HB 1532

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1532 (The Speaker, *et al.*)

Environment and Transportation Education, Energy, and the Environment

Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act

This emergency bill takes several actions related to State- and ratepayer-funded energy programs, utility rates and cost recovery, competitive electricity supply, and local solar permitting. The bill also (1) establishes consumer transparency requirements for utilities; (2) establishes expectations and registry requirements for data centers; and (3) makes administrative changes. **Specified provisions take effect July 1, 2026.**

Fiscal Summary

State Effect: State finances are significantly affected, as shown and discussed below. Among other effects, the bill is assumed to effectuate $200.0 million in contingent special fund appropriations from the Strategic Energy Investment Fund (SEIF) in the FY 2027 budget as introduced. **This bill establishes a mandated appropriation beginning in FY 2028.**

($ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	$0.04	$1.23	$0.85	$0.81	$0.82
GF Expenditure	$0	$0	$0	$10.00	$10.00
SF Expenditure	$0.04	$201.44	$198.21	$0.81	$0.82
GF/SF Exp.	$0.03	$0.74	$0.56	$0.58	$0.59
GF/SF/FF Exp.	(-)	(-)	(-)	(-)	(-)
Higher Ed Exp.	(-)	(-)	(-)	(-)	(-)
Net Effect	($0.03)	($200.95)	($197.93)	($10.58)	($10.59)

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

Local Effect: Local governments are affected, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: The various provisions of the bill are summarized in the **Appendix – Individual Provisions**.

State Fiscal Effect: The impact on State finances and operations is discussed in the aggregate below and by provision in the Appendix – Individual Provisions.

State finances are minimally affected in fiscal 2026 (due to the emergency status of several provisions that have administrative costs, which are discussed in more detail below). Special fund expenditures increase by a total of $201.4 million in fiscal 2027, which, in addition to administrative costs (discussed below), includes (1) $100.0 million for the Public Service Commission (PSC) to provide grant awards to electric companies to be refunded or credited to residential electric customers to offset any surcharges imposed as a result of the operating costs of the EmPOWER Maryland Program and (2) $100.0 million for the Maryland Energy Administration (MEA) to conduct a competitive, low-bid auction to award contracts for funding renewable energy projects in the State. The fiscal 2027 budget as introduced includes $100.0 million in special funds for PSC and $100.0 million in special funds for MEA contingent upon the enactment of legislation that expands the allowable uses of SEIF; this analysis assumes that this bill satisfies the contingent language and effectuates those appropriations.

In fiscal 2028, special fund expenditures increase by a total of $198.2 million, which, in addition to administrative costs (discussed below), includes $100.0 million for ongoing auction costs in MEA and $97.2 million in increased SEIF spending due to a mandated appropriation of specified unencumbered and unappropriated SEIF funds from the Regional Greenhouse Gas Initiative.

The bill also increases administrative costs for additional staff and consultants for the following State agencies: PSC, the Office of People's Counsel (OPC), the Department of Natural Resources (DNR), and MEA. In the aggregate, administrative costs for those agencies increase by $74,243 in fiscal 2026 and by at least $2.2 million in fiscal 2027, $1.6 million in fiscal 2028, and by $1.4 million annually thereafter. While most of these administrative costs are covered with special funds, general funds may also be used to support DNR's administrative costs. Further, the cumulative effect of multiple provisions may result in additional administrative costs that are not currently quantified for PSC and OPC. However, as both PSC and OPC are funded by assessments imposed on public service companies, special fund revenues for those two agencies increase correspondingly to their increases in administrative costs each year from assessments imposed on public service companies.

Finally, general fund expenditures increase by at least $10.0 million annually from fiscal 2029 through 2031 to support an existing mandated appropriation for the Urban Trees Program. The program, administered by the Chesapeake Bay Trust (a nonbudgeted entity) and budgeted under the Board of Public Works, is currently funded from the SEIF renewable and clean energy programs account; however, because the bill reestablishes the uses of the account, it is assumed that funding for that program can no longer be supported by SEIF beginning in fiscal 2029.

The bill's effect on electricity and gas prices is discussed in the Additional Comments below.

Local Fiscal Effect: Several provisions in the bill affect or potentially affect local government finances. The impact on local governments is included in the discussion of each provision in the Appendix – Individual Provisions. The bill's effect on local expenditures for electricity and gas is discussed in the Additional Comments below.

Small Business Effect: Various provisions in the bill affect or potentially affect small businesses in the State. The impact on small businesses is included in the discussion of each provision in the Appendix – Individual Provisions. The bill's effect on small business expenditures for electricity and gas is discussed in the Additional Comments below.

Additional Comments: Electric and gas utility rates decrease – or future rate increases may be minimized – as a result of various provisions in the bill. While a reliable estimate of the decrease in rates cannot be made at this time, the bill's cumulative impact on utility prices is expected to be significant. Specific provisions in the bill that are anticipated to have a meaningful effect on rates in the near term are discussed in further detail below.

Targeted Rate Relief for Residential Electric Customers

The residential rate credit or refund required by the bill in calendar 2027 ($100.0 million), and included in the fiscal 2027 budget as introduced (contingent upon the enactment of legislation that expands the allowable uses of SEIF), provides residential electric customers an approximate savings of $41 per account during calendar 2027, distributed evenly on a monthly basis. This estimate is based on the assumption that an estimated 2,461,084 residential customers receive the refund/credit.

Modifications to the EmPOWER Maryland Program

OPC estimates that the EmPOWER surcharge accounted for approximately 5.1% to 7.1% of an average electric customer's total bill in 2025. Although a comparable estimate for gas customers is not available, the amount could be similar. As a result of the bill's modifications to the EmPOWER Maryland Program, which are expected to significantly reduce the surcharge, electric and gas customers are likely to see measurable decreases in their bills.

While the bill repeals the requirement that specified gas companies participate in the program – thereby dramatically reducing the EmPOWER surcharge for residential gas customers – it does not eliminate the surcharge for those customers altogether. PSC's 2025 report on the EmPOWER Maryland Program shows that electric and gas utilities had approximately $772.3 million in unamortized EmPOWER program costs at the end of 2024. Under the bill, gas customers continue to pay a reduced EmPOWER surcharge to allow utilities to recover program and service costs reasonably incurred through December 31, 2026, including any remaining unpaid and unamortized costs.

With respect to electric customers, the bill decreases greenhouse gas emissions reduction targets for electric company plans from 2027 through 2035, including a decrease from 2.5% to 1.75% for 2027 through 2029. This reduction decreases the amount of funding that electric companies need to implement the EmPOWER Maryland Program and, in turn, is expected to significantly reduce the EmPOWER surcharge for those customers relative to what it otherwise would have been.

The Department of Legislative Services (DLS) advises that it cannot reliably estimate the potential decrease in the EmPOWER surcharge at this time. However, DLS notes that, in compliance year 2024, the State's four investor-owned utilities and the Southern Maryland Electric Cooperative collectively spent approximately $331.0 million on EmPOWER energy efficiency and conservation programs.

Large Load Tariff Sizing

The bill lowers the threshold at which customers qualify for a large load rate schedule, thereby requiring more data centers to take service under this classification. By placing high-demand customers under a rate structure designed for large loads, the bill reduces the risk that their power needs drive up electricity rates for retail customers. OPC advises that this change better protects residential ratepayers from the financial risks associated with interconnecting large load customers. PSC similarly advises that the lower threshold for required participation in a large load rate schedule likely reduces the amount of costs being subsidized by other ratepayers for large load customers to interconnect to the grid.

Mandatory Participation in a Regional Transmission Organization

According to OPC, requiring the State's electric companies to participate in a regional transmission organization (RTO) is expected to save Maryland's electric customers – in the aggregate – at least $20.0 million annually, based on Federal Energy Regulatory Commission (FERC) decisions in similar circumstances in other states. These savings are driven by the likely elimination of the "RTO adder," a transmission rate incentive that FERC offers to encourage RTO participation and for which Maryland's four investor-owned utilities currently qualify as members of PJM Interconnection, LLC.

Under FERC precedent, public service companies whose membership in an RTO is mandated by state law are ineligible for the adder.

While DLS advises that savings could accrue to ratepayers as early as calendar 2027, the timing ultimately depends on FERC action and the potential for litigation related to the removal of the adder.

Restrictions on Utility Rate-setting and Cost Recovery

The bill establishes restrictions on the approval and administration of multi-year rate plans, prohibits the use of forecast test years as alternative forms of regulation in base rate proceedings, and establishes specified limitations on cost recovery. Taken together, these restrictions are expected to place downward pressure on electricity and gas rates; however, the magnitude of this effect cannot be reliably estimated at this time.

Nevertheless, for example, under current law, there are no restrictions on how much an investor-owned utility can recover for a supervisor's total compensation. OPC anticipates that the bill's provision limiting ratepayer-based cost recovery of utility supervisor compensation results in lower utility rates, but it does not currently have the data necessary to determine the effect of this provision on those rates.

In addition, OPC anticipates that the bill's restrictions on multi-year rate plans and the prohibition on using forecast test years will decrease electricity and gas rates. DLS notes, however, that if utilities respond to these provisions by filing more frequent rate cases, resulting cost increases passed through to customers may partially offset any ratepayer savings.

Successor Program for Net Energy Metering

The bill's requirement for PSC to develop and implement a successor program to the State's existing net energy metering program, and the increase in the net energy metering capacity limit under the bill, may meaningfully affect electricity rates. In a November 2025 report, PSC indicated that any expansion of the existing net energy metering program carries direct financial consequences for ratepayers, who fund the cost of credits paid to net-metered and community solar customers. It is unclear what the net effect on ratepayers is of (1) the required development and implementation of a successor net energy metering program that must minimize ratepayer costs in the short- and long-term and (2) the increase in the net energy metering capacity limit from 3,000 megawatts to 6,000 megawatts.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Maryland Energy Administration; Department of Housing and Community Development; Department of Natural Resources; Maryland Department of the Environment; Department of General Services; Office of the Attorney General; Department of Budget and Management; Department of Human Services; Board of Public Works; Maryland Association of Counties; Maryland Municipal League; Anne Arundel, Baltimore, Charles, Dorchester, and Garrett counties; City of Laurel; Town of La Plata; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2026
kc/lgc Third Reader - March 25, 2026
Revised - Amendment(s) - March 25, 2026
Revised - Updated Information - March 25, 2026

Analysis by: Ralph W. Kettell and Scott. D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Individual Provisions

Energy Assistance Consolidation in the Office of Home Energy Programs

Provisions in the Bill: Transfer administration of the Electric Universal Service Program (EUSP) from the Public Service Commission (PSC) under Title 7 of the Public Utilities Article to the Office of Home Energy Programs (OHEP) in the Department of Human Services (DHS) under Title 5 of the Human Services Article. Authorize EUSP to waive income eligibility requirements to provide assistance to an electric customer who would qualify for a similar waiver under another electric assistance program. Specify that the Strategic Energy Investment Fund (SEIF) must be used to provide supplemental funds for low-income energy assistance through electric *and fuel* assistance programs in DHS. Specify that employees transferred to DHS must be transferred without diminution of their rights, benefits, employment, or retirement status. Make clarifying and conforming changes to effectuate the transfer of EUSP.

Effective Date: July 1, 2026

State Effect: State finances are not materially affected. The provisions generally codify existing practice for OHEP to administer EUSP and alter the purposes for which existing SEIF funds may be used. While the provisions specify that all employees transferred to DHS retain their rights, benefits, employment, and retirement status, because DHS already administers EUSP, DHS advises that no employees will be transferred from PSC.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: OHEP, located within DHS, administers a variety of energy assistance programs and services for residential customers using local administering agencies, including local departments of social services, in each county and Baltimore City. These programs include, among others, EUSP and the Maryland Energy Assistance Program (MEAP), which is Maryland's version of the federal Low Income Home Energy Assistance Program (LIHEAP).

EUSP helps the State's vulnerable and traditionally underserved population pay their electric bills, minimize crises, and reduce their electric costs. Benefits include bill payment assistance, arrearage retirement assistance, and low-income residential weatherization assistance. Title 7 of the Public Utilities Article specifies that (1) PSC must establish an EUSP to assist electric customers with specified annual incomes; (2) OHEP is responsible for administering the bill assistance and the arrearage retirement components of EUSP; and (3) the Department of Housing and Community Development is responsible for administering the low-income residential weatherization component of EUSP.

Electric Universal Service Program Benefits and Eligibility

DHS may (1) establish minimum and maximum benefits available to an electric customer under the bill assistance and the arrearage retirement components and (2) coordinate benefits under EUSP with benefits under MEAP and other available energy assistance programs. In a specific case, EUSP may waive the income eligibility requirements to provide assistance to an electric customer who would qualify for MEAP.

Chapter 207 of 2023 requires OHEP to enroll in any fuel and utility assistance program any household with an individual who is categorically eligible for the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Supplemental Security Income, or means-tested Veterans Affairs benefits. Categorical eligibility refers to the practice of qualifying an applicant for a benefit program based on their prior or concurrent determination of eligibility for another benefit program.

Chapter 207 also increased the annual income eligibility level for EUSP to 200% of the federal poverty level (FPL). For its fiscal 2024 LIHEAP State plan, DHS submitted and received approval from the U.S. Department of Health and Human Services to increase the income eligibility for MEAP benefits from 175% to 200% FPL. This change set income eligibility for MEAP equal to EUSP income eligibility. Therefore, both programs require a household income of at or below 200% FPL.

Strategic Energy Investment Fund

SEIF is a special fund administered by MEA. Among other things, the fund may be used to provide supplemental funds for low-income energy assistance through EUSP and other electric assistance programs in DHS.

SEIF's primary sources of revenue are the alternative compliance payment revenues generated under Maryland's Renewable Energy Portfolio Standard and proceeds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI). At least 50% of the proceeds received by SEIF from the sale of carbon dioxide emissions allowances under RGGI must be credited to an energy assistance account to be used for EUSP and other electricity assistance programs in DHS.

Maryland Energy Assistance Program

MEAP helps the State's vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Benefits include utility and fossil fuel payments, the Utility Service Protection Program, referrals to weatherization services, emergency heating system repairs/replacement, waivers on utility fees, discounts on fuel purchases, and a gas arrearage component.

MEAP is 100% federally funded by LIHEAP. In general, MEAP benefits are paid directly to the building operator, property management company, or landlord if they agree to reduce the tenant's utility charge or rent by the amount of the benefit received on the resident's behalf. However, it is possible for a resident to receive the benefit directly if the heating bill is in the resident's name.

Additional Comments: In February 2025, the Office of Program Evaluation and Government Accountability (OPEGA) conducted a performance evaluation of OHEP. OPEGA recommended, among other things, that the General Assembly consider merging energy assistance programs into one energy assistance program jointly funded by federal LIHEAP and State special funds, to allow for more flexible allocation of such funds.

OPEGA advised that the segregation between heating-specific programs (MEAP and the Gas Arrearage Retirement Assistance Program) and electric-specific programs (EUSP and the Electric Arrearage Retirement Assistance Program) creates an artificial barrier that may prevent households from accessing support, solely because of their heating source, particularly when federal LIHEAP funding is exhausted. LIHEAP funding generally is not limited to heating utilities, but DHS historically only applies for heating assistance funding.

In response to this recommendation, DHS advised that merging energy assistance programs into a single program would require multiple statutory and regulatory revisions, including revisions to Title 5 of the Human Services Article and Title 7 of the Public Utilities Article. DHS further advised that such changes could enhance program efficiency, simplify administration, and create a more consistent service delivery model. Consolidation of energy assistance programs would optimize funding flexibility, ensuring all Maryland residents have equitable access to energy assistance, regardless of their heat source.

Location of Provisions in the Bill: Section 2 (p. 6), Section 3 (pp. 6-14, 60, 61, 68, and 69), and Section 10 (p. 94)

Residential Solar Permitting, Inspections, and Interconnection

Provisions in the Bill: Make changes in several areas relating to counties' and municipalities' permitting of residential solar energy and energy storage systems, as follows:

- *Software Implementation* – Extends the deadline for counties and municipalities to implement solar permitting software from August 1, 2025, to August 1, 2027, and clarifies that the software must support application submission (in addition to tracking and approval of permits).

- *"Solar Permitting Software" Definition* – Revises the definition of "solar permitting software" to mean software or a combination of software that (1) automates plan review for residential solar energy systems to the most recent version of, as applicable, the Maryland Building Performance Standards, the National Electrical Code (including legally adopted local amendments), and the State Fire Prevention Code; (2) produces code-compliant approvals; (3) issues a code-compliant permit; (4) accepts online payments for any permitting fees imposed; and (5) issues permits or permit revisions immediately on receipt of online submission of permitting fee payments, if applicable.

- *Timeliness of Inspections* – Establishes that counties and municipalities (1) must complete a remote or in-person inspection for a project permitted through solar permitting software within five business days of a request; (2) must publicly report the average inspection time for those projects; (3) beginning July 1, 2028, if the average in-person inspection time exceeds five business days based on the immediately preceding 12 months, must offer a remote inspection option that provides inspection within five business days of a request; and (4) may require, for remote inspections, third-party certification of State and local code compliance.

