of the following types of energy sources:

(1) solar energy, including energy from photovoltaic technologies and solar water heating systems;

(2) wind;

(3) qualifying biomass;

(4) methane from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant;

(5) geothermal, including energy generated through geothermal exchange from or thermal energy avoided by, groundwater or a shallow ground source;

(6) ocean, including energy from waves, tides, currents, and thermal differences;

(7) a fuel cell that produces electricity from a Tier 1 renewable source under item (3) or (4) of this subsection;

(8) a small hydroelectric power plant of less than 30 megawatts in capacity that is licensed or exempt from licensing by the Federal Energy Regulatory Commission;

(9) poultry litter–to–energy;

(10) waste–to–energy;

(11) refuse–derived fuel;

(12) thermal energy from a thermal biomass system; and

(13) raw or treated wastewater used as a heat source or sink for a heating or cooling system.

7–703.1.

(A) THIS SECTION DOES NOT APPLY TO AN ELECTRIC COOPERATIVE THAT CHOOSES TO CONTINUE TO SUPPLY ITS STANDARD OFFER SERVICE LOAD THROUGH

1 A PORTFOLIO OF BLENDED WHOLESALE SUPPLY CONTRACTS AND OTHER
2 APPROPRIATE ELECTRICITY PRODUCTS AND STRATEGIES IN ACCORDANCE WITH §
3 7-510(C)(8) OF THIS TITLE.

4 (B) NOTWITHSTANDING § 7-510 OF THIS TITLE OR ANY REGULATION OR
5 ORDER UNDER THIS TITLE, BEGINNING IN 2023, AN ELECTRIC COMPANY SHALL
6 CONTRACT FOR RENEWABLE ENERGY CREDITS AND ELECTRICITY GENERATED
7 FROM ENERGY FROM A TIER 1 RENEWABLE SOURCE UNDER § 7-701(S)(1), (2), (5),
8 (6), OR (8) OF THIS SUBTITLE TO MEET A PORTION OF THE ELECTRIC COMPANY'S
9 RENEWABLE ENERGY PORTFOLIO STANDARD IN ACCORDANCE WITH SUBSECTIONS
10 (C) AND (D) OF THIS SECTION.

11 (C) (1) AN ELECTRIC COMPANY SHALL:

12 (I) SOLICIT BIDS FOR A CONTRACT UNDER SUBSECTION (B) OF
13 THIS SECTION FROM RENEWABLE ENERGY FACILITIES THAT WILL BE PLACED INTO
14 SERVICE WITHIN 3 YEARS AFTER THE DATE OF THE SOLICITATION;

15 (II) USE A COMPETITIVE PROCUREMENT PROCESS TO AWARD
16 THE CONTRACT;

17 (III) RECEIVE ANNUAL COMPENSATION EQUAL TO 1% OF THE
18 ANNUAL PAYMENTS UNDER THE CONTRACT TO COMPENSATE THE ELECTRIC
19 COMPANY FOR ACCEPTING THE FINANCIAL OBLIGATION OF THE LONG-TERM
20 CONTRACT; AND

21 (IV) BE ENTITLED TO ACCOUNT FOR THE PURCHASE OF
22 RENEWABLE ENERGY GENERATION UNDER THIS SECTION, INCLUDING THE SOLAR
23 ENERGY AND RENEWABLE ENERGY CERTIFICATES, AS A REGULATORY ASSET
24 RATHER THAN AS DEBT.

25 (2) THE COMMISSION MAY EXTEND THE IN-SERVICE DATE
26 REQUIREMENT UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION BY UP TO 1 YEAR
27 FOR GOOD CAUSE.

28 (3) THE TERM OF A CONTRACT UNDER SUBSECTION (B) OF THIS
29 SECTION SHALL BE FOR AT LEAST 10 YEARS AND NOT MORE THAN 20 YEARS.

