

**PUBLIC SERVICE COMMISSION
OF MARYLAND**

**RENEWABLE ENERGY PORTFOLIO
STANDARD REPORT OF 2006**

In compliance with Section 7-712 of
the Public Utility Companies Article,
Annotated Code of Maryland

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I. INTRODUCTION

This document constitutes the Report of the Maryland Public Service Commission (“Commission” or “PSC”) on the Renewable Energy Portfolio Standard (“RPS”) for 2006. The Report is submitted in compliance with Section 7-712 of the Public Utility Companies (“PUC”) Article of the Annotated Code of Maryland.

Under PUC Article § 7-701 *et seq.* (“RPS Legislation”) electricity suppliers are required to meet a Renewable Energy Portfolio Standard. The legislation requires, among other things, that the Commission implement the RPS. Implementation of the RPS is required to be accompanied by a system that facilitates trading of Renewable Energy Credits (“RECs”) representing the use of electricity generated from renewable resources. A REC is equal to the renewable attributes associated with one megawatt-hour of energy generated using specified renewable resources. Each supplier must present, on an annual basis, RECs equal to the percentage of Tier 1 and Tier 2 renewable resources specified by the RPS Legislation. Generators and suppliers are allowed to trade RECs using a Commission sanctioned or established REC registry and trading system. A REC has a three-year life during which it may be transferred, sold, or otherwise redeemed. The RPS Legislation allows generators and electricity suppliers to accrue RECs as of January 1, 2004. Suppliers that do not meet the annual RPS are required to pay a compliance fee, the amount of which is prescribed in the RPS Legislation. Compliance fees will be a source of funding for the Maryland Renewable Energy Fund. The Maryland Renewable Energy Fund is designed to promote the development of renewable energy resources in Maryland. The Commission is responsible for creating and administering the overall RPS Program; responsibility for developing renewable energy resources has been vested with the Maryland Energy Administration (“MEA”).

II. STATUS OF THE IMPLEMENTATION OF THE RPS LEGISLATION

In Case No. 9019, the Commission considered certain threshold policy and administrative issues. At the close of formal proceedings, the Commission issued direction to Staff in a letter dated December 21, 2004. With Case No. 9019 as a foundation, Staff convened the RPS Working Group composed of representatives from electric utilities, electricity suppliers, renewable energy providers, REC traders, industry specialists, environmentalists, the Office of People’s Counsel, and other interested parties. The group convened monthly through the month of April. Beginning with a proposed set of regulations drafted to comply with the RPS Legislation and the Commission’s direction regarding the issues in Case No. 9019, the RPS Working Group offered comments and alternative language on successive drafts of proposed regulations pertaining to the RPS Legislation.

On April 13, 2005, Staff filed recommended proposed RPS regulations, and the Commission opened Rulemaking 12. The Commission received comments and reply comments on the proposed regulations. The Commission held three Open Meetings on the RPS Regulations for the purpose of addressing outstanding issues raised by the parties. On May 25, 2005, the Commission voted to publish proposed RPS Regulations as Section 20.61 of the Code of Maryland Regulations (“COMAR”). The proposed

regulations were published August 3, 2005 in the *Maryland Register*. The Proposed Regulations were adopted as published on a temporary emergency basis effective July 1, 2005. After additional comments and an Open Meeting, COMAR 20.61 was adopted as final and became effective November 24, 2005.

With regulations in place, the full implementation of the RPS Program began. Staff created the necessary forms to begin program administration. The forms are currently available online. Applications are now being received from RPS program participants. The Commission has certified various types of renewable energy facilities, including behind the meter facilities. Applications for retroactive RECs are also pending. The Commission has also established a website dedicated to the RPS Program: <http://www.psc.state.md.us/psc/electric/rps/home.htm>. The site contains program forms, reference documents, and RPS related links. A Frequently Asked Questions page is also available on the site.

An integral part of the RPS Program is the Generation Attributes Tracking System (“GATS”). This is in keeping with PUC Article § 7-708(a)(2) which requires the Commission to use, to the extent practicable, a trading system that is consistent with and operates in conjunction with a trading system developed by PJM Interconnection, Inc. GATS is a new system designed and operated by PJM Environmental Information Services, Inc. to create, record, and track RECs. GATS will monitor the generation of participating units and create RECs monthly based on actual output. A GATS certificate from a Commission-certified renewable energy facility will be identified as a Maryland-eligible Tier 1 or Tier 2 REC. The first compliance reports will be due in 2007 for the calendar year 2006.

Another upcoming date of note is the expiration of the retroactive REC period. PUC Article § 7-704(b) allows an electricity supplier to receive and accumulate RECs on or after January 1, 2004. COMAR 20.61.03.02 addresses the creation of RECs associated with electricity generated prior to the final adoption of RPS regulations. These RECs are known as “retroactive RECs.” COMAR 20.61.03.02C states:

Except for good cause shown, a retroactive REC application shall be filed within the 6-month period immediately after the effective date of final adoption of these regulations.

May 29, 2006 marks the end of the 6-month period for retroactive RECs.

III. AVAILABILITY OF TIER 1 RESOURCES AND PROJECTS SUPPORTED BY THE MARYLAND RENEWABLE ENERGY FUND

Thus far in the RPS program, 14 of the 15 certified facilities utilize Tier 1 resources. Methane gas and biomass are the two predominant resources. As the first compliance year continues more information related to Tier 1 resources should become available. Staff is also actively engaged with MEA in drafting proposed regulations pertaining to the Maryland Renewable Energy Fund. Since the Fund has not yet been established, there are no projects currently supported by the Fund. Once the Fund is

established this Report will contain information on any renewable energy projects that MEA supports as part of the implementation of the RPS Legislation. Finally, after electricity suppliers have submitted their first annual RPS compliance reports, the Commission will include pertinent information relevant to compliance in this Report.