- *Jurisdictions' Discretion to Perform an In-person Inspection* – Establishes circumstances in which a county or municipality may perform, at its discretion, an in-person inspection for an application submitted through solar permitting software (1) if remote inspection is unable to be completed; (2) on request or concern of an inspector; (3) if sufficient data is not available to evaluate the application; or (4) if a documented health or safety issue exists.

- *Review Limited to Health and Safety Requirements* – Establishes that the review of solar energy installation permit applications submitted using solar permitting software is limited to a determination whether the application meets all health and safety requirements under State and local law.

- *Manual Review of Software-approved Permits* – Allows for manual review of software-approved permits (provided the manual review is completed within five business days of software approval) under certain, limited circumstances (*e.g.*, to review submissions flagged by the software, to review applications of persons that have repeatedly failed to obtain required permits or repeatedly failed inspections, and to address documented public safety concerns).

- *Permitting Fee Limit* – Beginning August 1, 2027, prohibits a county or municipality from setting a permitting fee of more than $500 (exclusive of any third-party payment processing charge) for a permit issued by solar permitting software for a rooftop residential solar energy system with a generating capacity under 30 kilowatts.

- *Enforcement* – Authorizes the Attorney General to seek judicial enforcement against counties or municipalities that fail to comply with these provisions, including solar permitting software implementation.

- *Timeliness of Interconnection* – Requires an electric company (other than a municipal electric utility or third-party contractor for an electric company) to perform any meter disconnection and reconnection necessary for interconnection of a residential solar energy or energy storage system, or both, within five business days of a request.

Effective Date: July 1, 2026

State Effect: The provisions are not expected to have a direct, material impact on State finances.

Local Effect: Local government revenues and/or expenditures may be affected, beginning as early as fiscal 2027 (with respect to expenditures). **The provisions may impose a mandate on a unit of local government.**

Fee Revenues

Available information indicates that most counties and municipalities in the State have solar permitting fees below the $500 cap. However, to the extent a county or municipality, in the absence of the bill, imposes a solar permitting fee higher than $500 after August 1, 2027, the county's or municipality's fee revenues decrease beginning in fiscal 2028.

Administrative Costs

Inspections within Five Days and Remote Inspections: County and municipal expenditures may increase, beginning as early as fiscal 2027, due to software-related and/or personnel costs to complete inspections for projects permitted by solar permitting software within five business days, and to allow for remote inspections. While the provisions appear intended to streamline the solar permitting process, through the use of solar permitting software and remote inspections, and by limiting the timeframe for inspections (whether remote or in person) to five business days, county and municipal expenditures may increase, at least initially, due to (1) software-related costs to conduct remote inspections in a manner that ensures that sufficiently comprehensive and documented inspections are conducted, through live or recorded video and/or photos, and (2) additional personnel costs to conduct remote or in-person inspections within five business days of a request, irrespective of the volume of requests at a given time.

Information is not readily available at this time to determine (1) the extent of any, at least initial, increases in local government software-related or personnel expenditures or (2) the net fiscal impact for local governments over time of any, at least initial, software-related or personnel expenditure increases and any offsetting administrative efficiency gained from a more streamlined solar permitting process over time. The Maryland Municipal League indicates that municipal permitting offices often operate with limited staff while managing a range of inspections and other responsibilities, and some jurisdictions may need to reallocate staff or hire additional personnel to comply with these provisions.

The Department of Legislative Services notes that the bill retains a provision of current law (mentioned below) that requires the Maryland Energy Administration (MEA) to delay the initial implementation of, or suspend, the solar permitting software requirement (and, under the bill, the requirements applicable to counties and municipalities that are added under these provisions) if there are insufficient State or federal funds available to MEA to provide financial support to a county or municipality implementing specified solar permitting software. However, it is unclear to what extent, in practice, MEA delays or suspends the software requirement and/or the added requirements, if at all. As discussed below, MEA currently offers financial assistance that is specific to implementation of National Renewable Energy Laboratory (NREL)-developed solar permitting software.

Solar Permitting Software Implementation: The modifications to the solar permitting software implementation requirement (extending the deadline for compliance and modifying the definition of "solar permitting software") do not appear to have a material fiscal impact on counties and municipalities (independent of any software-related costs mentioned above, if remote inspection capability is implemented as a part of the solar permitting software). Implementation of the software is an existing requirement and it is not clear that the change to the definition of the software, while defining the term in more

detail, has a substantive effect on costs incurred by a jurisdiction to implement solar permitting software.

As background and as mentioned above, MEA offers financial assistance to counties and municipalities to support implementation of the NREL-developed SolarAPP+ permitting platform (referenced in the existing definition of "solar permitting software" – see Current Law below) through the Maryland SolarAPP+ Implementation Grant Program. The software itself is free to use, but MEA indicates that implementation costs may include contractual support, staff training costs, software integration costs, and others.

Small Business Effect: Potential meaningful. Small businesses engaged in residential solar installations may meaningfully benefit to the extent the provisions result in a more streamlined and consistent solar energy and energy storage permitting process across local jurisdictions.

Current Law: "Residential solar energy system" means any configuration of solar energy devices that collects and distributes solar energy for the purpose of generating electricity and that has a single residential interconnection with the electrical grid.

The Brighter Tomorrow Act of 2024 (Chapter 595) required each county and municipality, by August 1, 2025, to implement solar permitting software for features supporting the tracking and approval of residential building permits for solar energy systems, energy storage systems, main electrical panel upgrades, and main electrical panel derates.

"Solar permitting software" means (1) the most recent version of a web-based platform, developed by NREL, that provides a standard portal for receiving and processing residential solar energy system and residential energy storage system permit information or (2) automated software that functions to support the tracking and approval of residential building permits for solar energy systems, energy storage systems, main electrical panel upgrades, and main electrical panel derates.

A county or municipality may not be required to comply with the requirement to implement solar permitting software if (1) it does not require a permit for residential solar energy systems or residential solar energy systems paired with a residential solar energy storage system or (2) as determined by MEA, the automated software is no longer updated or maintained.

MEA must delay the initial implementation or suspend the requirements for implementing solar permitting software if there are insufficient State or federal funds available to MEA to provide financial support to a county or municipality implementing the NREL-developed web-based solar permitting software.

Location of Provisions in the Bill: Section 3 (pp. 14-18)

Environmental Trust Fund

Provision in the Bill: Repeals a requirement that the Maryland Energy Administration (MEA) receive administrative and fiscal support of up to $250,000 annually from the Environmental Trust Fund (ETF) for studies relating to the conservation or production of electric energy.

Effective Date: July 1, 2026

State Effect: No effect on State finances. Under current practice, the Department of Natural Resources (DNR), which administers ETF, provides $250,000 annually to MEA for administrative and fiscal support for studies relating to the conservation or production of electric energy – consistent with the provision repealed by the bill. Although the bill repeals the requirement for MEA to receive support from ETF, DNR indicates that it expects to continue providing $250,000 annually to MEA for these purposes. Accordingly, this analysis assumes that there is no effect on special fund finances for either DNR or MEA.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: ETF was established by Chapter 31 of 1971 to fund electric power plant site evaluation and acquisition and research on environmental and land use considerations associated with power plants. The Secretary of Natural Resources administers the fund. ETF's revenue is generated from an environmental surcharge per kilowatt-hour (kWh) of electric energy distributed in the State, which is paid by electric companies. The amount of the surcharge for each account or each retail electric customer may not exceed the lesser of 0.15 mill per kWh or $1,000 per month, and the surcharge may not continue beyond fiscal 2030, unless legislation is enacted to reauthorize it. Each year, the Public Service Commission (PSC) sets the amount of the environmental surcharge based on the legislative appropriation for DNR.

Revenue generated from the surcharge is deposited in ETF and used primarily to support the Power Plant Research Program (PPRP) within DNR. PPRP, in cooperation with several specified State agencies, evaluates sites for their suitability for use as electric power plants, including related environmental and land use considerations; this information is then used by PSC in considering requests for new power plants and associated transmission lines. Among other specified uses of ETF, MEA must receive administrative and fiscal support from ETF – of up to $250,000 in any fiscal year – for studies relating to the conservation or production of electric energy.

Location of Provision in the Bill: Section 3 (pp. 18-20)

Public Service Commission Website and Dashboards

Provisions in the Bill: Establish the intent of the General Assembly that the Public Service Commission (PSC):

- incorporate keyword search functionality for, at a minimum, materials published on PSC's website beginning July 1, 2026, including keyword search functionality within the case and maillog search, each rulemaking, and other specified documents; and
- develop a landing page template for major proceedings, including rate cases, that visually tracks the major proceeding through each step of the process.

Additionally, require PSC, in consultation with the Maryland Energy Administration (MEA) and the Power Plant Research Program (PPRP) in the Department of Natural Resources, to develop dashboards to track progress toward major State energy programs and goals under PSC oversight, including net energy metering and the 3,000-megawatt statewide energy storage goal.

Effective Date: July 1, 2026

State Effect: Special fund expenditures for PSC increase by $222,949 in fiscal 2027, $78,228 in fiscal 2028, and by similar amounts thereafter, under the assumption discussed below. Special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. MEA and PPRP can consult with PSC using existing budgeted resources, as discussed below.

Public Service Commission

This analysis assumes that PSC adheres to the legislative intent provisions discussed above. As a result, PSC advises that it must (1) engage a consultant to upgrade the current search function on its website and establish a new tracker for major proceedings and (2) hire an administrative officer to oversee the information technology upgrades to its website, assist with establishing the proceeding tracker, and manually enter data into the tracker. Due to the large number of major proceedings pending before the commission at any given time, PSC anticipates needing the administrative officer on a permanent basis to maintain and update the tracker. PSC further advises that the development of the required dashboards can likely be completed using existing resources.

Accordingly, special fund expenditures for PSC increase by $222,949 in fiscal 2027, which accounts for the provisions' July 1, 2026 effective date. This estimate reflects the cost of hiring one administrative officer to handle the duties described above. It includes a salary,

fringe benefits, one-time start-up costs, ongoing operating expenses, and $135,000 in costs for a consultant to provide technical assistance.

Position	1.0
Salary and Fringe Benefits	$78,114
Consultant Costs	135,000
Other Operating Expenses	9,835
Total FY 2027 PSC Expenditures	**$222,949**

Future year expenditures reflect a salary with annual increases and employee turnover, as well as annual increases in ongoing operating expenses and the termination of one-time consultant costs. Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Maryland Energy Administration and Power Plant Research Program

MEA and PPRP can likely assist PSC with developing the required dashboards using existing budgeted resources. Although PSC must consult with MEA and PPRP in developing the dashboards, PSC does not anticipate requiring extensive input or assistance from MEA or PPRP.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: None applicable.

Location of Provisions in the Bill: Section 3 (pp. 20-21)

Annual Rate Reports and Required Notice to Ratepayers

Provisions in the Bill: Require the Public Service Commission (PSC), by January 1, 2028, and annually thereafter, in consultation with the Office of People's Counsel (OPC), to develop and publish an annual rate report for each investor-owned electric company, gas company, or combination gas and electric company operating in the State, as specified. Require each investor-owned electric, gas, or combination gas and electric company to (1) post the annual rate report on its website; (2) provide a link to the annual rate report to each retail customer in a bill insert or email each year; and (3) include a specified statement related to PSC and its regulatory processes in each retail customer's bill and automatic payment email.

Additionally, prohibit each investor-owned company from initiating a proceeding that may lead to a rate change unless it first (1) notifies customers of the proceeding, through a bill insert or separate email, as specified, and (2) includes in the bill insert or separate email, the relevant portion of the annual rate report published by PSC. Require OPC to bring a case to PSC if it determines that an annual rate report published by the commission contains incorrect or misleading information.

Specify that the above provisions do not apply to a municipal electric utility or an electric cooperative.

Effective Date: July 1, 2026

State Effect: PSC and OPC can implement the above requirements with existing budgeted resources. Revenues are not affected.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law:

Public Service Company Rates

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. A "just and reasonable rate" means a rate that:

- does not violate any provision of the Public Utilities Article;
- fully considers and is consistent with the public good; and

- except for rates of a common carrier, will result in an operating income to the public service company that yields, after reasonable deduction for depreciation and other necessary and proper expenses and reserves, a reasonable return on the fair value of the public service company's property used and useful in providing service to the public.

Generally, a public service company must file a tariff schedule of its rates and charges for its regulated services and for standard offer service with PSC. A public service company may not sell, render services, or furnish a commodity until it files and publishes its rate schedules with PSC. Additionally, a public service company may not demand or collect (1) compensation that differs from compensation specified in its rate schedules that are in force at the time of the demand or collection or (2) a charge that violates the statutory provisions that govern public utilities.

Rate Case Initiation and Notice Requirements

Unless otherwise ordered by PSC, a public service company may not establish a new rate or change in rate unless the public service company (1) provides to PSC notice of the new rate or change in rate at least 30 days before the new rate is established or current rate is changed and (2) publishes the new rate or change in rate, as specified, during the entire 30-day notice period in new schedules or plainly indicated amendments to existing schedules. The public service company must plainly set forth in the notice and publication (1) the changes that it proposes to the rate schedules currently in force and (2) the effective date of the changes.

PSC may suspend, effective immediately and without formal proceedings, any new rate or change in rate proposed by a public service company. PSC may (1) suspend the rate initially for up to 180 days after the proposed effective date and (2) extend the suspension for up to an additional 90 days if the filing is for an alternative form of ratemaking for a public service company.

Public Service Commission Proceedings

To the extent necessary to receive public comment for each application for a rate increase, PSC must hold a hearing at a convenient location and time during evening hours (1) in person in the affected service area or (2) virtually, with appropriate notice provided so that persons in the affected service area may participate in the hearing.

Customer Billing Requirements

COMAR 20.50.04.03 (for service supplied by electric companies) and COMAR 20.55.04.03 (for service provided by gas companies) list the mandatory items that must appear on a

customer bill. The regulations do not require a standardized statement describing PSC's regulatory authority or explaining how customers may participate in a PSC proceeding.

Additional Comments: As part of its consumer education efforts, OPC already publishes data on its website regarding utility rates.

Location of Provisions in the Bill: Section 3 (pp. 21-22)

Large Load Tariff Sizing and Expectations for Data Center Development

Provisions in the Bill: Modify the definition of "large load customer" by (1) reducing the minimum aggregate monthly demand threshold from 100 megawatts to 25 megawatts and (2) reducing the minimum load factor from 80% to 75%; thus, "large load customer" means a commercial or industrial customer for retail electric service that has or is projected to have (1) an aggregate monthly demand of at least 25 megawatts and (2) a load factor of more than 75%. Make a conforming change to the requirements governing when an investor-owned electric company, electric cooperative, or municipal electric utility (where applicable) must provide service to large load customers under an approved specific rate schedule. Exempt electrified thermal energy generation assets interconnected with a district energy system from the requirement to take service under a specific rate schedule for large load customers if, as determined by the Public Service Commission (PSC), the operational characteristics of the generation asset do not pose a material reliability risk.

Additionally, establish the intent of the General Assembly that a data center that qualifies as a large load customer and locates in the State on or after July 1, 2026:

- hire, to the maximum extent possible, in-state workers for construction and ongoing operations;
- provide significant interconnection capacity for the data center's load through (1) behind-the-meter energy storage; (2) purchasing capacity with newly interconnected energy storage facilities within the load zone or local delivery area; (3) purchasing capacity with new carbon-free assets within the load zone or local delivery area; and (4) demand response;
- proactively engage with local communities, local governments, and the State during planning, construction, and operation of the data center; and
- develop and make publicly available a written plan for achieving the local hiring, interconnection capacity, and stakeholder engagement described above.

Effective Date: July 1, 2026

State Effect: PSC and the Office of People's Counsel can implement the provisions using existing budgeted resources. The potential effect on electricity rates is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. No direct effect on revenues.

Local Effect: Local government expenditures for municipal electric utilities may increase, as discussed below. The potential effect on electricity rates is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. No direct effect on revenues.

Pursuant to current law, municipal electric utilities must submit a large load customer schedule to PSC for approval upon receipt of an application for service. By lowering the threshold at which electric customers (*e.g.*, data centers) qualify for a large load rate schedule, the provisions may require affected municipal electric utilities to submit additional rate schedules to PSC for approval. As a result, municipal electric utilities may incur additional administrative costs.

The five municipal electric utilities are located in Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County).

Small Business Effect: Potential meaningful. To the extent that small businesses own or operate data centers and qualify as large load customers under the provisions, their electricity costs may increase as a result of being required to use a specific rate schedule. The potential effect on electricity rates for other small businesses and ratepayers in general is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

Current Law:

Large Load Customers

The Next Generation Energy Act of 2025 established the intent of the General Assembly that residential retail electric customers in the State should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State. "Large load customer" means a commercial or industrial customer for retail electric service that has or is projected to have an aggregate monthly demand of at least 100 megawatts and a load factor of over 80%.