30 (4) (I) BEFORE AWARDING A CONTRACT UNDER THIS SUBSECTION,
31 AN ELECTRIC COMPANY SHALL:

32 1. SUBMIT THE CONTRACT TO THE COMMISSION FOR
33 REVIEW; AND

1 **2. RECEIVE THE COMMISSION'S APPROVAL OF THE**
2 **CONTRACT UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH.**

3 **(II) IF THE COMMISSION DETERMINES THAT THE CONTRACT**
4 **SUBMITTED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH IS COST-EFFECTIVE AS**
5 **COMPARED TO THE LONG-TERM PROJECTION OF RENEWABLE ENERGY COSTS, THE**
6 **COMMISSION SHALL APPROVE THE CONTRACT.**

7 **(5) A CONTRACT AWARDED UNDER THIS SECTION IS SUBJECT TO THE**
8 **REGULATORY AUTHORITY OF THE COMMISSION.**

9 **(6) AN ELECTRIC COMPANY SHALL SELL PURCHASED ENERGY INTO**
10 **THE WHOLESALE SPOT MARKET.**

11 **(7) AN ELECTRIC COMPANY SHALL SELL ALL RENEWABLE ENERGY**
12 **CREDITS AND SOLAR RENEWABLE ENERGY CREDITS CONTRACTED FOR UNDER §**
13 **7-703(B) OF THIS SUBTITLE.**

14 **(8) FOR THE SALE OF ANY PURCHASED ENERGY INTO THE**
15 **WHOLESALE SPOT MARKET UNDER PARAGRAPH (6) OF THIS SUBSECTION AND**
16 **RENEWABLE ENERGY CREDITS UNDER PARAGRAPH (7) OF THIS SUBSECTION, AN**
17 **ELECTRIC COMPANY SHALL:**

18 **(I) NET THE COST OF PAYMENTS MADE TO PROJECTS UNDER**
19 **THE LONG-TERM CONTRACTS AGAINST THE PROCEEDS OBTAINED FROM THE SALE**
20 **OF ENERGY AND RENEWABLE ENERGY CREDITS; AND**

21 **(II) CREDIT OR CHARGE THE DIFFERENCE DERIVED UNDER**
22 **ITEM (I) OF THIS PARAGRAPH TO ALL DISTRIBUTION CUSTOMERS THROUGH A**
23 **UNIFORM FULLY RECONCILING ANNUAL FACTOR IN DISTRIBUTION RATES THAT**
24 **CANNOT BE BYPASSED WHEN SWITCHING ELECTRIC SUPPLIERS, SUBJECT TO**
25 **REVIEW AND APPROVAL OF THE COMMISSION.**

26 **(9) AN ELECTRIC COMPANY MAY NOT EARN AN ADDITIONAL RETURN**
27 **ON A PURCHASE THAT IS TREATED AS A REGULATORY ASSET UNDER PARAGRAPH**
28 **(1)(IV) OF THIS SUBSECTION.**

29 **(D) (1) BEGINNING IN 2023, THE RENEWABLE ENERGY CREDITS, SOLAR**
30 **RENEWABLE ENERGY CREDITS, AND ELECTRICITY CONTRACTED FOR UNDER**
31 **SUBSECTION (B) OF THIS SECTION SHALL BE USED TO MEET AT LEAST 25% OF THAT**
32 **YEAR'S AND EACH SUBSEQUENT YEAR'S RENEWABLE ENERGY PORTFOLIO**
33 **STANDARD FOR THE ELECTRICITY THAT THE ELECTRIC COMPANY PROVIDES TO THE**

1 ELECTRIC COMPANY'S STANDARD OFFER SERVICE CUSTOMERS.

2 (2) THE 25% STANDARD SHALL BE APPLIED EQUALLY TO THE
3 ANNUAL RENEWABLE ENERGY PORTFOLIO STANDARD AMOUNT REQUIRED TO BE
4 DERIVED BY SOLAR ENERGY IN 2023 AND SUBSEQUENT YEARS.

5 (E) ON OR BEFORE DECEMBER 1, 2024, AND ANNUALLY THEREAFTER, THE
6 COMMISSION SHALL, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT
7 ARTICLE:

8 (1) REPORT TO THE GENERAL ASSEMBLY ON THE IMPACT OF THIS
9 SECTION ON THE ENERGY AND RENEWABLE ENERGY CREDIT MARKETS, INCLUDING
10 THE DISPOSITION OF ENERGY AND RENEWABLE ENERGY CREDITS; AND

11 (2) RECOMMEND ANY PROGRAM CHANGES NECESSARY TO SUPPORT
12 THE RENEWABLE ENERGY CREDIT MARKET IN THE STATE.

13 (F) ON OR BEFORE MARCH 31, 2023, THE COMMISSION SHALL ADOPT
14 REGULATIONS TO CARRY OUT THIS SECTION.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
16 apply only prospectively and may not be applied or interpreted to have any effect on or
17 application to any contract for electricity supply before the effective date of this Act.

18 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2022.