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[Back to previous page](#)

O'Malley wind farms face more challenges as Maryland legislature returns

By [Aaron C. Davis](#), Published: January 8

The day Maryland lawmakers left Annapolis nine months ago, Gov. Martin O'Malley chided them, saying the legislature had "[choked](#)" on his signature environmental initiative: a measure to subsidize development of a multibillion-dollar [offshore wind](#) farm.

The plan would have added a couple of extra dollars to every Marylander's monthly electric bill for 20 years and thousands onto those of the state's largest businesses. O'Malley (D) argued the costs would be worth it for about 2,000 jobs and a foothold for Maryland in a promising new green-energy market.

But as the legislature returns this week to Annapolis for the start to the 2012 session, there is little evidence that O'Malley's ambition for offshore wind has grown easier for lawmakers to swallow.

Rather, political currents that seemed poised to help propel the industry just a year ago have since turned against it. The [high-profile collapse of Solyndra](#), the federally backed California solar company, and the paralyzing summer showdown over mounting federal debt have led Congress to cut off funding for loan guarantees and tax credits considered critical to the economics of the nascent offshore wind market.

"The situation has gotten worse — not better — for offshore wind since the last time it was up for debate," said Del. Dereck E. Davis, (D-Prince George's), chairman of one of two key committees that would have to back O'Malley's plan.

The result is a funding challenge that is even more vexing than the one O'Malley and offshore wind proponents faced a year ago and that underscores a problem common to many of the governor's most ambitious plans for the coming 90-day session.

O'Malley wants ratepayers to help cover the cost of making offshore wind energy competitive. He

wants more gas tax revenue to increase road, bridge and transit construction. He wants environmental fees to bring in more money to reduce pollution flowing into the Chesapeake Bay. And he wants to accelerate state borrowing, despite shrinking property tax revenue to pay for it, to help spur improvements to public infrastructure.

After years of state budget cuts, each investment is important to Maryland's future, O'Malley says. But each would also hit state residents squarely in the pocketbook.

At the outset of a contentious election year, and with votes on legalizing same-sex marriage and other social issues sure to distract from economic ones, those conditions have made it impossible to predict what combination of higher taxes and fees — if any — will be palatable to Maryland's Democratic-controlled legislature.

"I definitely could not sign on to support offshore wind so long as ratepayers need to pay more," said Sen. Delores G. Kelley (D-Baltimore County).

Typically stalwart in support of O'Malley's causes, Kelley is among a large number of Democrats who have openly questioned the logic of moving forward with offshore wind while so many in the state are struggling to make ends meet.

"I just can't see why the citizens of Maryland should make a long-term commitment," Kelley said.

After last spring's failure, O'Malley was initially optimistic that he could build support for a second run at a subsidy for offshore wind. But as the landscape has shifted, he has grown more cautious. In a recent roundtable with reporters, O'Malley said only that he would do "something" about offshore wind when lawmakers return.

Behind the scenes, however, the governor's staff is finalizing a plan O'Malley aides say they hope will look far different, and be more acceptable, to state lawmakers.

Last year, O'Malley's legislation would have required utilities to purchase offshore wind power at a price far above the going rate for coal and gas so that offshore wind developers could guarantee a profit and Wall Street financing. The higher cost would have been passed on to ratepayers in the form of a line-item charge on monthly bills.

Under the new plan, modeled after one passed in New Jersey that has not been tested, Maryland would set up a kind of commodities market for offshore wind energy. The electricity created from the wind farm would be bought and sold in the form of renewable energy credits. The state's power generators need the credits to meet Maryland guidelines that require them to obtain a growing share of their power from renewable sources.

The new plan would increase ratepayers' bills, perhaps by an amount nearly equal to what last year's plan would have, but in a way that would obfuscate such costs, experts said.

The credits would not appear as a line-item charge but would be factored into the overall price of electricity sold in the state, raising base electric rates charged to Maryland customers.

If structured like the law in New Jersey, the plan could also make it easier for lawmakers to support by leaving key decisions about whether to move forward up to Maryland's Public Service Commission, which is controlled by O'Malley appointees.

The commission would decide whether the higher rates needed to subsidize offshore wind would be worth the jobs and other economic benefits derived from building the farm, probably 11 miles off the coast of Ocean City.

For O'Malley, following the New Jersey mold may prove to be a tough political pill. O'Malley has [repeatedly criticized](#) New Jersey Gov. Chris Christie (R) for his environmental record and called him an ineffective leader with failed policies.

Jim Lanard, a vocal industry proponent, however, said that after coming up short with Maryland Democrats, he was pleased O'Malley seemed poised to pursue the New Jersey model, which at least in that state has proved more appealing to some fiscal conservatives and the state's Republican governor.

"Governor Christie's perspective is this is about jobs and economic development; we would be happy to see Governor O'Malley follow suit," Lanard said.

State Senate Finance Chairman Thomas M. Middleton (D-Charles) said he could support a New Jersey-style offshore wind plan with some key changes.

He said that an independent body, not the PSC, should be charged with assessing the potential economic benefit of an offshore wind farm and that large manufacturing and other commercial customers should be exempt from rate increases.

"We're trying to create jobs, not interfere with them and add costs," Middleton said.

But it's unclear if even the New Jersey model will work without the federal loan guarantees and tax credits. The state is many months away from receiving its first proposals to weigh costs vs. economic rewards.

And last month, one of the nation's seemingly most ambitious wind developers, NRG Energy, said it was putting all of its offshore wind projects on hold — and walking away from a generous public subsidy to build a wind farm off the coast of Delaware — largely because the lack of federal loan guarantees and tax credits made the project "unfinanceable and financially untenable."

"It's just not an economically viable technology without billions and billions in subsidies," said Audra Parker, head of the Alliance to Protect Nantucket Sound, one of the groups leading what has been a decade-long effort to kill an offshore wind farm planned off the coast of Massachusetts.

"I think the appetite for these massive expenditures of federal dollars has dampened after Solyndra. People are seeing [offshore wind] as another money pit," Parker said.

In Maryland, a coalition of environmentalists, steelworkers and other proponents continues to promote a far different theory: The price of offshore wind will only become more competitive if the

government can help spur development. And in the long run, that will make the upfront cost for offshore wind a better energy bet than the roller-coaster prices of fossil fuels.

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