By September 1, 2026, each investor-owned electric company and each electric cooperative must submit to PSC for approval a specific rate schedule for large load customers that accomplishes the above-described intent of the General Assembly. Each municipal electric utility that receives an application for retail electric service from a large load customer must also submit a specific rate schedule for approval.

Service under a specific rate schedule must be available to large load customers that will use, within the initial contract term, either (1) a monthly maximum demand of more than 100 megawatts at a single location or (2) an aggregated contract capacity in the electric company's service territory of more than 100 megawatts.

In making a determination on whether to approve a specific rate schedule for large load customers, PSC must consider whether the rate schedule:

- requires a large load customer to cover the just and reasonable costs associated with any electric transmission or distribution system buildout required to (1) interconnect the customer to the electric system serving the State or (2) serve the customer;
- protects residential retail electric customers from the financial risks associated with large load customers through specified means; and
- sufficiently ensures that the allocation of costs to large load customers under the schedule does not result in other customers unreasonably subsidizing the costs of large load customers.

Report on Data Center Development

Chapter 3 of the 2025 special session requires the Maryland Department of the Environment, the Maryland Energy Administration, and the University of Maryland School of Business, respectively, to complete assessments of the likely environmental, energy, and economic impacts of data center development in Maryland, including (1) how data centers will affect future energy infrastructure needs and costs paid by ratepayers and (2) the likely impact of data centers on State and local revenues and expenditures and the jobs likely to be created through the construction and operation of data centers. The Department of Legislative Services must coordinate the preparation of the assessments and synthesize them into a final report submitted to the Governor and the General Assembly by September 1, 2026.

Location of Provisions in the Bill: Section 3 (pp. 23-26)

Mandatory Participation in a Regional Transmission Organization

Provision in the Bill: Requires any person that owns or operates a transmission line that is designed to carry a voltage in excess of 69,000 volts and is located in the State, except for an electric cooperative, to participate as a member in a regional transmission organization (RTO).

Effective Date: July 1, 2026

State/Local/Small Business Effect: The provision's effect on electricity prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. It is not otherwise anticipated to affect State or local finances or operations or small businesses.

Current Law: PJM Interconnection, LLC (PJM) is the RTO for all or parts of 13 states, including Maryland, plus the District of Columbia. According to PJM, its members include electricity distributors, transmission and generator owners, organizations that can sell electricity to end-users, marketing firms, and end-use customers. PJM members take part in PJM's stakeholder process, which provides a forum for those who have a stake in the wholesale electric industry to discuss and work through issues related to PJM markets, operations, public policies, and current and future industry matters.

All four Maryland investor-owned utilities are affiliate members of PJM and all five Maryland municipal electric utilities are voting members of PJM.

Section 219 of the Federal Power Act (16 U.S.C. § 824s), required the Federal Energy Regulatory Commission (FERC) to establish, by rule, incentive-based (including performance-based) rate treatments for the transmission of electric energy in interstate commerce by public utilities for the purpose of benefiting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion. Section 219 further required that the rule provide for incentives for each transmitting utility or electric utility that joins a transmission organization (including an RTO), with costs recoverable through transmission rates. FERC subsequently established these incentives, in 2006, through FERC Order Nos. 679 and 679-A. The incentive for joining an RTO and continuing membership is known as an "RTO adder" – a 0.5% upward adjustment of the utility's base rates. In recent years, FERC has viewed the incentive of the RTO adder as not available to entities who are required to join an RTO by state law, and two federal appellate courts have agreed in recent court cases.

Location of Provision in the Bill: Section 3 (p. 26)

Certificate of Public Convenience and Necessity – Applicability and Modifications

Provisions in the Bill: Among other things, (1) replace references to "overhead transmission lines" with "transmission lines" in §§ 7-207 and 7-208 of the Public Utilities Article, unless otherwise specified, thereby expanding the applicability of those provisions to *underground* transmission lines; (2) require an applicant for a Certificate of Public Convenience and Necessity (CPCN) to include in its application evidence that the applicant considered, as part of its internal planning process, specified transmission planning processes, as well as an analysis of the transmission line route selection; (3) repeal, for construction related to an existing transmission line, a provision that requires the Public Service Commission (PSC) to waive the CPCN requirement under specified circumstances; (4) require PSC to consider certain factors before granting a waiver for good cause from the CPCN requirement for construction related to an existing transmission line; and (5) establish specified reporting requirements for owners and operators of transmission lines.

Relevant Definitions

Modify the definition of "qualified generator lead line" to mean a transmission line *and any associated advanced transmission technology* designed to carry, *or support the carrying of*, a voltage in excess of 69,000 volts and would allow an out-of-state Tier 1 or Tier 2 renewable source to interconnect with a portion of the electric system in Maryland that is owned by an electric company.

Define "advanced transmission technologies" as grid-enhancing technologies, high performance conductors, or storage as a transmission asset.

Define "grid-enhancing technology" to mean hardware or software that increases the capacity, efficiency, or reliability of existing transmission systems. Specify that the term includes (1) a system that uses real-time or forecasted weather and operating conditions to determine the transfer capacity of transmission systems; (2) technology that modulates circuit impedance or other electrical properties to reroute power flows and relieve congestion; and (3) software that identifies switching configurations to reroute electricity and alleviate transmission constraints.

Define "high performance conductors" to mean conductors (including advanced steel core conductors, carbon fiber and composite core conductors, and superconductors) that, compared to traditional aluminum-conductor steel-reinforced conductors, (1) have a similar diameter and weight and (2) have a direct current electrical resistance that is at least 10% less, increase the potential energy carrying capacity by at least 75%, or have a coefficient of thermal expansion that is at least 30% less.

Define "storage as a transmission asset" as an energy storage facility that (1) is planned, operated, and recovers costs as a transmission facility that provides one or more transmission services, including congestion relief, voltage support, power-flow control, or stability under any PJM Interconnection, LLC (PJM) tariffs and applicable Federal Energy Regulatory Commission orders; (2) except as authorized for transmission assets, is not dispatched for wholesale energy storage; and (3) is eligible for cost recovery in transmission rates.

Expansion of Certificate of Public Convenience and Necessity Requirements to All Transmission Lines

Replace references to "overhead transmission lines" with "transmission lines" in §§ 7-207 and 7-208 of the Public Utilities Article, except as otherwise specified; accordingly, a person may not begin construction of an overhead *or underground* transmission line designed to carry in excess of 69,000 volts without first obtaining a CPCN from PSC. (Under current law, a person is only required to obtain a CPCN to construct an *overhead* transmission line). Establish that various specified requirements and authorizations related to the construction of *overhead* transmission lines, such as notifications to adjacent landowners and others and construction related to an existing overhead transmission line necessary to avoid an imminent safety hazard or reliability risk, instead apply to *all* transmission lines.

Certificate of Public Convenience and Necessity Applications for the Construction of a Transmission Line

Require an applicant for a CPCN for the construction of a transmission line to include in its application evidence that the applicant considered, as part of its internal planning process, any local, State, or federal government transmission planning processes and any transmission planning processes required by PJM, including:

- alternatives to the proposed transmission line;
- an analysis of advanced transmission technologies and whether their use will address the same need, in whole or in part, more efficiently or cost-effectively than the proposed transmission line;
- alternative routings;
- technologies or modifications to one or more electric distribution systems in the State that are owned by the applicant or its affiliates and that could avoid the need for the transmission line;
- the cost to ratepayers;
- resource adequacy, energy efficiency and demand response, and the impact of the project on the environment;

- a review of any relevant distribution system information made available that would demonstrate that the transmission line would cost-effectively serve the integrated electric transmission-distribution system; and
- any other information PSC considers appropriate.

Also require the applicant to include in its application an analysis of the transmission line route selection, including (1) risks associated with the cost estimates; (2) cost containment efforts; (3) construction schedule; (4) acquisition of land and rights-of-way; (5) outage coordination; and (6) the applicant's experience working with communities and stakeholders on route consideration.

Specify that the above requirements apply only to CPCN applications submitted on or after July 1, 2026.

Approval of a Certificate of Public Convenience and Necessity for the Construction of a Transmission Line

Specify that, in addition to existing requirements, PSC may take final action on a CPCN application for the construction of a new transmission line only after due consideration of evidence that alternatives have been considered by the applicant (in accordance with the requirements described above).

Reporting Requirements on Owners/Operators of Transmission Lines

Require each owner or operator of a transmission line, by December 1, 2026, and every four years thereafter, to submit a report to PSC that, among other things:

- identifies areas of significant transmission congestion costs for the immediately preceding three years and any reasonably foreseeable transmission constraints for the five years immediately following the date of the report;
- identifies the projected or actual cost to ratepayers as a result of past and projected future transmission congestion;
- identifies the feasibility and cost of using alternative means of addressing transmission congestion, including the use of advanced transmission technologies;
- identifies the economic, environmental, and social issues posed by the use of each such alternative means;
- describes the transmission line rating methodology used, including any reliance on static ratings or seasonal assumptions;
- distinguishes between regional and local transmission constraints;
- if feasible, proposes an advanced transmission technology implementation plan to address areas of transmission congestion identified pursuant to these provisions; and

- references the PJM planning inputs, or any other planning inputs, used to support the congestion forecasts and, if applicable, proposed advanced transmission technology implementation plan included in the report.

Authorize PSC to modify the reporting schedule specified above.

Authorize an owner or operator to use any available data from PJM or other sources in completing the required report. Require PSC to publish each report on its website within 45 days after receipt of the report.

Modifications to Certificate of Public Convenience and Necessity Waiver Requirements for Existing Transmission Lines

Require PSC, when determining whether to grant a good-cause waiver from the CPCN requirement for the construction related to an existing transmission line (which, under the provisions, now applies to both overhead and underground transmission lines), to consider the cost of the construction on ratepayers, the impact of the construction on the environment, and any other matter PSC considers appropriate. Repeal a provision, for construction related to an existing overhead transmission line, requiring PSC to waive the CPCN requirement if the commission finds that the construction does not require (1) the person to obtain new real property or additional rights-of-way through eminent domain or (2) larger or higher structures to accommodate increased voltage or larger conductors.

Effective Date: July 1, 2026

State Effect: Special fund expenditures for PSC increase by approximately $500,000 annually beginning in fiscal 2027; special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. General/special fund expenditures for the Department of Natural Resources (DNR) increase by $516,938 in fiscal 2027 and by similar amounts in future years. The Office of People's Counsel (OPC) can likely handle any increase in workload from these provisions, as discussed below.

Public Service Commission

While PSC advises that it can implement many of these provisions using existing budgeted resources, it anticipates that it cannot implement the requirements pertaining to new quadrennial transmission congestion reports or the consideration of alternatives to new transmission infrastructure without additional resources. PSC anticipates that these requirements impose a significant operational burden, as they involve detailed technical analyses not currently part of the standard review process. As a result, PSC advises that it must engage outside consultants to adequately implement these provisions. This estimate

assumes that PSC spends approximately $500,000 annually beginning in fiscal 2027 on consulting services to comply with these requirements.

In any given year, consultant costs could be higher or lower depending on the actual volume and complexity of CPCN applications submitted. Additionally, costs may be higher in years in which PSC is required to review transmission congestion reports submitted by transmission line owners and operators.

Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Department of Natural Resources

DNR advises that these provisions are likely to increase the number of transmission line projects that apply for a CPCN each year, resulting in an increase in workload for DNR's Power Plant Research Program (PRRP). DNR estimates that these provisions may result in two additional CPCN applications annually, although the actual number may vary. Due to the complexity and time-intensive nature of CPCN reviews for transmission lines, DNR advises that PPRP requires additional staff and consultants to manage the increased workload.

Accordingly, general/special fund expenditures for DNR increase by $516,938 in fiscal 2027, which reflects a 90-day start-up delay from the July 1, 2026 effective date of these provisions. This estimate reflects the cost of hiring two full-time site assessors for PPRP to complete evaluations of the additional CPCN applications anticipated to be submitted under the provisions, as well as one part-time (50%) attorney to provide necessary legal support. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, in addition to $250,000 in consulting expenses.

Positions	2.5
Salaries and Fringe Benefits	$240,557
Consultant Costs	250,000
Other Operating Expenses	26,381
Total FY 2027 DNR Expenditures	**$516,938**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses, including ongoing consultant costs of $250,000 annually.

In general, special funds from the Environmental Trust Fund (ETF) are used to fund a significant portion of PPRP's operations. PPRP also receives funding from the Strategic

Energy Investment Fund (SEIF) in the fiscal 2027 budget as introduced (see the *Governor's Fiscal 2027 Budget Books, Volume I*, p. 462). Other provisions of the bill specify that PPRP, beginning in fiscal 2028, must receive 5% of the funds allocated annually from the renewable and clean energy programs account within SEIF, unless the ETF surcharge imposed on retail electric customers exceeds a specified threshold. Notwithstanding this additional funding, PPRP's workload and associated costs have been increasing significantly. Thus, to the extent that available special funds are insufficient to cover costs under these provisions, general funds may be needed to support some or all of the expenditures.

Office of People's Counsel

OPC can likely handle any increase in workload that results from these specific provisions with existing resources. However, as discussed above in the Analysis section of this fiscal and policy note, depending on how much OPC's workload increases overall under the bill, OPC may need to hire additional contractual staff.

Local Effect: Some local governments may incur minimal costs associated with additional evaluations of proposed transmission line projects. However, the bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Minimal.

Current Law: Under § 7-207 of the Public Utilities Article, unless a CPCN for the construction is first obtained from PSC, a person may not begin construction of an overhead transmission line that is designed to carry a voltage in excess of 69,000 volts or exercise a right of condemnation with the construction.

PSC may waive the requirement to obtain a CPCN for construction related to an existing overhead transmission line if the commission finds that the construction does not (1) require the person to obtain new real property or additional rights-of-way through eminent domain or (2) require larger or higher structures to accommodate increased voltage or larger conductors.

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 the construction of a new overhead transmission line specifically, PSC must also provide due consideration of (1) the need to meet existing and future demand for electric service and (2) the alternative routes that the applicant considered, including the estimated

capital and operating costs of each alternative route and a statement of the reason why the alternative route was rejected. Additionally, PSC must require the applicant to (1) comply with specified agreements and obligations related to the ongoing operations and maintenance of the overhead transmission line and (2) identify whether the overhead transmission line is proposed to be constructed on an existing brownfields site, a property that is subject to an existing easement, or a site where a tower structure or components thereof exist and can be used to support an overhead transmission line.

Section 7-208 of the Public Utilities Article applies to any person (1) constructing a generating station and its associated overhead transmission lines; (2) exercising the right of condemnation in connection with the construction; or (3) constructing a qualified submerged renewable energy line, as defined. To obtain a CPCN for construction under these provisions, a person must file an application with PSC at least two years before the construction of the facility will commence (unless the two-year requirement is waived by PSC for good cause). Similar to the requirements set forth in § 7-207 of the Public Utilities Article, various notification and hearing requirements apply, and counties and municipalities have the authority to approve or deny any local permit required under a CPCN, as specified.

Pursuant to § 7-209 of the Public Utilities Article, as part of the CPCN process, PSC must examine alternatives to the construction of a new transmission line in a service area, including the use of an existing transmission line of another company, if the existing transmission line is convenient to the service area or the use of the transmission line will best promote economic and efficient service to the public.

For additional information on the CPCN process, see the **Appendix – Certificate of Public Convenience and Necessity**.

Location of Provisions in the Bill: Section 3 (pp. 26-44) and Section 5 (p. 88)

Maryland Energy Storage Program – Capacity Reporting

Provision in the Bill: Requires the Public Service Commission (PSC), by November 1 each year, to report to the General Assembly on the status of the Maryland Energy Storage Program, including:

- the capacity of operational energy storage devices in the State being counted toward the capacity goal established under the program, disaggregated by (1) electric company service territory; (2) energy storage device capacity; (3) front-of-meter transmission level storage; (4) front-of-meter distribution-level storage; (5) behind-the-meter storage; and (6) any other relevant category, as determined by PSC;
- whether the program's 3,000-megawatt goal should be altered based on current technology costs, energy storage deployment trends, electric system reliability, and ratepayer impacts;
- barriers to achieving the goals of the program; and
- any other information PSC considers pertinent.

Effective Date: July 1, 2026

State Effect: PSC and the Office of People's Counsel can likely handle the provision's requirements using existing resources. Revenues are not affected.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: Chapter 570 of 2023 required PSC to establish the Maryland Energy Storage Program and establish targets for the cost-effective deployment of new energy storage devices in the State with a goal of achieving at least a cumulative total of 750 megawatts by the end of the 2027 PJM Interconnection, LLC (PJM) delivery year, 1,500 megawatts by the end of the 2030 PJM delivery year, and 3,000 megawatts by the end of the 2033 PJM delivery year. If a target cannot be met cost effectively, the target must be reduced to the maximum cost-effective amount for the relevant delivery year.

The program must include competitive procurement mechanisms to reach a minimum of 3,000 megawatts of energy storage, or the maximum cost-effective amount of energy storage that can be deployed, by the end of the 2033 PJM delivery year.

