

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 282 (The President, *et al.*) (By Request - Administration)
Finance and Education, Health, and
Environmental Affairs

Off-Shore Wind Generation - Qualified Submerged Renewable Energy Lines

This Administration bill prohibits a person from beginning construction or installation of a qualified submerged renewable energy line or exercising a right of condemnation in connection with the construction unless a certificate of public convenience and necessity (CPCN) is obtained from the Public Service Commission (PSC). A qualified submerged renewable energy line is defined as a buried or submerged line carrying electricity and connecting an offshore wind facility located at least three miles off the Atlantic coast to the electric grid. Submerged renewable energy lines are exempt from the existing prohibition from building permanent structures within the Beach Erosion Control District as long as the project does not result in any significant permanent environmental disruption.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: None. PSC and other State agencies can participate in the CPCN application process with existing budgeted resources.

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: An entity planning to construct or modify a generating facility with at least 70 megawatts (MW) of capacity or an overhead transmission line in excess of 69,000 volts must receive CPCN from PSC before beginning construction. Application for a CPCN is reviewed before a hearing examiner in a formal adjudicatory process that includes written and oral testimony, cross examination, and the opportunity for full-public participation. The CPCN process constitutes permission to construct the facility and incorporates several required permits, including air quality and water appropriation. The CPCN licensing process provides an opportunity for the State to examine all the significant aspects and impacts of a proposed power facility or transmission line, including the interrelations between various impacts and cumulative effects.

For the purposes of maintaining the Atlantic coast beaches of the State and Beach Erosion Control District, permanent structures within the Beach Erosion Control District are prohibited. Certain purposes, such as the placement of public utility pipelines carrying treated sewage effluent, are exempt from this prohibition. The Beach Erosion Control District exists between the State's north and south border, the Atlantic Ocean, and extends to the existing Ocean City building limit line and on Assateague Island to the west crest of the existing natural dune.

Background:

Offshore Wind Energy

Offshore wind-powered electric generation has been successfully implemented in eight countries (Denmark, Belgium, Sweden, Finland, Germany, the United Kingdom, the Netherlands, and Ireland). Although there have not been any offshore wind facilities built in the United States, projects have been proposed on the Pacific Ocean, the Great Lakes, and the Atlantic Ocean. Three offshore wind projects ranging from 300 MW to 348 MW in capacity are being considered in New Jersey and a 600-MW facility is under development in Delaware. Bluewater Wind, a company developing offshore wind in Delaware and New Jersey, is also proposing an offshore wind plant off Maryland's Eastern Shore adjacent to Ocean City.

The Maryland Energy Administration (MEA) launched a technical study in 2009 of the potential for offshore wind and released a Request for Expressions of Interest and Information (RFI) from wind energy developers interested in constructing wind energy generation facilities in Atlantic Ocean areas adjacent to Maryland's coast. MEA expects responses to be submitted by March 2010.

Offshore wind provides more generation from each turbine because wind speeds are generally higher and wind is steadier than land-based turbines; however, offshore wind turbines are roughly twice as expensive to build and operate than land-based turbines. According to the U.S. Department of Energy, Maryland has several areas in the State that are estimated to have good to excellent wind resources. These areas include the barrier islands along the Atlantic coast, the southeastern shore of the Chesapeake Bay, and ridge crests in the western part of the State, west of Cumberland.

The Administration advises that this bill, by creating an effective regulatory framework for offshore wind energy development, supports the State's efforts to encourage the new clean energy sector.

Certificate of Public Convenience and Necessity

The licensing of new electric power plants in the State is a comprehensive two-part process involving PSC and several other State agencies, *e.g.*, the Department of Natural Resources and the Maryland Department of the Environment. PSC is the lead agency for licensing the siting, construction, and operation of power plants in the State.

During the CPCN application process, the agencies hold extensive discussions with interested parties such as local governments, environmental organizations, the company proposing to build the power plant, and individual citizens. Concerns are identified and the State agencies incorporate those concerns into their evaluation.

Prior to a CPCN being issued, the State agencies provide PSC the results of their evaluation and a consolidated set of recommendations as to whether the proposed site is suitable and whether the proposed power plant can be constructed and operated in an acceptable manner. The agencies also provide detailed recommendations on conditions that should be attached to CPCN. These conditions can relate, for example, to minimizing impacts to air, surface and groundwater, aquatic and terrestrial resources, cultural and historic resources, noise, and land use.

Additional Information

Prior Introductions: None.

Cross File: House Bill 468 (The Speaker, *et al.*) (By Request - Administration) - Economic Matters.

Information Source(s): Worcester County, Board of Public Works, Department of Natural Resources, Maryland Department of Planning, Maryland Energy Administration, Public Service Commission, U.S. Department of Energy, Department of Legislative Services

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ncs/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Off-Shore Wind Generation - Qualified Submerged Renewable Energy Lines

BILL NUMBER: SB 282

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.