

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 Third Reader

Senate Bill 656

(Senator Kramer, *et al.*)

Finance

Economic Matters and Environment and  
 Transportation

Utility Regulation - Consideration of Climate and Labor

This bill requires the Power Plant Research Program (PPRP) in the Department of Natural Resources (DNR) to include an evaluation of the impact of electric power plants on climate change as part of its ongoing research, as specified, including whether the related emissions and climate effects are consistent with the State’s greenhouse gas (GHG) emissions reduction goals. Separately, the Public Service Commission (PSC), in supervising and regulating public service companies, must consider (1) the maintenance of fair and stable labor standards for affected workers and (2) additional specified climate effects and the State’s GHG emissions reduction goals. Relatedly, PSC may not take final action on a Certificate of Public Convenience and Necessity (CPCN) without considering the effect of climate change on the project and, for a generating station, the impact of the project on GHG emissions and its consistency with the State’s GHG emissions reduction goals.

Fiscal Summary

**State Effect:** Special fund expenditures for PSC increase by \$138,500 in FY 2021. Future year expenditures reflect annualization and ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. Other agencies can handle the bill’s requirements with existing budgeted resources.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$138,500	\$165,600	\$169,400	\$175,100	\$181,000
SF Expenditure	\$138,500	\$165,600	\$169,400	\$175,100	\$181,000
Net Effect	\$0	\$0	\$0	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Minimal.

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## Analysis

### **Current Law/Background:**

#### *Greenhouse Gas Emissions Reduction Act*

The Greenhouse Gas Emissions Reduction Act, originally enacted in 2009 and made permanent and expanded in 2016, was enacted in light of Maryland's particular vulnerability to the impacts of climate change. Under the Act, the State must develop plans, adopt regulations, and implement programs to reduce GHG emissions by 25% from 2006 levels by 2020 and must further reduce GHG emissions by 40% from 2006 levels by 2030; the 2030 reduction requirement terminates December 31, 2023.

#### *Power Plant Research Program*

PPRP was created in 1971 to conduct research on the impacts of existing and proposed power plants in each county. PPRP is required to undertake a continuing research program for electric power plant site evaluation and related environmental and land use considerations. PPRP is funded through an assessment on electricity used in the State, which accrues to the Environmental Trust Fund.

#### *Public Service Commission Supervisory and Regulatory Powers*

PSC must supervise and regulate public service companies subject its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the conservation of natural resources, and the preservation of environmental quality. PSC must also enforce compliance with legal requirements by public service companies.

#### *Certificates of Public Convenience and Necessity*

PSC is the lead agency for licensing the siting, construction, and operation of power plants and related facilities in the State through the CPCN process, which is a comprehensive process involving several other State agencies.

Generally, a person may not begin construction in the State of a generating station, overhead transmission line, or a qualified generator lead line unless a CPCN is first obtained from PSC. The application process involves notifying specified stakeholders, public hearings, and the consideration of recommendations by State and local government entities, and the project's effect on various aspects of the State infrastructure, economy,

and environment. There are conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement.

PSC must take final action on a CPCN application only after due consideration of the recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located and the effect of the project on various aspects of the State infrastructure, economy, and environment. For example, when applicable, PSC must consider air quality and water pollution.

**State Fiscal Effect:** The bill requires PSC, as part of its supervision and regulation of public service companies, to consider the maintenance of fair and stable labor standards for affected workers. Existing PSC staff have no expertise in this area. The bill’s remaining requirements can generally be handled with existing budgeted resources.

Accordingly, special fund expenditures for PSC increase by \$138,523 in fiscal 2021, which accounts for the bill’s October 1, 2020 effective date. This estimate reflects the cost of hiring one staff attorney and one regulatory economist to handle the additional workload related to public service company labor standards under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$124,040
Other Operating Expenses	<u>14,483</u>
<b>Total FY 2021 PSC Expenditures</b>	<b>\$138,523</b>

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies as authorized under current law.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 531 (Delegate Charkoudian, *et al.*) - Economic Matters and Environment and Transportation.

**Information Source(s):** Public Service Commission; Maryland Department of the Environment; Maryland Department of Labor; Department of Natural Resources; Maryland Energy Administration; Office of People’s Counsel; Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2020  
mr/lgc Third Reader - March 12, 2020

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