The program may include:

- a system of energy storage credits and market-based incentives designed to develop a robust energy storage market in the State and deploy energy storage devices in a cost-effective manner;
- a requirement that investor-owned electric companies install or contract for energy storage devices or contract for energy storage credits from an energy storage project under the (predecessor) Maryland Energy Storage Pilot Program;
- a requirement that program participants make reasonable efforts to apply for all applicable State and federal grants, rebates, tax credits, loan guarantees, and other similar benefits as the benefits become available; or
- any other mechanism or policy that PSC determines is appropriate to achieve the goal of a robust cost-effective energy storage system in the State.

Location of Provision in the Bill: Section 3 (pp. 44-45)

Modifications to EmPOWER Maryland Program

Provisions in the Bill: Modify the EmPOWER Maryland Program under Title 7, Subtitle 2, Part II of the Public Utilities Article, as discussed below.

Removing Gas Companies from the EmPOWER Maryland Program

Repeal the requirement that specified gas companies participate in the EmPOWER Maryland Program and make related conforming changes. Establish that a gas company that recovered costs through a surcharge line item on customer bills (the EmPOWER surcharge) on or before January 1, 2026, must continue, through existing statutory ratemaking policies, to recover any program and service costs reasonably incurred through December 31, 2026, including unpaid and unamortized costs, as specified, until all such costs have been recovered.

Other Changes to the EmPOWER Maryland Program

Reduce the greenhouse gas (GHG) emissions reduction targets that the Public Service Commission (PSC) is required to establish for each electric company plan that will achieve at least the GHG emissions reduction equivalent of specified annual electricity savings percentages from 2027 through 2035. Set the targets as follows, instead of the current 2.5% requirement:

- 1.75% for the 2027-2029 cycle;
- 2.0% for the 2030-2032 cycle; and
- 2.25% for the 2033-2035 cycle.

Beginning in 2036, the targets return to 2.5% (the current requirement).

Specify that, for the 2027-2029 cycle only, emissions reductions from community solar energy generation and residential solar energy generation may count up to 20% toward each electric company's GHG emissions reduction targets. Prohibit using those GHG emissions reductions to meet an existing requirement that at least 80% of an electric company's GHG emissions reductions must come from behind-the-meter programs. Further specify that these provisions may not be construed to authorize an electric company to build, own, or operate electric generating facilities or energy storage facilities to meet the GHG emissions reduction targets.

Third-party Administrator for Programs and Services

Require PSC to issue a request for information on the use of a third-party, single-implementer program for the administration of programs and services under the

EmPOWER Maryland Program. Specify that PSC must require that responses to the request for information be received no later than July 1, 2027. Require the request for information to seek (1) determinations of what effect the use of a single third-party administrator would have on costs; (2) identification of technical and logistical barriers to transitioning to such an administrator; and (3) an analysis of the advantages and disadvantages of a private third-party administrator as opposed to a State administrator.

Authorize PSC to conduct research and produce a report independent of, and in order to supplement any information received through, the request for information.

Require PSC, as soon as practicable after receiving the requested information, to issue a request for proposals for a third-party administrator. Require the request for proposals to specify that responses to the request should minimize short- and long-term costs for utility ratepayers.

Require PSC, by June 1, 2028, to select, through the request for proposals process, a third-party administrator for the administration of the EmPOWER Maryland Program beginning with the three-year program cycle starting in 2030. Authorize PSC, however, to decline to select a third-party administrator if it determines that the use of a third-party administrator would not be cost-effective. Require PSC to notify the General Assembly of a decision to decline to select a third-party administrator within five days of making the decision.

Effective Date: Generally, July 1, 2026; however, the provisions related to a third-party administrator are emergency provisions (with an assumed effective date of April 15, 2026)

State Effect: The provisions are not anticipated to have any fiscal effect on the State agencies that have duties related to the EmPOWER Maryland Program, as discussed below. The effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

Public Service Commission

PSC can implement the required changes to the EmPOWER Maryland Program with existing budgeted resources. It is also anticipated that PSC can implement the provisions related to issuing a request for information, issuing a request for proposals, and selecting a third-party administrator with existing resources.

Office of People's Counsel

The Office of People's Counsel anticipates that it can handle any change in its workload resulting from these provisions with existing budgeted resources.

Department of Housing and Community Development

The provisions are not anticipated to affect the finances or operations of the Department of Housing and Community Development's (DHCD) related to the EmPOWER Maryland Program. While the provisions are anticipated to reduce revenues collected from the EmPOWER surcharge beginning in fiscal 2027, they are not anticipated to affect the special fund revenues allocated to DHCD under the program. Moreover, the provisions do not alter (1) the GHG emissions reduction targets that DHCD must meet under current law or (2) DHCD's statutory mandate to procure or provide specified programs and services to low-income individuals to achieve those targets.

Maryland Department of the Environment

The Maryland Department of the Environment (MDE) advises that by reducing the scope and goals of the EmPOWER Maryland Program, the provisions are likely to have an operational impact on the department related to its implementation of programs aimed at reducing GHG emissions. However, the provisions do not directly affect MDE finances.

Local Effect: The effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. The provisions are not otherwise anticipated to materially affect local government finances or operations.

Small Business Effect: Meaningful. Small businesses engaged in projects under – or that participate in programs offered through – the EmPOWER Maryland Program are affected by the anticipated reduction in program funding levels beginning in fiscal 2027, as discussed below. The effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

PSC data from its 2024 annual report on the EmPOWER Maryland Program shows that the State's four investor-owned utilities and Southern Maryland Electric Cooperative (SMECO) spent a total of $330.7 million on energy efficiency and conservation programs in compliance year 2024. By removing gas companies from the EmPOWER Maryland Program and by lowering the GHG emissions reduction targets that electric companies must meet from fiscal 2027 through 2035, it is anticipated that the provisions result in a significant decrease in EmPOWER surcharge revenues collected by the State's investor-owned utilities and SMECO beginning in fiscal 2027. As a result, it is anticipated that those utilities significantly decrease the programs and services offered under the EmPOWER Maryland Program. Accordingly, the provisions are anticipated to result in a decrease in the demand for the services of small businesses that provide energy efficiency services, including equipment installers, electricians, and energy auditors. Small businesses that might otherwise benefit from the programs and services offered under the EmPOWER Maryland Program – as utility customers – are likewise affected.

The effect on electricity prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

Current Law:

EmPOWER Maryland Program

Program History: In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company's 2016 sales. The Climate Solutions Now Act (CSNA) (Chapter 38 of 2022), which is discussed below, further increased the goal to 2.25% per year in 2025 and 2026 and to 2.5% annually thereafter.

Chapter 539 of 2024 altered the EmPOWER Maryland Program by, among other things, explicitly requiring each electric company, each large gas company, and DHCD to develop and implement energy efficiency, conservation, demand response, and beneficial electrification programs to achieve specified GHG emission reduction goals and targets, subject to review and PSC approval.

Program Requirements: Under the current program, PSC must encourage and promote the efficient use and conservation of energy in support of these goals and targets by requiring each electric company and gas company to establish any program or service that PSC determines to be appropriate and cost-effective. Additionally, PSC is required to adopt rate-making policies that, through a surcharge line item (the EmPOWER surcharge) on customer bills, provide:

- full cost recovery of reasonably incurred costs for the programs and services, including full recovery on a current basis by January 1, 2028;
- by December 31, 2032, the elimination of any unpaid costs and unamortized costs that (1) existed on December 31, 2024, or were incurred before January 1, 2028, and (2) were accrued for the purposes of achieving EmPOWER goals;
- compensation for any of these unpaid costs and unamortized costs at not more than each electric and gas company's average cost of outstanding debt; and
- reasonable financial performance incentives and penalties for investor-owned electric companies and gas companies, as appropriate.

Administration of Programs and Services: Programs and services under the EmPOWER Maryland Program are administered primarily by the State's electric and gas utilities, under

the oversight of PSC. However, certain programs and services that provide assistance to low- and moderate-income households are administered by DHCD.

As directed by PSC, each municipal electric or gas utility, each small gas company exempt from specified requirements, each small rural electric cooperative, and, if required in accordance with a determination process established by Chapter 539, each midsize electric cooperative, must include energy efficiency and conservation, demand response, and beneficial electrification programs or services as part of their service to their customers. (This requirement distinguishes the State's large utilities from the smaller utilities for purposes of EmPOWER.)

As part of the EmPOWER Maryland Program, beginning January 1, 2025, and by January 1 every three years thereafter starting in 2027, DHCD must procure or provide to low-income individuals energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services that are on a trajectory to achieve GHG reductions of at least 0.9% of a 2016 baseline after 2027, determined as specified. The requirement applies to the 2025-2033 time period. The reductions count toward the overall GHG emissions reduction targets under the EmPOWER Maryland Program.

DHCD participates in the EmPOWER Maryland Program through two special fund programs: (1) the Low Income Energy Efficiency Program (LIEEP); and (2) the Multifamily Energy Efficiency and Housing Affordability (MEEHA) Program. LIEEP helps low-income households undertake energy conservation projects in their homes at no charge, while MEEHA promotes energy efficiency and affordability in the State's multifamily rental housing developments for low- and moderate-income households. Approved program costs are recovered by electric companies on customer bills.

Climate Solutions Now Act

CSNA made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reduction targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

Location of Provisions in the Bill: Section 3 (pp. 46-56) and Section 8 (pp. 92-93)

Portable Solar Energy Generating Systems

Provisions in the Bill: Authorize a person to purchase and install, for residential use only, no more than one portable solar energy generating system per electric meter. Define "portable solar energy generating system" to mean a moveable photovoltaic solar energy generation device that is (1) designed to be connected to a building's electrical system through a standard electrical outlet; (2) primarily intended to offset part of the building's electricity consumption; (3) limited to supplying a maximum power output of 391 watts back to the electric system of the building; and (4) certified by Underwriters Laboratory or an equivalent nationally recognized testing laboratory.

Prohibit an electric company from requiring a customer using a portable solar energy generating system to (1) obtain its approval before installing or using the system; (2) pay any fee or charge related to the system's ability to feed electricity back into the electric system; or (3) generally, install any additional controls or equipment beyond what is integrated into the system. Establish that an electric company is not liable for any damage caused by a portable solar energy generating system.

Require a customer using a portable solar energy generating system to (1) notify their electric company once the system is installed; (2) provide their electric company with certification of the system's safety features and its maximum generating capacity; and (3) if the system requires an automatic locking disconnect switch to be installed, pay for the switch installation.

Establish that portable solar energy generating systems do not count toward meeting the State's Renewable Energy Portfolio Standard and may not generate renewable energy credits of any type. Further specify that they are not subject to the requirements of §§ 7-306 (net energy metering) and 7-306.1 (interconnection agreements) of the Public Utilities Article.

Effective Date: July 1, 2026

State Effect: The provisions are not anticipated to affect State finances or operations.

Local Effect: The provisions are not anticipated to affect local government finances or operations.

Small Business Effect: Potential meaningful. While the use of portable solar energy generating systems (often referred to as "balcony solar") is not prohibited in Maryland and many other states, utilities frequently require customers to enter into interconnection agreements before installing such systems. Because these agreements may involve fees and can take significant time to obtain, the provisions likely increase the purchase and

installation of these systems in the State. Accordingly, small businesses that choose to engage in the sale, distribution, installation, or servicing of portable solar energy generating systems likely benefit from the provisions.

Current Law: Current law does not specifically address portable solar energy generating systems. However, State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. For an overview of notable incentives, see the **Appendix – Incentives for Solar Energy Generating Systems**.

Location of Provisions in the Bill: Section 3 (pp. 56-57)

Large Load Customer Registry and Map

Provisions in the Bill: Require a large load customer, in addition to complying with any requirements under § 4-212 of the Public Utilities Article (Specific Rate Schedule for Large Load Customers), to register with the Public Service Commission (PSC) after an interconnection agreement is signed and before interconnecting with the electric system. Authorize PSC to charge a reasonable registration fee to large load customers.

Specify that "large load customer" means a commercial or industrial customer for retail electric service that has or is projected to have (1) an aggregate monthly demand of at least 25 megawatts and (2) a load factor of more than 75%.

Require PSC, by January 1, 2027, to establish, by order or regulation, a registration process for large load customers that applies to new or expanded interconnections. Specify that the registration process must:

- require a large load customer to disclose specified information to PSC, including information related to its intended source of energy and its estimated water use;
- establish a procedure to allow PSC to access, while maintaining confidentiality, any information collected by the interconnecting electric company for transmission planning analyses; and
- establish any other standards that PSC considers necessary.

Require PSC to (1) certify whether a registration is complete within 30 days after receiving the required information from a large load customer, except as specified, and (2) post and regularly update on its website a map showing the approximate proposed location of registered large load customers and other pertinent information that PSC determines is in the public interest.

Require PSC, by January 1, 2028, and each year thereafter, to report to the Senate Committee on Education, Energy, and the Environment and the House Environment and Transportation Committee on the registration program.

Effective Date: July 1, 2026

State Effect: PSC anticipates that it can implement these provisions using existing budgeted resources. The Department of Legislative Services (DLS) advises that, to the extent the increase in workload resulting from these provisions cannot be absorbed using existing resources, special fund expenditures for PSC increase to hire staff and/or consultants, and special fund revenues increase correspondingly (from registration fees that PSC is authorized to impose and/or assessments imposed on public service companies). The Office of People's Counsel (OPC) can likely handle any increase in workload that

results from these specific provisions with existing resources. However, as discussed above in the Analysis section of this fiscal and policy note, depending on how much OPC's workload increases overall under the bill, OPC may need to hire additional contractual staff.

Local Effect: The provisions do not directly affect local government finances or operations.

Small Business Effect: Minimal.

Current Law:

Large Load Customers

The Next Generation Energy Act of 2025 defines "large load customer" to mean a commercial or industrial customer for retail electric service that has or is projected to have an aggregate monthly demand of at least 100 megawatts and a load factor of over 80%.

The Act specifies that it is the intent of the General Assembly that residential retail electric customers in Maryland should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State. The Act requires electric utilities to establish a specific rate schedule for a large load customer, approved by PSC, that:

- requires a large load customer to cover the just and reasonable costs associated with any electric transmission or distribution system buildout required to (1) interconnect the customer to the electric system serving the State or (2) serve the customer;
- protects residential retail electric customers from the financial risks associated with large load customers through specified means; and
- sufficiently ensures that the allocation of costs to large load customers under the schedule does not result in other customers unreasonably subsidizing the costs of large load customers.

Before signing a contract for service under the schedule, the Act specifies that a large load customer must (1) submit a request for a load study to determine the necessary contract capacity for the customer and pay any applicable fees associated with the study; (2) designate a specific site where the customer's project will be constructed and served by the electric company (the customer must own or have exclusive right to use the land); and (3) meet any other requirements specified under the rate schedule.

PSC must adopt regulations to carry out the requirements specified above by June 1, 2026.

Report on Data Center Development

Chapter 3 of the 2025 special session requires the Maryland Department of the Environment, the Maryland Energy Administration, and the University of Maryland School of Business, respectively, to complete assessments of the likely environmental, energy, and economic impacts of data center development in Maryland, including (1) how data centers will affect future energy infrastructure needs and costs paid by ratepayers and (2) the likely impact of data centers on State and local revenues and expenditures and the jobs likely to be created through the construction and operation of data centers. DLS must coordinate the preparation of the assessments and synthesize them into a final report submitted to the Governor and the General Assembly by September 1, 2026.

Location of Provisions in the Bill: Section 3 (pp. 57-60)

Retail Electricity Supply

Provisions in the Bill: Alter existing statutory restrictions applicable to residential electricity suppliers for supply that is not offered through standard offer service (SOS) or specified governmental entities. Specifically, provide that a residential electricity supplier:

- may offer electricity, other than green power, only at a price that does not exceed 110% of the electric company's SOS rate in the electric company's service territory as of the date of the agreement with the customer;
- may offer electricity supply for a term of up to 36 months; and
- may offer a variable rate that does not exceed the electric company's SOS rate in the electric company's service territory at any time during the agreement with the customer (in addition to the existing circumstances under which a residential electricity supplier may offer a variable rate).

Effective Date: July 1, 2026

State Effect: The provisions are not anticipated to materially affect State finances or operations.

Local Effect: The provisions are not anticipated to materially affect local government finances or operations.

Small Business Effect: Minimal.

Current Law: Subject to other applicable restrictions on residential electricity supply that is not offered through SOS or specified governmental entities, a residential electricity supplier:

- may offer electricity, other than green power, only at a price that does not exceed the trailing 12-month average of the electric company's SOS rate in the electric company's service territory as of the date of agreement with the customer;
- may offer electricity supply only for a term of up to 12 months; and
- may not offer a variable rate, other than a rate that (1) adjusts for seasonal variation up to two times in a single year or (2) uses time-of-use rates that establish different rates for periods within a single day.

Location of Provisions in the Bill: Section 3 (pp. 60-61)

Modifications to the DRIVE Act

Provisions in the Bill: Alter the DRIVE Act of 2024 to transfer primary authority for administering upfront incentives and rebates for acquiring and installing on-site renewable energy systems from the Public Service Commission (PSC) (through investor-owned electric companies) to the Maryland Energy Administration (MEA), as specified. Modify related statutory provisions.

Transfer of Responsibility for Administering Incentives and Rebates

Repeal PSC's authority to approve or require an investor-owned electric company to offer upfront incentives or rebates to customers to acquire and install renewable on-site generating systems if the customer (1) enrolls in a pilot program or temporary tariff established under the Act and (2) allows the system to be used for electric distribution system support services for a period of at least five years. Also repeal the authorization for an investor-owned electric company to recover all reasonable costs associated with offering such incentives or rebates.

Instead, authorize MEA, in consultation with PSC and subject to available funding, to *directly* offer such incentives or rebates. (Separately, under the Use and Appropriation of Regional Greenhouse Gas Initiative (RGGI) Proceeds provision of the bill, allocate funding from the Strategic Energy Investment Fund (SEIF) for this purpose.)

Modification of Related Provisions

Repeal PSC's authority to (1) authorize or require an investor-owned electric company to provide an additional incentive or rebate for low- or moderate-income (LMI) customers and (2) require an investor-owned electric company to prioritize the offer of incentives or rebates to such customers. Specify instead that MEA, in consultation with PSC, may prioritize the offer of incentives or rebates to LMI customers.

Repeal the requirement that PSC consider (1) specified factors in determining whether to require an investor-owned electric company to offer an incentive or rebate and (2) establishing a limit on the amount of incentives or rebates issued in a manner that achieves deployment goals while mitigating potential customer impacts.

Effective Date: July 1, 2026

State Effect: No overall effect on State finances. The Department of Legislative Services notes, however, that there is a fiscal impact (a need for general fund replacement funding) associated with the separate provision of the bill (mentioned above) that reestablishes, beginning in fiscal 2028, the uses of RGGI proceeds in SEIF that are credited to a

renewable and clean energy programs account, including requiring the use of a portion of the proceeds for the incentives or rebates under this provision. The fiscal impact of that provision is described under the analysis of the Use and Appropriation of Regional Greenhouse Gas Initiative Proceeds provision.

For context regarding the potential magnitude of funding received from SEIF under that provision, beginning in fiscal 2028, for the incentives or rebates (5% of the 20% of RGGI proceeds credited to the renewable and clean energy programs account, equivalent to 1% of overall RGGI proceeds), 1% of the estimated RGGI proceeds for fiscal 2027 (the estimate closest in time to fiscal 2028 that is included in Appendix H of the *Governor's Fiscal 2027 Budget Highlights*) equals $2.8 million.

To the extent MEA provides incentives or rebates in fiscal 2027, this analysis assumes that any expenditures for that purpose are redirected from existing MEA programs.

Local Effect: The provisions are not anticipated to materially affect local government finances or operations.

Small Business Effect: Minimal. The provisions are not anticipated to materially affect small businesses.

Current Law:

Relevant Definitions

"Electric distribution system support services" means the dispatch and control of a distributed energy resource to provide services that contribute to the efficient and reliable operation of the electric distribution system by an electric company or an aggregator acting at the direction of an electric company. It includes (1) local or system peak demand reduction; (2) demand response; (3) the avoidance or deferral of a transmission or distribution upgrade or capacity expansion; and (4) facilitating hosting capacity to accommodate additional distributed energy resources.

"Renewable on-site generating system" means an energy system located on a customer's premises that:

- generates or stores electricity from a Tier 1 renewable source or a Tier 2 renewable source that does not release greenhouse gases;
- is capable of providing electricity to (1) a home, business, or other structure serviced by an electric company and (2) the electric distribution system;
- is paired with an energy storage device that is configured to charge from the renewable source and the electric distribution system, unless, for the purpose of

eligibility for net metering, the device is required to be charged only from the renewable source; and

- is interconnected and operates in parallel with an electric company's transmission and distribution facilities.

Electric Distribution System Support Services Program

The DRIVE Act required PSC to develop a program for each investor-owned electric company to establish a pilot program or temporary tariff to compensate owners and aggregators of distributed energy resources for electric distribution system support services through an incentive mechanism determined by PSC. By July 1, 2025, each investor-owned electric company was required to submit a pilot program or temporary tariff to PSC for approval, subject to specified requirements for performance and compensation. PSC was required to approve, deny, or approve with amendments the pilot program or temporary tariff in an expedited manner.

If PSC finds the transition to be in the public interest, PSC may establish a process for an investor-owned electric company to transition a pilot program or temporary tariff to a permanent program or tariff for electric distribution system support services; pilot customers may be transitioned to the permanent program or tariff.

Incentives for Renewable On-site Generating Systems

Subject to specified requirements and considerations, PSC may approve or require an investor-owned electric company to offer upfront incentives or rebates to customers to acquire and install renewable on-site generating systems if the customer (1) enrolls in a pilot program or temporary tariff under the DRIVE Act and (2) allows the system to be used for electric distribution system support services for at least five years.

PSC may (1) authorize or require an investor-owned electric company to provide an additional incentive or rebate for LMI customers who apply for an incentive or rebate and (2) require an investor-owned electric company to prioritize the offer of incentives or rebates to LMI customers.

In determining whether to require an investor-owned electric company to offer an incentive or rebate under the Act, PSC must consider (1) the benefit of reducing the operation of peak generating facilities in overburdened and underserved communities; (2) the benefit of resiliency and service outage avoidance for customers with on-site generating systems; and (3) the potential for investor-owned electric companies to reduce expenses relating to electric distribution system infrastructure by leveraging customers' on-site generating systems.

PSC must consider establishing a limit on the amount of incentives or rebates issued in a manner that achieves deployment goals while mitigating potential customer impacts. When approving or requiring an incentive or rebate under the Act, PSC must consult with MEA to ensure that the incentive or rebate is designed to supplement, to the greatest extent possible, other available State and federal incentives for customer adoption of renewable on-site generating systems.

Cost Recovery

An investor-owned electric company may recover all reasonable costs incurred in (1) participating in and administering an electric distribution system support services program and (2) offering an upfront incentive or rebate under the DRIVE Act. To the extent feasible, those costs must be recovered by the investor-owned electric company within the calendar year in which they were incurred.

Notwithstanding any provision of the DRIVE Act, an investor-owned electric company may pursue and use a performance incentive mechanism to cover the cost of using distributed energy resources or an aggregator of distributed resources under the Act.

Location of Provisions in the Bill: Section 3 (pp. 61-63)

Definition of Large Capacity Energy Resource

Provision in the Bill: Repeals part of the definition of large capacity energy resource in Title 7, Subtitle 12 of the Public Utilities Article so that "large capacity energy resource" means a generating station or energy storage device that has a capacity rating equal to or greater than 20 megawatts after accounting for the effective load carrying capability.

Current Law: "Large capacity energy resource" means a generating station or energy storage device that (1) by January 1, 2025, has applied to PJM Interconnection, LLC (PJM) for interconnection approval or has been approved by PJM for interconnection and (2) has a capacity rating equal to or greater than 20 megawatts after accounting for the effective load carrying capability.

The Next Generation Energy Act of 2025 established a solicitation, evaluation, and approval process for a minimum of 3,109 megawatts of dispatchable energy generation and large capacity energy resources in the State. Generally, the Public Service Commission (PSC) may approve up to 10 such projects, each eligible for an expedited Certificate of Public Convenience and Necessity (CPCN) through June 30, 2030. PSC may approve more than 10 projects if it has sufficient resources to complete that number of expedited CPCN application reviews and doing so is in the public interest. For a qualifying project, PSC must expedite all proceedings for CPCN review and approval and, except in limited circumstances, take final action within 295 days after the application is determined to be complete by the Power Plant Research Program.

State Effect: General/special fund expenditures for the Department of Natural Resources (DNR) may increase as a result of the provision. PSC can handle any increase in workload with existing budgeted resources.

By altering the definition of "large capacity energy resource" to remove the requirement that a generating station or energy storage device apply to or receive approval from PJM for interconnection before January 1, 2025, the provision allows PSC to consider a broader range of projects for the expedited CPCN process established under the Next Generation Energy Act. To the extent this results in PSC approving additional energy generation projects or energy storage devices for expedited CPCN review, the workload for DNR's Power Plant Research Program (PPRP) increases, resulting in the need to engage a consultant for technical assistance. According to DNR, estimated consultant costs are approximately $100,000 per natural gas generation project and $10,000 to $25,000 per energy storage project.

However, based on current projects in the PJM queue that meet the revised definition, DNR does not anticipate a significant increase in eligible projects. *For illustrative purposes only*, if PPRP must review two additional applications annually under the expedited process

(one natural gas and one energy storage project), DNR expenditures increase by up to $125,000 each year (under current law, the expedited CPCN review process is allowed through June 30, 2030).

Local Effect: The provision is not anticipated to materially affect local government finances or operations.

Small Business Effect: Potential meaningful. To the extent the provision results in PSC approving additional energy generation projects for expedited CPCN review – and increases the number of such projects constructed – small businesses that provide construction or consulting services may experience an increase in the demand for their services.

Location of Provision in the Bill: Section 3 (p. 63)

Nuclear Energy Procurement – Long-term Pricing Purchase Obligation

Provisions in the Bill: Alter the definition of a zero-emission credit, or "ZEC" to mean a credit equal to the environmental attributes of 1 megawatt-hour of electricity that is derived from a nuclear energy generating station approved by the Public Service Commission (PSC) under the procurement process established by the Next Generation Energy Act of 2025. Authorize PSC, before a nuclear energy generation project begins commercial operation, to approve an increase of the total cost of the nuclear energy generation project under a long-term pricing purchase obligation by up to 15%.

Effective Date: July 1, 2026

State Effect: The provisions are not anticipated to affect State finances or operations in the five-year period covered by this fiscal and policy note.

Local Effect: The provisions are not anticipated to affect local government finances or operations in the five-year period covered by this fiscal and policy note.

Small Business Effect: None.

Current Law: The Next Generation Energy Act of 2025 established a process, consisting of a minimum of three rounds of applications and related requirements, for PSC approval of one or more proposed nuclear energy generation projects funded through electric distribution rates. PSC is required to adopt regulations that:

- establish the nuclear energy long-term pricing purchase obligation sufficiently in advance to allow an electric company to reflect nuclear energy long-term pricing costs as a nonbypassable surcharge that is added to the electric company's base distribution rate on customer bills;
- define rules that facilitate and ensure the secure and transparent transfer of revenues and long-term pricing payments among parties;
- define the terms and procedures of the nuclear energy long-term pricing schedule obligations, as specified, by establishing a formula and process to adjust the value of the schedule every two years and a per-megawatt-hour cap;
- require PSC to establish an escrow account; and
- to meet the total statewide long-term pricing purchase obligation for all approved applications, require PSC to annually establish each electric company's ZEC purchase obligation, based on specified electricity sales data and each electric company's proportional share of statewide electricity load.

A “ZEC” is defined as the difference between the price that a nuclear energy generating station with a long-term pricing schedule approved in a PSC order under the Act may receive on the wholesale market and the cost of constructing the nuclear energy generating station.

A debt, an obligation, or a liability of a nuclear energy generation project or of an owner or operator of a nuclear energy generation project may not be considered a debt, an obligation, or a liability of the State.

Pursuant to § 7-1217 of the Public Utilities Article, a PSC order approving a proposed nuclear energy generation project must (1) specify the long-term pricing schedule and its duration, up to 30 years; (2) provide that a payment may not be made under a long-term pricing schedule until electricity supply is generated from the project; (3) provide that ratepayers and the State must be held harmless for any cost overruns associated with the system; and (4) require that any debt issued in connection with the project include language specifying that the debt instrument does not establish a debt, an obligation, or a liability of the State. An order approving a project vests the owner with the right to receive payments according to the terms in the order. The long-term pricing schedule must be based only on any new generation proposed in the application, including new generation at an existing nuclear energy generating station.

Location of Provisions in the Bill: Section 3 (pp. 63-65)

Multi-year State Procurement Contracts – Waiver of Termination for Convenience Clause Requirement

Provisions in the Bill: Allow the Board of Public Works (BPW), on the recommendation of the Secretary of General Services, to waive the requirement to include a termination for convenience clause in a multi-year State contract to procure Tier 1 or Tier 2 renewable energy for the State. Require BPW, in determining whether to grant a waiver, to consider the effects of its decision on the ability of the energy supplier to obtain financing for the renewable energy generation project that produces the energy the State is contracting to procure.

Effective Date: July 1, 2026

State Effect: To the extent the bill's waiver provision results in the approval of State procurement contracts for renewable energy generation projects that would not have been approved in the bill's absence, State utility costs decrease. The potential magnitude of the effect on State utility costs, however, cannot be reliably estimated at this time.

According to the Department of General Services (DGS), renewable energy developers rely on executed long-term power purchase agreements to secure financing for multi-million-dollar projects, and lenders are generally unwilling to finance such projects if those agreements allow the State to terminate its obligations. By allowing waivers of termination for convenience clauses, the bill enables DGS to more effectively solicit and procure cost-effective renewable energy to meet the State's clean energy goals. DGS further advises that, because the requirement to include such clauses is not currently waivable, the department is unable to enter into a solar energy procurement contract that it estimates would save the State at least $100.0 million in energy costs from calendar 2028 through 2048.

Local Effect: No effect on local government finances or operations.

Small Business Effect: Minimal.

Current Law: In general, State procurement contracts are subject to annual appropriations, but multi-year State procurement contracts are permitted if specified requirements are met. However, if money sufficient for the continued performance of the contract is not appropriated for any fiscal year, the multi-year contract terminates automatically. A multi-year State contract must, therefore, include a clause allowing for the automatic termination of the contract in the event that funds are not appropriated to pay for the contract in a given year.

In addition, every State procurement contract must include, among other requirements, a clause covering termination wholly or partly by the State for its convenience if the head of the primary procurement unit determines that termination is appropriate.

Generally, the requirement to include the specified clauses in State procurement contracts may not be waived. However, on the recommendation of the Secretary of General Services, BPW may waive the requirement to include an automatic termination clause in a multi-year State contract to procure Tier 1 or Tier 2 renewable energy for the State. In determining whether to grant a waiver, BPW must consider the effects of its decision on the ability of the energy supplier to obtain financing for the renewable energy generation project.

Location of Provisions in the Bill: Section 3 (pp. 65-67)

Use and Appropriation of Regional Greenhouse Gas Initiative Proceeds

Provisions in the Bill: Require, beginning in fiscal 2028, that proceeds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI), that are credited to a renewable and clean energy programs account in the Strategic Energy Investment Fund (SEIF), be used for specified purposes (in place of currently authorized uses). Require, for fiscal 2028 and each fiscal year thereafter, that the Governor include in the annual budget bill an appropriation from SEIF equal to a specified amount of the unencumbered and unappropriated balance of RGGI proceeds in SEIF on June 30 of the immediately preceding fiscal year.

Use of Regional Greenhouse Gas Initiative Proceeds Credited to a Renewable and Clean Energy Programs Account

Require, beginning in fiscal 2028, that the minimum of 20% of RGGI proceeds that must be credited to a renewable and clean energy programs account (and, under current law, be used for renewable and clean energy programs and initiatives, energy-related public education and outreach, and climate change and resiliency programs) be used as follows:

- at least 45% for building clean energy and efficiency programs, including low-income household energy efficiency and school electrification;
- 30% for transportation-related emissions reduction programs, including electric vehicle charging infrastructure and electric school bus deployment;
- 15% for electric system resiliency programs, including microgrid installation and resiliency hubs;
- 5% for grants or rebates to incentivize customers to install renewable on-site generating systems (replacing electric company-offered incentives or rebates – see Modifications to the DRIVE Act provision); and
- if the amount of the environmental surcharge imposed on each retail electric customer under § 3-302 of the Natural Resources Article is less than 0.15 mill per kilowatt hour or $1,000 per month, 5% to the Power Plant Research Program (PPRP) within the Department of Natural Resources.

Appropriation of Regional Greenhouse Gas Initiative Proceeds

Require, for fiscal 2028 and each fiscal year thereafter, that the Governor include in the annual budget bill an appropriation from SEIF that is equal to the amount by which the unencumbered and unappropriated balance of the fund that is attributable to the sale of allowances under RGGI exceeds the following amounts on June 30 of the immediately preceding fiscal year:

- for proceeds credited to an energy assistance account, $50.0 million;
- for proceeds credited to a low- and moderate-income efficiency and conservation programs account and to a general efficiency and conservation programs account, $5.0 million combined between the two accounts;
- for proceeds credited to a renewable and clean energy programs account, $5.0 million; and
- for proceeds credited to an administrative expense account, $3.0 million.

(The provision requires the Governor to include in the annual budget bill for those fiscal years an appropriation *to* SEIF; however, the provision appears intended to require an annual appropriation *from* SEIF for those fiscal years, and this analysis assumes that it requires an annual appropriation *from* SEIF.)

Effective Date: July 1, 2026

State Effect:

Special Fund Expenditures – Fiscal 2028 Only

Special fund (SEIF) expenditures increase by as much as $97.2 million in fiscal 2028 only, due to the bill's required appropriation of a specified amount of unencumbered and unappropriated balance of RGGI proceeds beginning in fiscal 2028. This estimate assumes:

- the appropriation is a mandated appropriation, assuming that an estimate of the unencumbered and unappropriated balance at the end of fiscal 2027 is a sufficient basis for determining the amount of the appropriation that must be included in the annual budget bill for fiscal 2028 (which is introduced and considered in mid-fiscal 2027) – estimated in a similar manner as the estimates provided at the end of Appendix H of the *Governor's Fiscal 2027 Budget Highlights* (page H.2);
- the end of fiscal 2027 balances shown in Appendix H represent unencumbered and unappropriated balances;
- the mandated appropriation in fiscal 2028 equals the difference between the estimated end of fiscal 2027 balances shown in Appendix H, and the amounts specified in the provision, for the energy assistance account, the energy efficiency and conservation programs accounts, the renewable and clean energy programs account, and administrative expense account ($97.2 million);
- the fiscal 2028 increase in special fund expenditures may be less than $97.2 million if a portion of the unencumbered and unappropriated balance at the end of fiscal 2027 is appropriated in fiscal 2028 even in the absence of the provision; and
- after the fiscal 2028 mandated appropriation of unencumbered and unappropriated balance, in future years, appropriations of RGGI proceeds fully utilize estimated

revenues, resulting in estimated end-of-year balances that are not more than the amounts specified in the appropriation provision, causing the provision to have minimal or no effect in those fiscal years.

General Fund Expenditures

Minimum Replacement Funding – for a $10.0 Million Mandated Appropriation – Fiscal 2029 through 2031

General fund expenditures increase by at least $10.0 million in fiscal 2029 through 2031, reflecting use of general funds to fund an existing mandated appropriation – mandated under § 8-1911 of the Natural Resources Article through fiscal 2031 – for the Urban Trees Program (administered by the Chesapeake Bay Trust, a nonbudgeted entity, and budgeted under the Board of Public Works (BPW) budget) that is currently funded from the SEIF renewable and clean energy programs account (and has been since fiscal 2025) as a climate change and resiliency program. The provision establishing the uses of the renewable and clean energy programs account does not appear to allow for continued funding of the Urban Trees Program, or other climate change and resiliency programs that do not fit within the specific purposes established by the provision.

This estimate assumes, however, that the unencumbered and unappropriated balance in the renewable and clean energy programs account that must be appropriated in fiscal 2028 (under the appropriation provision, discussed above) can be used for the current authorized uses of RGGI proceeds credited to the renewable and clean energy programs account, including climate change and resiliency programs such as the Urban Trees Program, since those proceeds were credited to the account before fiscal 2028.

Potential Additional Replacement Funding – Beginning in Fiscal 2029

The Department of Legislative Services (DLS) notes that the Governor's fiscal 2027 budget plan (reflected in the fiscal 2027 budget as introduced and the Budget Reconciliation and Financing Act (BRFA) of 2026 as introduced) indicates an intention to use funding from the renewable energy and clean energy programs account in future years for climate change and resiliency purposes that may also not fit within the uses established by the provision and may need to be supported by general funds as a result; however, the extent of any such increase in general fund expenditures (which would be in addition to the $10.0 million from fiscal 2029 through 2031 discussed above, and would similarly be assumed to begin in fiscal 2029, for the reasons discussed above), cannot be reliably determined at this time.

As an example, the budget plan begins funding another mandated appropriation, of $1.5 million annually for the Thomas V. Mike Miller, Jr., Chesapeake Conservation and

Climate Corps Program (also administered by the Chesapeake Bay Trust and budgeted under the BPW budget) – which does not have a termination date, unlike the Urban Trees Program mandated appropriation – through a fiscal 2026 deficiency appropriation and a fiscal 2027 appropriation from the renewable and clean energy programs account.

Potential Decrease in General Fund Expenditures for the Power Plant Research Program – Fiscal 2028 and/or Future Years

Providing SEIF funding to PPRP from the renewable and clean energy programs account, under the provision reestablishing the uses of funding credited to the account, reduces the likelihood that the program needs general funds to support its operations in fiscal 2028 and/or future years; however, the extent of any decrease in PPRP general fund expenditures in those fiscal years cannot be reliably determined at this time and, therefore, is not quantified in this analysis. (PPRP's current primary funding source – special funds from the Environmental Trust Fund (ETF) – is limited by the limit imposed on the environmental surcharge (ETF's revenue source), under § 3-302 of the Natural Resources Article and § 7-203 of the Public Utilities Article, that the surcharge not exceed the lesser of 0.15 mill per kilowatt hour or $1,000 per month.) DLS notes that:

- the provision requires that the amount of the environmental surcharge be *less than* 0.15 mill per kilowatt hour or $1,000 per month in order for PPRP to receive funding, and PPRP indicates that the environmental surcharge is currently set *at* 0.15 mill per kilowatt hour;
- if PPRP does receive funding from the renewable and clean energy programs account, for context, 5% of the 20% of RGGI proceeds credited to the renewable and clean energy programs account (equivalent to 1% of overall RGGI proceeds), if applied to the estimated fiscal 2027 RGGI proceeds in Appendix H of the *Governor's Fiscal 2027 Budget Highlights* ($276.6 million – the estimate closest in time to fiscal 2028), equals $2.8 million; and
- the BRFA, as introduced, establishes a separate authorization for the use of SEIF funding (not specifically from the renewable and clean energy programs account) to pay costs associated with PPRP.

Local Effect: Local governments currently receive funding from various SEIF programs funded by RGGI proceeds. Accordingly, the increased appropriation of RGGI proceeds in fiscal 2028 under the appropriation provision and the provision reestablishing the uses of RGGI proceeds credited to the renewable and clean energy programs account beginning in fiscal 2028 may meaningfully affect local revenues (including local school system revenues) from SEIF programs and corresponding expenditures. In particular, the reestablished uses of the renewable and clean energy programs account include school electrification and electric school bus deployment.

Small Business Effect: Potential meaningful. The increased appropriation of RGGI proceeds and reestablishment of the uses of the renewable and clean energy programs account also presumably affect small businesses, who are often involved in renewable and clean energy projects. The overall effect on small businesses cannot be reliably estimated but may be meaningful.

Current Law:

Strategic Energy Investment Fund – and – Regional Greenhouse Gas Initiative Proceeds

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF – administered by the Maryland Energy Administration – to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. Chapters 127 and 128 require all of the proceeds from the sale of Maryland allowances under RGGI to be deposited in SEIF. (Chapters 23 and 301 of 2006 – the Healthy Air Act – required the Governor to include the State as a full participant in RGGI by June 30, 2007.) SEIF's other revenue sources include (1) alternative compliance payment revenues generated under Maryland's Renewable Energy Portfolio Standard and (2) pursuant to Chapter 411 of 2024, a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

Subject to certain exceptions (where RGGI proceeds are allocated to certain purposes before the below percentages are applied to the remainder of the proceeds), RGGI proceeds received by SEIF are allocated as follows:

- at least 50% to an energy assistance account to be used for the Electric Universal Service Program and other electricity assistance programs in the Department of Human Services;
- at least 20% to a low- and moderate-income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs (at least one-half of which must be used for low- and moderate-income programs);
- at least 20% to a renewable and clean energy programs account for (1) renewable and clean energy programs and initiatives; (2) energy-related public education and outreach; and (3) climate change and resiliency programs; and
- up to 10% but no more than $7.5 million to an administrative expense account for costs related to the administration of the fund.

Statute further elaborates on the types of programs and activities included under "energy efficiency and conservation programs" (under the second bullet above) and "renewable and

clean energy programs and initiatives" and "energy-related public education and outreach" (under the third bullet above).

Location of Provisions in the Bill: Section 3 (pp. 70 and 72)

Auction of Alternative Compliance Payment Revenues

Provisions in the Bill: Require the Maryland Energy Administration (MEA), in consultation with the Public Service Commission (PSC), to conduct annual competitive, low-bid auctions, in 2027 and 2028, to award contracts to eligible bidders to fund renewable energy projects in the State, using $100.0 million of alternative compliance payment (ACP) revenues (authorized by the bill to be used for the auctions) from the Strategic Energy Investment Fund (SEIF) in fiscal 2027 and 2028. Define "renewable energy" to mean energy generated from (1) onshore wind energy generating systems or (2) utility-scale solar energy generating systems, which may include co-located battery storage, that do not participate in net energy metering.

Establish the auction process and related requirements, including (1) a requirement that MEA and PSC set a "capacity target" for each auction, representing the amount of new renewable energy generation capacity needed, accounting for existing capacity, to satisfy the State's Renewable Energy Portfolio Standard (RPS) (discussed below under Current Law) for a specific year (specified factors must be taken into account in determining the capacity target, including renewable energy credit (REC) shortfalls from the prior year); (2) a requirement that MEA award bids in each auction, according to a ranking of bids from lowest to highest cost per megawatt, until the capacity target is reached (MEA may award further bids beyond the target if there is remaining funding); and (3) a requirement that a bidder, in addition to meeting other eligibility requirements, must be a renewable energy generation project developer, and must submit a competitive bid in the auction by specifying the actual amount of megawatts to be generated by the project and a price per megawatt that would be required from the auction.

Require (1) public disclosure (within 90 days of the execution of all contracts resulting from an auction) of successful bidders and the generation capacity to be delivered by each project and (2) reporting by MEA and PSC to the General Assembly, by July 1, 2027, and July 1, 2028, on the administration of each auction.

Establish that any unawarded funding may be carried forward from the 2027 auction to the 2028 auction – otherwise, unawarded funding must accrue in SEIF and may be allocated for any purpose for which ACP revenue is authorized to be used.

Require MEA, in consultation with PSC, to adopt regulations to carry out the auction provisions.

Effective Date: July 1, 2026

State Effect:

Special Fund Expenditures – Fiscal 2027 and 2028

Special fund (SEIF) expenditures increase by $100.0 million in each of fiscal 2027 and 2028 to implement the bill's auction provision (including covering the costs of any associated administrative expenses). The fiscal 2027 budget as introduced appropriates $100.0 million in special funds to MEA, for renewable and clean energy programs and initiatives, contingent upon the enactment of legislation expanding the allowable uses of SEIF. This analysis assumes the bill's authorization of the use of SEIF funding for the auctions satisfies the contingent language in the fiscal 2027 budget as introduced and effectuates the $100.0 million special fund appropriation to MEA.

MEA expects to hire two staff – one program manager and one energy specialist – which this analysis assumes are hired as contractual, rather than permanent, staff (since the auctions are only held for two years), at a cost of $211,615 in fiscal 2027 and $186,742 in fiscal 2028 (reflecting salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses). The costs are covered by the authorized SEIF funding, as associated administrative costs.

While the bill does not expressly reallocate other, existing SEIF revenues/spending in order to support the spending under the bill's auction provision, the net impact of the bill's auction provision on SEIF expenditures may be less than the $100.0 million identified if MEA reduces other existing or planned SEIF spending, in fiscal 2027 and/or 2028, as a result of the bill's auction provision.

Special Fund Revenues – Future Years

To the extent the bill's auction provision increases renewable energy generation capacity in the State in comparison to renewable energy generation capacity in the absence of the bill, REC shortfalls decline (see the RPS discussion under Current Law) in future years, resulting in a decrease in ACPs and, therefore, SEIF revenues. The timing or magnitude of such a decrease, however, cannot be reliably estimated.

Local Effect: To the extent the bill's auction provision, in fiscal 2027 and/or 2028, redirects ACP revenues in SEIF away from other renewable and clean energy deployment programs or initiatives from which local governments otherwise receive funding, local government revenues and expenditures decrease.

Small Business Effect: Potential meaningful. To the extent the bill's auction provision increases the overall volume of renewable energy generation development, small businesses engaged in related construction and maintenance activities may benefit from an

increase in the demand for their goods or services. Presumably, some small businesses may also be negatively affected, to the extent the bill's auction provision shifts the type or scale of renewable energy generation projects that are funded by ACP revenues away from projects that a given small business has the ability, or opportunity, to support.

Current Law:

Renewable Energy Portfolio Standard

Maryland's RPS was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. The RPS establishes eligibility tiers (Tier 1 and Tier 2) and includes carve-outs for solar, offshore wind, and geothermal. The RPS requires that renewable sources generate specified percentages of Maryland's electricity supply each year. Utilities and other electricity suppliers must submit RECs (a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation resource) equal to these percentages in each year or else pay an ACP equivalent to the shortfall.

For 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.5% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources. For more information on Maryland's RPS, including ACP revenues, see **Appendix – Renewable Energy Portfolio Standard**.

Strategic Energy Investment Fund – ACP Revenues

MEA administers SEIF, which, among other revenue sources, receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative and ACP revenues through the RPS. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

Nonsolar ACP revenues may be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities. Solar ACP revenues must be used to support the creation of new solar energy sources in the State that are owned by or directly benefit those communities or low- to moderate-income households. In fiscal 2026 only, up to $100.0 million of ACP revenues may be used for solar development on State government property and local government clean energy projects.

Additionally, through the end of fiscal 2027, at least 20% of ACP revenues resulting from solar energy requirements under the RPS must be used to provide grants to support the installation of new solar energy generating systems for low to moderate income households under the Customer-Sited Solar Program. Up to 10% of the solar ACP revenues are

credited to an administrative expense account for costs related to the administration of SEIF. Finally, ACP revenues may be used to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer's consumption of electricity supply that is subject to the RPS.

Location of Provisions in the Bill: Section 3 (pp. 69 and 72-77)

Restrictions on Utility Rate-setting and Cost Recovery

Provisions in the Bill: Establish restrictions on the approval and administration of multi-year rate plans, prohibit the use of forecast test years as alternative forms of regulation in base rate proceedings, and establish specified limitations on cost recovery, as discussed below.

Restrictions on Multi-year Rate Plans

Prohibit the Public Service Commission (PSC) from approving a multi-year rate plan for an electric, gas, or combination gas and electric company that allows for:

- the company to file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish just and reasonable rates *if the reconciliation would result in additional charges to customers*; or
- the use of cost-sharing mechanisms that would result in additional charges to customers above the approved revenue component used by PSC to establish just and reasonable rates.

Specify that a gas, electric, or combination gas and electric company that files or has filed an application for a multi-year rate plan may not subsequently file for reconciliation of cost or revenue variances that *would result in additional customer charges due to the company spending more than* the approved revenue component used by PSC to establish the multi-year rates unless the filing for reconciliation was made on or before January 1, 2025.

Authorize PSC to require a gas, electric, or combination gas and electric company to include a reconciliation procedure in its multi-year rate plan to refund customers the difference between the company's (1) forecast revenue requirement and (2) actual revenue requirement during the term of the multi-year rate plan.

Prohibition on Using a Forecast Test Year

Prohibit, as an alternative form of regulation, the use of a rate mechanism that is based on a forecast test year in a base rate proceeding.

Limitations on Cost Recovery

Prohibit an investor-owned electric, gas, or combination gas and electric company from recovering, through rates, any costs associated with supervisor compensation that exceeds 110% of the maximum annual salary payable to the chair of PSC. Specify that the prohibition extends to supervisor compensation paid by the parent company, or any other affiliate, of those same utilities.

Require the board of directors of each investor-owned electric, gas, or combination gas and electric company to adopt a company-wide policy placing reasonable cost limitations, in accordance with guidance published by PSC, on specified expenditures (*i.e.*, entertainment and events, office and facility renovations, transportation services, staff development activities or events, performance incentives, and other activities outside the scope of the normal course of business operations) that the company intends to recover through rates. Require PSC to publish guidance defining "reasonable cost limitations" for such expenditures. Further require each public service company to send a copy of its policy to PSC as soon as practicable after adopting it, each time the policy is updated, and at least every five years.

Define "supervisor" as an employee of a public service company, the parent company of a public service company, or any other affiliate of a public service company who:

- using the employee's independent judgment, is (1) authorized by the employee's employer to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees; (2) responsible for directing the work performance of other employees; and (3) responsible for responding to employee complaints; or
- is employed in a bona fide executive capacity under the federal Fair Labor Standards Act.

Define "compensation" as a form of payment or consideration conveyed to or for the benefit of an employee of a public service company, the parent company of a public service company, or any other affiliate of a public service company in connection with the employee's work for a public service company, the parent company, or any other affiliate of the company. Specify that the term includes (1) direct and indirect methods of conferring benefits; (2) cash and noncash benefits; (3) salary, bonuses, period payments, and severance pay; and (4) the value of a perquisite, compensatory or paid leave, or other benefit; however, the term does not include any expenditure of a public service company for health, medical, dental, vision, or life insurance or disability pay.

Define "bonus" as a form of direct or indirect payment, consideration, or compensation that is paid or conveyed to an employee of a public service company in addition to the employee's base pay. Specify that the term includes (1) compensation that the public service company does not formally label as a bonus payment; (2) any form of incentive compensation the fact and amount of which is under the discretion of the public service company until a time close to the end of the period for which the incentive payment is paid; and (3) payments given in addition to base pay that are contingent on the occurrence of one or more events or conditions.

Effective Date: Emergency (assumes effective date of April 15, 2026)

State Effect: Special fund expenditures for PSC increase by $15,473 in fiscal 2026, by $99,267 in fiscal 2027, and by similar amounts annually thereafter. Special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. The potential effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

Public Service Commission

The provisions create new and incremental requirements for PSC that cannot be absorbed within existing resources. Under the provisions, PSC anticipates an increase in workload due to more frequent rate case filings by utilities and the need for closer scrutiny of those rate change applications. While PSC could likely implement each of these provisions – in isolation – using existing resources, taken together, the cumulative obligations imposed on PSC exceed the commission's current capacity. Therefore, PSC needs additional resources to address the resulting workload.

Accordingly, special fund expenditures for PSC increase by $15,473 in fiscal 2026, which reflects a 45-day start-up delay from the assumed April 15, 2026 effective date, and by $99,267 in fiscal 2027. This estimate reflects the cost of hiring one public utility auditor to review and evaluate rate case filings. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	FY 2026	**FY 2027**
Position (New)	1.0	0.0
Salary and Fringe Benefits	$8,193	$96,462
One-time Start-up Costs	7,058	0
Other Operating Expenses	222	2,805
Total PSC Expenditures	**$15,473**	**$99,267**

Future year expenditures reflect a full salary with annual increases and employee turnover, as well as annual increases in ongoing operating expenses.

Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Office of People's Counsel

The Office of People's Counsel advises that it can handle any increase in workload resulting from the provisions with existing budgeted resources.

Local Effect: The potential effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. The provisions are not otherwise anticipated to affect local government finances or operations.

Small Business Effect: Potential meaningful. The potential effect on electricity and gas prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note. The provisions are not otherwise anticipated to affect small businesses in the State.

Current Law:

Public Service Company Rates

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. A "just and reasonable rate" means a rate that:

- does not violate any provision of the Public Utilities Article;
- fully considers and is consistent with the public good; and
- except for rates of a common carrier, will result in an operating income to the public service company that yields, after reasonable deduction for depreciation and other necessary and proper expenses and reserves, a reasonable return on the fair value of the public service company's property used and useful in providing service to the public.

Generally, a public service company must file a tariff schedule of its rates and charges for its regulated services and for standard offer service with PSC.

Multi-year Rate Plans

The Next Generation Energy Act of 2025 specifies that, unless otherwise authorized by law, PSC may approve the use of a multi-year rate plan for distribution base rates for a gas, electric, or combination gas and electric company only if the plan:

- demonstrates the customer benefits of the investment; and
- does not allow for the company to file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish just and reasonable rates.

A gas, electric, or combination gas and electric company that files or has filed an application for a multi-year rate plan may not subsequently file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish the multi-year rates unless the filing for reconciliation was made on or before January 1, 2025.

Alternative Forms of Regulation

Notwithstanding any other provision of law, and subject to the statutory provisions governing multi-year rate plans (as discussed above), PSC may regulate the regulated services of a public service company through an alternative form of regulation, provided that the commission finds, after notice and hearing, that the alternative form of regulation (1) protects consumers; (2) ensures the quality, availability, and reliability of regulated electric services; and (3) is in the public interest. Alternative forms of regulation may include price regulation, revenue regulation, ranges of authorized return, rate of return, categories of services, or price indexing. (See the Additional Comments below for background relating to the use of forecast test years in base rate proceedings.)

Costs Excluded from Recovery through Rates

The Next Generation Energy Act prohibits an investor-owned electric, gas, or combination gas and electric company from recovering through rates any cost associated with:

- membership, dues, sponsorships, or contributions to an industry trade association, group, or related entity exempt under § 501(c)(6) of the Internal Revenue Code; or
- the acquisition, use, or allocation of costs associated with a private plane that is owned or leased by the company or its holding company.

Under PSC regulations, charitable contributions, penalties, and lobbying expenses are not allowed for rate-making purposes. Additionally, expenses classified as promotional, community affairs, or institutional must be excluded as an expense for rate-making purposes unless a utility demonstrates during a rate case proceeding that a particular item of advertising or promotional expenditure was directly beneficial to the ratepayer and in the public interest.

Additional Comments: Historically, PSC has relied on a traditional ratemaking approach based on a prior 12-month period (a "historic test year") to set rates for electric and gas utilities. In recent years, however, PSC has allowed utilities to file multi-year rate plans with terms of up to three years in base rate proceedings. A common approach in these proceedings is the use of a "forecast test year." Under this method, rates are set in accordance with a utility's projected costs and revenues for a future period – typically the first year after new rates take effect – rather than relying solely on historical data. The forecast test year incorporates the utility's anticipated operating expenses, capital investments, and other financial assumptions. The projections in the forecast test year serve as the foundation for setting rates over the multi-year rate plan, often with mechanisms that adjust or update certain costs in subsequent years of the plan.

Location of Provisions in the Bill: Section 4 (pp. 77-80 and 85)

Successor Program for Net Energy Metering

Provisions in the Bill: Require the Public Service Commission (PSC), by order or regulation, to develop and implement a successor program to the existing net energy metering program, to begin July 1, 2027, that (1) provides incentives for the development of distributed generation to eligible customer-generators (including those using meter aggregation) and community solar energy generating systems; (2) minimizes ratepayer costs in the short term and in the long term; and (3) balances specified factors, on a statewide basis and across technologies and industry sectors participating in net energy metering (specifically, fair compensation for energy exports and the benefits of reduced load on the electric transmission and distribution system – balanced against – the needs of the transmission and distribution system, ratepayer costs and benefits, and potential impacts on non-participating customers of participating customers' reduced contributions to the distribution system). Express specified General Assembly intent regarding the transition to a successor program.

Require that PSC (1) conduct a specified proceeding to explore the development and implementation of the successor program; (2) by December 15, 2026, submit a report to the Governor and the General Assembly on the proceeding, including recommendations for any legislative changes necessary to implement the program; and (3) provide notice to the General Assembly, by January 1, 2027, on the status of the development of the successor program. Require that PSC's existing annual report (due by November 1 of each year) on the status of the net energy metering program also report on the status of the successor program, including the status of the implementation and efficacy of the successor program.

Require that the successor program be available until the combined generating capacity under the existing net energy metering program and the successor program reaches 6,000 megawatts. Require that PSC prioritize the review and approval of applications for participation in the successor program from eligible customer-generators that were in the queue for the existing net energy metering program at the time the successor program was implemented.

Require PSC, after holding a stakeholder proceeding, to adopt regulations regarding the terms under which an eligible customer-generator or community solar energy generating system under a net metering contract or tariff under the existing net energy metering program may remain eligible for net energy metering under the existing program, including the length of time for which that eligibility continues after implementation of the successor program.

End the availability of new contracts or tariffs under the existing net energy metering program at the earlier of (1) the date on which the generating capacity under the program reaches 3,000 megawatts or (2) July 1, 2027. Except, allow a community solar energy generating system placed in service after July 1, 2027, to be eligible for net metering under the existing program if (1) it received a queue position (in an electric company interconnection queue) and paid all interconnection fees by January 1, 2027; (2) it is placed in service by July 1, 2029 (or, if the successor program is implemented after July 1, 2027, it is placed in service within two years after the successor program is implemented); and (3) the electric company in whose service territory the community solar energy generating system is located has not reached a net energy metering capacity limit calculated as a specified percentage of the 3,000 megawatt existing statewide capacity limit (a percentage equal to the electric company's service territory's percentage of retail electricity sales in the State in 2026).

Effective Date: Emergency (assumes effective date of April 15, 2026)

State/Local Effect: The effects on PSC, the Office of People's Counsel (OPC), and State and local entities as potential participants in net energy metering are discussed below. The potential effect on electricity prices is discussed in the Additional Comments in the Analysis section of this fiscal and policy note.

Public Service Commission and Office of People's Counsel

Special fund expenditures increase by $27,696 in fiscal 2026, which reflects a 45-day start-up delay from the assumed April 15, 2026 effective date, by $410,266 in fiscal 2027, by $167,787 in fiscal 2028, and by at least $115,000 annually thereafter. This estimate reflects the cost of (1) PSC hiring one regulatory economist to assist with the development and implementation of the successor program; (2) a part-time (50%) contractual attorney hired by OPC to supplement existing staff, allowing OPC to participate in the stakeholder proceeding on the development and implementation of the successor program on behalf of ratepayers; and (3) in fiscal 2027 only, consultants hired by PSC ($200,000) and OPC (this analysis assumes $50,000, based on a range of $50,000 to $100,000 estimated by OPC) in relation to the development and implementation of the successor program and the stakeholder proceeding. It includes salaries, fringe benefits, one-time start-up costs and ongoing operating expenses.

While, in isolation, PSC and OPC can likely implement these provisions with existing resources, the cumulative impact of multiple provisions in the bill on the obligations of PSC and OPC results in the need for additional resources to implement these provisions.

	FY 2026	FY 2027	FY 2028
Regular Position (New)	1.0	0.0	0.0
Contractual Position (New)	0.5	0.0	0.0
Salary and Fringe Benefits	$13,247	$156,059	$163,538
Consultant Costs	0	250,000	0
Other Operating Expenses	14,449	4,207	4,249
Total PSC and OPC Expenditures	**$27,696**	**$410,266**	**$167,787**

Future year expenditures reflect (1) annualized salaries with annual increases and employee turnover, as well as annual increases in ongoing operating expenses and (2) termination of the contractual attorney position at the end of fiscal 2028. This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

It is unclear whether the need for the PSC regulatory economist continues beyond fiscal 2028, when presumably the successor program has been fully implemented. Even so, this analysis reflects ongoing costs related to that regular position. To the extent the regulatory economist is no longer needed to support the successor program, it is assumed that PSC reassigns that employee to other duties.

Generally, PSC and OPC are funded through assessments on public service companies. As a result, special fund revenues for PSC and OPC increase correspondingly from assessments imposed on public service companies.

Other State Agencies/Entities and Local Governments as Potential Participants

State agencies/entities and local governments may be affected as potential participants in net energy metering under the successor program. The benefits of participation (revenues generated and/or reduced costs) from future projects could decrease from benefits delivered by participation under the existing program. While not mentioned in the summary above, the bill's successor program provisions include General Assembly intent that the successor program provide incentives for the development of distributed energy that are less than the incentives provided by the existing net energy metering program.

The bill's successor program provisions also, however, increase the net energy metering capacity limit by 100%, to 6,000 megawatts, allowing for significantly more projects to be undertaken than under the current limit. PSC indicated, in its November 2025 annual report on net energy metering ("Net Energy Metering in the State of Maryland"), that the pending pipeline of community solar net energy metering projects (with a total capacity of approximately 2,911 megawatts) at the time – when added to the installed capacity of operational net-metered facilities (1,537 megawatts) – reached approximately

4,500 megawatts, far exceeding the 3,000 megawatt current limit. PSC expects the current limit to be reached within approximately two years.

Small Business Effect: Meaningful. Similar to State agencies/entities and local governments, small businesses may be meaningfully affected as potential participants in net energy metering under the successor program by (1) any changes in the level of benefit of net energy metering for participants under the successor program and (2) the significant increase in the net energy metering capacity limit, allowing for more net energy metering projects.

In addition, small businesses contributing to net energy metering projects – through development, construction, operations, or otherwise – are positively impacted by the increase in the net energy metering capacity limit under the bill's successor program provisions, allowing for projects to move forward that otherwise could not in the absence of the provisions, sustaining business activity in the renewable (and particularly solar) energy sector.

Current Law:

Net Energy Metering

In General

Provisions governing the State's net energy metering program include a General Assembly finding and declaration that a program to provide net energy metering for eligible-customer generators is a means to encourage private investment in renewable energy resources, stimulate in-state economic growth, enhance continued diversification of the State's energy resource mix, and reduce costs of interconnection and administration.

"Net energy metering" means measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by an eligible customer-generator and fed back to the electric grid over the eligible customer-generator's billing period.

"Eligible customer-generator" means a customer that owns and operates, leases and operates, or contracts with a third party that owns and operates a biomass, micro combined heat and power, solar, fuel cell, wind, or closed conduit hydro-electric generating facility that:

- is located on the customer's premises or contiguous property;
- is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and

- is intended primarily to offset all or part of the customer's own electricity requirements.

An electric company serving an eligible customer-generator must ensure that the meter installed for net energy metering is capable of measuring the flow of electricity in two directions.

Net Energy Metering Contract or Tariff – and – Statewide Capacity Limit

PSC must require electric utilities to develop a standard contract or tariff for net energy metering and make it available to eligible customer-generators on a first-come, first-served basis until the rated generating capacity owned and operated by eligible customer-generators in the State reaches 3,000 megawatts.

A net energy metering contract or tariff (1) must be identical in energy rates, rate structure, and monthly charges, to the contract or tariff that the customer would be assigned if the customer were not an eligible customer-generator and (2) may not include charges that would raise the eligible customer-generator's minimum monthly charge above that of customers of the rate class to which the eligible customer-generator would otherwise be assigned.

Effect on Billing – and – Net Excess Generation

If the electricity supplied by the grid exceeds the electricity generated by the eligible customer-generator during a month, the eligible customer-generator is billed for the net energy supplied. If the electricity generated by an eligible customer-generator exceeds the electricity supplied by the grid, the eligible customer-generator is billed only the customer charges for that month. The amount of net excess generation supplied by the eligible customer-generator to the grid accrues and is applied to subsequent months when the eligible customer-generator's consumption may exceed their generation. The value of any remaining net excess generation is eventually paid to the eligible customer-generator at, or around, the end of April each year (unless an eligible customer-generator opts for specified alternatives) or when the account is closed.

The dollar value of the net excess generation is equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged by the electric company averaged over the previous 12-month period ending with the billing cycle that is complete immediately before the end of April, multiplied by the number of kilowatt-hours of net excess generation.

Ownership of and Title to Renewable Energy Attributes and Credits

An eligible customer-generator or the eligible customer-generator's assignee must own and have title to all renewable energy attributes or renewable energy credits associated with any electricity produced by its electric generating system.

Capacity Limit for Individual Systems

The generating capacity of an electric generating system used by an eligible customer-generator for net metering may not exceed 2 megawatts, with the exception of community solar energy generating systems and a net metered facility that is meter aggregated, both of which may not exceed 5 megawatts.

Meter-aggregated Systems

Under § 7-306.3 of the Public Utilities Article, an electric company must provide meter aggregation for an eligible customer-generator that submits a request and (1) uses electrical service for agriculture; (2) is a nonprofit organization; (3) is a municipal or county government, or an organization affiliated with the municipal or county government; (4) is a unit of State government; or (5) is a public senior higher education institution.

Community Solar Energy Generating Systems Program

Statute requires PSC to establish and maintain a Community Solar Energy Systems Program. Chapter 652 of 2023 established the program as a permanent program, following a prior pilot program.

The provisions governing the program include a General Assembly finding that it is in the public interest that the State enable the development and deployment of energy generation from community solar energy generating systems in order to:

- allow renters and low-income and moderate-income retail electric customers to own an interest in a community solar energy generating system;
- facilitate market entry for all potential subscribers while giving priority to subscribers who are the most sensitive to market barriers; and
- encourage developers to promote participation by renters and low- and moderate-income retail electric customers.

"Community solar energy generating system" means a solar energy system that, among other things:

- is connected to the electric distribution system serving the State;
- is located in the same electric service territory as its subscribers;
- is attached to the electric meter of a subscriber or is a separate facility with its own meter;
- credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering;
- has a generating capacity that does not exceed 5 megawatts; and
- with respect to a community solar energy generating system constructed under the Community Solar Energy Generating Systems Program, serves at least 40% of its kilowatt-hour output to low- and moderate-income (LMI) subscribers unless the system is wholly owned by subscribers to the solar energy system.

"LMI subscriber" means a subscriber that (1) is low-income; (2) is moderate-income; or (3) resides in a census tract that is an overburdened community and an underserved community.

"Subscriber" means a retail customer of an electric company that (1) holds a subscription to a community solar energy generating system and (2) has identified one or more individual meters or accounts to which the subscription must be attributed.

"Subscription" means the portion of the electricity generated by a community solar energy generating system that is credited to a subscriber.

"Subscriber organization" means (1) a person that owns or operates a community solar energy generating system or (2) the collective group of subscribers of a community solar energy generating system. A subscriber organization also may contract with a third party for the third party to finance, build, own, or operate a community solar energy generating system.

"Subscription coordinator" means a person that:

- markets community solar energy generating systems or otherwise provides services related to community solar energy generating systems under its own brand name;
- performs any administrative action to allocate subscriptions, connect subscribers with community solar energy generating systems, or enroll customers in the Community Solar Energy Generating Systems Program; or
- manages interactions between a subscriber organization and an electric company or electricity supplier relating to subscribers.

Under the program, a subscriber organization or subscription coordinator acting on behalf of a subscriber organization must (1) determine how to allocate subscriptions to subscribers

and (2) notify an electric company and, if applicable, a relevant electricity supplier about the allocation of subscriptions in accordance with PSC regulations.

A subscriber must (1) receive credit for virtual net excess generation and (2) accrue virtual net excess generation in the same manner as an eligible customer-generator under net energy metering (see "Net Energy Metering" below). "Virtual net excess generation" means the amount of electricity generated by a community solar energy generating system and attributed to a subscriber that would result in a negative kilowatt-hour reading at the end of the subscriber's billing cycle if applied to the subscriber's bill by the electric company as a reduction in metered kilowatt-hours.

A subscriber organization or subscription coordinator may elect for a subscriber or a community solar energy generating system represented by the subscriber organization or subscription coordinator to participate in consolidated billing. "Consolidated billing" means a payment mechanism that requires an electric company to, at the request of a subscriber organization or subscription coordinator (1) include the monthly subscription charge of a subscriber organization or subscription coordinator on the monthly bills rendered by the electric company for electric service and supply to subscribers and (2) remit payment for those charges to the subscriber organization or subscription coordinator.

An electric company must use energy generated from a community solar energy generating system to offset purchases from wholesale electricity suppliers for standard offer service.

Location of Provisions in the Bill: Section 4 (pp. 80-85) and Section 6 (pp. 88-90)

Study on Automatic Community Solar Enrollment Process

Provisions in the Bill: Modify an existing Public Service Commission (PSC) study required under the Renewable Energy Certainty Act of 2025 on establishing a community solar automatic enrollment program for local jurisdictions by adding new requirements and extending the study's reporting deadline from July 1, 2026, to December 1, 2026. Specifically, require PSC, in consultation with the Department of Human Services (DHS), to assess the feasibility of and technical barriers to establishing an automatic community solar enrollment process to provide bill credits for low- and moderate-income (LMI) subscribers through DHS's Office of Home Energy Programs, including consideration of:

- eligibility criteria for LMI subscribers;
- opt-out procedures for subscribers;
- the amount of bill savings for LMI subscribers;
- the role of any other State or local agency in the automatic enrollment process;
- the amount of energy generated by a community solar project that should be dedicated to LMI subscribers; and
- the impact to ratepayers that do not participate in the automatic enrollment process.

Effective Date: Emergency (assumes effective date of April 15, 2026)

State Effect: PSC can complete the modified study using existing budgeted resources. Revenues are not affected.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: The Renewable Energy Certainty Act requires PSC to conduct a study on the feasibility of and technical barriers to establishing a community solar automatic enrollment program for local jurisdictions. In conducting the study, PSC must consider (1) how LMI subscribers would be subscribed under the program; (2) whether automatically enrolled subscribers should receive a bill credit; (3) how to ensure that local jurisdictions comply with all program parameters; and (4) any necessary notification requirements and consumer protections that the program should have. By July 1, 2026, PSC must report to the Governor and the General Assembly on the results of the study.

"LMI subscriber" means a subscriber that (1) is low-income; (2) is moderate-income; or (3) resides in a census tract that is an overburdened community and an underserved community.

Location of Provisions in the Bill: Section 4 (pp. 86-88)

Targeted Rate Relief for Residential Electric Customers

Provisions in the Bill:

Strategic Energy Investment Fund Support for EmPOWER Surcharge Relief

Require, notwithstanding any other provision of law, $100.0 million of alternative compliance payment (ACP) revenues paid into the Strategic Energy Investment Fund (SEIF) to be used to provide grant awards to electric companies to be refunded or credited to residential electric customers to offset any surcharges imposed as a result of the operating costs of the EmPOWER Maryland Program in calendar 2027. Authorize the Governor to transfer these funds by budget amendment to the Public Service Commission (PSC) to be awarded to electric companies. Require the funds to be distributed in accordance with specified provisions governing the required uses of SEIF (as amended by the bill and described in further detail below) and in equal monthly amounts during calendar 2027.

Establish the intent of the General Assembly that PSC, in consultation with electric companies, work to resolve any administrative and technical issues in order to provide rate relief to all residential electric customers, including residents of apartments, condominiums, and other multi-occupancy residences.

Treatment of Commercial Customers that Use Master Meters for Retail Electric Service

Require PSC, to the greatest extent practicable and in consultation with each electric company that collects the EmPOWER surcharge, to determine:

- the commercial customers of each electric company that use a master meter to allocate costs of retail electric service to the residents of apartments, condominiums, and other multi-occupancy residences; and
- the estimated energy use by those commercial customers.

Authorize PSC, if the commission is able to determine, with a reasonable degree of certainty, the commercial customer information described above, to require that a *pro rata* share of the funds described above (the $100.0 million) be provided as grants to electric companies to be refunded or credited to commercial customers that use a master meter to allocate costs of retail electric service to residents of apartment houses, condominiums, or other multi-occupancy residences. Impose specified requirements and restrictions on a commercial customer that receives such funding, while holding PSC and each electric company harmless for any failure by a commercial customer to use the funding as required by those provisions.

Authorize PSC, if it is unable to determine, with a reasonable degree of certainty, the commercial customer information specified above – or if it determines that providing funds to those commercial customers is not in the public interest – to instead, by December 1, 2026, direct electric companies to refund or credit only those residential customers taking service under a residential tariff. Require PSC, if it does so, to report to the General Assembly and specified legislative committees on the reasoning for its decision.

Required Uses of the Strategic Energy Investment Fund

Require the Maryland Energy Administration (MEA) to use SEIF funds, in addition to other existing required uses, to provide rate relief by offsetting electricity rates of "residents of apartment houses" (as defined below in Current Law) for which electricity service is provided through (1) submetering authorized under § 7-303 of the Public Utilities Article or (2) an energy allocation system as defined in § 7-304 of the Public Utilities Article.

Effective Date: Emergency (assumes effective date of April 15, 2026); however, the provision requiring MEA to use SEIF funds to provide rate relief for residents of apartment houses takes effect July 1, 2026

State Effect: Special fund (SEIF) expenditures increase by $100.0 million in fiscal 2027 due to the requirement that $100.0 million in ACP revenues paid into SEIF be used to provide grant awards to electric companies to be refunded or credited to residential electric customers in calendar 2027. The fiscal 2027 budget as introduced includes $100.0 million in special funds for PSC contingent upon the enactment of legislation expanding the allowable uses of SEIF. This analysis assumes that the bill's provisions requiring ACPs paid into SEIF to be used in a specified manner satisfies the contingent language in the fiscal 2027 budget as introduced and effectuates the $100.0 million special fund appropriation to PSC.

Despite the requirement that credits or refunds be provided to residential electric customers in equal monthly amounts during calendar 2027, because it is assumed that this bill effectuates the contingent language in the fiscal 2027 budget as introduced, this analysis assumes that PSC awards the full $100.0 million to electric companies in fiscal 2027 to be distributed throughout calendar 2027 ($50.0 million in fiscal 2027 and $50.0 million in fiscal 2028).

Revenues are not affected.

Local Effect: The provisions are not anticipated to affect local government finances or operations.

Small Business Effect: Minimal.

Current Law:

Authorization for Refund or Credit for Residential Distribution Customers

The Next Generation Energy Act of 2025 authorizes the use of ACP revenues paid into SEIF to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer's consumption of electricity supply that is subject to the State's Renewable Energy Portfolio Standard (RPS). The refunding or crediting of amounts to residential distribution customers must be identified on the customer's bill as a line item identified as a "legislative energy relief refund."

Required Refund or Credit in Fiscal 2026

The Next Generation Energy Act also – separately, in uncodified language – requires that a portion of ACP revenues paid into SEIF be used to provide grant awards to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026. The Governor was authorized to transfer the funds by budget amendment to PSC to be awarded to the electric companies. The funds must be distributed (1) in accordance with the codified provisions of the Act authorizing ACP revenues to be used to provide grants to electric companies for refunds or credits (described above) and (2) twice during fiscal 2026 (with half refunded or credited during a peak summer month and half refunded or credited during a peak winter month).

The fiscal 2026 budget bill correspondingly – and contingent on the enactment of Senate Bill 937 or House Bill 1035 of 2025 (both enacted, as Chapters 625 and 626 of 2025 – the Next Generation Energy Act) – authorized the Governor to transfer by budget amendment up to $200.0 million from ACP revenues in SEIF to PSC to be awarded to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026.

Strategic Energy Investment Fund

MEA administers SEIF, which, among other revenue sources, receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative and ACP revenues through the State's RPS. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

Among other required uses of SEIF, MEA must use SEIF to provide rate relief by offsetting electricity costs of residential customers, including an offset of surcharges imposed on ratepayers under the EmPOWER Maryland Program.

Definition of "Apartment House"

"Apartment house" means one or more buildings that each contain more than two dwelling units and in which all the dwelling units are occupied primarily for nontransient use with rent paid at intervals of one week or longer.

Use of Master-metering for Retail Electric Service

Pursuant to § 7-303 of the Public Utilities Article, "submetering" is the installation of equipment to determine the actual use of gas or electricity for each residential unit in an apartment house or commercial rental unit in an office building or shopping center. Pursuant to § 7-304 of the Public Utilities Article, an "energy allocation system" is a method of determining the approximate energy use within an individual dwelling unit by a measuring device approved by PSC. Both systems use a master meter, and the utility has a direct billing relationship with the commercial master meter owner, not the residents.

PSC authorizes, by regulation, an owner, operator, or manager of an apartment house (including a condominium), office building, or shopping center with a master meter to install submeters for determining the actual use of electricity or gas per unit. A unit may not be submetered unless all units in that building are submetered. An owner, operator, or manager of an apartment house, office building, or shopping center who installs submetering equipment to provide bulk metered service may not impose on a unit any utility cost other than those that PSC authorizes and that the gas or electric company actually imposes on the owner, operator, or manager. The charges must be allocated among the units in proportion to the actual usage of cubic feet or kilowatt-hours by the unit.

Approval from PSC is required before an energy allocation system may be used by the owner, operator, or manager of an apartment house to determine the amount of gas or electricity used by an individual dwelling unit if the amount of gas or electricity is determined by means other than by actual measurement of fuel or electric power consumed by the unit. PSC may approve an energy allocation system upon a demonstration by the owner that the system results in a reasonable determination of the cost of the energy use within a dwelling unit. An owner using an energy allocation system must directly bill an occupant only for the cost of the approximate energy use within a dwelling unit. An energy allocation system may not be used for direct billing of energy costs to the tenant of an individual dwelling unit unless PSC approves the system.

Location of Provisions in the Bill: Section 3 (p. 68) and Section 7 (pp. 90-92)

Power Plant Research Program Study on Streamlined Permitting

Provisions in the Bill: Require the Department of Natural Resources' (DNR) Power Plant Research Program (PPRP), in consultation with the Maryland Department of the Environment (MDE) and the Maryland Energy Administration (MEA), to conduct a study to identify ways to streamline the permitting process for energy development in the State. Require PPRP, in conducting the study, to:

- identify up to 50 priority energy sites suitable for new or expanded generating stations or energy storage devices, including brownfields, industrial sites surrounded by areas with low-population density, and sites with old or decommissioned generating units that may be repowered or repurposed;
- identify current bottlenecks and barriers in Maryland that extend State and local permitting timelines; and
- develop recommendations on what a State-level zoning or permitting structure should look like in order to promote fast-tracked development at the priority energy sites identified as part of the study.

Require PPRP to report to the Governor and the General Assembly on the results of the study by December 31, 2026.

Effective Date: Emergency (assumes effective date of April 15, 2026)

State Effect: *Under one set of assumptions*, general/special fund expenditures for DNR increase by $31,074 in fiscal 2026 and by $225,200 in fiscal 2027 to complete the required study. Revenues are not affected.

Department of Natural Resources

In accordance with the Maryland Energy Site-Readiness Initiative established pursuant to Executive Order 01.01.2025.27 (discussed below under Current Law), DNR advises that PPRP has already begun working to identify priority energy sites that may be suitable for rapid energy deployment. Generally, the initiative requires PPRP, in coordination with other specified agencies, to publish an inventory of previously disturbed land parcels (giving priority to brownfields, closed mines, industrial zones, and parking canopies) that may be suitable for rapid energy deployment.

While PPRP advises that the study required under the bill's provisions continues its efforts under the Site-Readiness Initiative and that, as a result, it anticipates completing the study using existing budgeted resources, the Department of Legislative Services (DLS) notes that the requirements of the Site-Readiness Initiative only partially overlap with those of the study required by the bill's provisions. For example, the bill's provisions require PPRP to

identify current bottlenecks and barriers in Maryland that extend State and local permitting timelines, a requirement not included in the Site-Readiness Initiative. Additionally, the initiative does not require publication of the inventory until November 1, 2027, whereas PPRP must report the results of the study under the bill's provisions by December 31, 2026.

Regarding the fiscal effect of the first reader version of this bill (which also required PPRP to conduct the same study), DNR advised that completing the study would require PPRP to hire two contractual site assessors and engage a consultant. Given the differences in the requirements between the Site-Readiness Initiative and the study required by the bill's provisions, as well as the differing timelines for completion, DLS assumes that DNR still must hire contractual staff and engage a consultant.

Accordingly, general/special fund expenditures for DNR increase by $31,074 in fiscal 2026, which reflects a 45-day start-up delay from the assumed April 15, 2026 effective date, and by $225,200 in fiscal 2027. This estimate reflects the cost of hiring two contractual site assessors within PPRP for a period of seven months to complete the study and report on the study results. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The fiscal 2027 estimate also includes $125,000 in costs to engage an independent consultant to assist with technical aspects of the study.

	FY 2026	**FY 2027**
Contractual Positions (New)	2.0	0.0
Salaries and Fringe Benefits	$16,513	$97,395
Consultant Expenses	0	125,000
Other Operating Expenses	14,561	2,805
Total DNR Expenditures	**$31,074**	**$225,200**

The fiscal 2027 estimate assumes that the two contractual positions terminate December 31, 2026 (concurrent with the deadline for PPRP to report on the study results).

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Because of the limited time frame within which the study must be completed, PPRP advises that it may face challenges in hiring qualified contractual staff to assist with the study. Accordingly, costs could be less to the extent that PPRP is unable to hire contractual staff.

In general, special funds from the Environmental Trust Fund (ETF) are used to fund a significant portion of PPRP's operations. PPRP also receives funding from the Strategic Energy Investment Fund (SEIF) in the fiscal 2027 budget as introduced (see the *Governor's Fiscal 2027 Budget Books, Volume I*, p. 462). Other provisions of the bill

specify that PPRP, beginning in fiscal 2028, must receive 5% of the funds allocated annually from the renewable and clean energy programs account within SEIF, unless the ETF surcharge imposed on retail electric customers exceeds a specified threshold. Notwithstanding this additional funding, PPRP's workload and associated costs have been increasing significantly. Thus, to the extent that available special funds are insufficient to cover costs under these provisions, general funds may be needed to support some or all of the expenditures.

Maryland Department of the Environment and Maryland Energy Administration

Both MDE and MEA advise that they can consult with PPRP on the study using existing budgeted resources.

Local Effect: No effect on local government finances or operations.

Small Business Effect: None.

Current Law: Executive Order 01.01.2025.27 ("Building an Affordable and Reliable Energy Future") (December 2025) directs Executive Branch agencies to take immediate actions to stabilize utility bills, improve grid reliability and efficiency, provide recommendations to the General Assembly, and accelerate cost-effective energy deployment while maintaining affordability and reliability for the people and economy of Maryland. The executive order established an Energy Subcabinet to coordinate interagency policy and oversee implementation of the executive order.

Among other things, the executive order directs PPRP, in coordination with MEA, the Department of Commerce, MDE, and the Maryland Department of Planning, to establish a Site-Readiness Initiative. By November 1, 2027, the initiative must publish an inventory of previously disturbed land parcels which are pre-vetted as potentially suitable for rapid energy deployment, giving priority disturbed lands, including brownfields, closed mines, industrial zones, and parking canopies, to minimize impacts on agricultural or forested lands. For any priority sites identified, several specified agencies must conduct preliminary environmental and interconnection feasibility assessments, subject to the availability of funding.

Location of Provisions in the Bill: Section 9 (pp. 93-94)

Appendix – Certificate of Public Convenience and Necessity

General Overview

The Public Service Commission (PSC) is the lead agency for licensing the siting, construction, and operation of power plants and related facilities in the State through Certificates of Public Convenience and Necessity (CPCNs). The CPCN process is comprehensive and involves several other State agencies, including the Department of Natural Resources (and its Power Plant Research Program), and the Maryland Department of the Environment. Subject to limited exemptions described below, a person may not begin construction in the State of a generating station, qualified generator lead line, overhead transmission line designed to carry more than 69,000 volts, or certain energy storage devices unless a CPCN is first obtained from PSC.

State law provides that a "generating station" excludes:

- a facility used for electricity production with a capacity of up to 2 megawatts that is installed with equipment that prevents the flow of electricity to the electric grid during time periods when the grid is out of service;
- a combination of two or more co-located or adjacent facilities used for electricity production from solar photovoltaic systems or specified eligible customer-generators that have a maximum cumulative capacity of 14 megawatts, including maximum individual capacities of 2 megawatts (subject to satisfying other requirements); and
- a facility, or a combination of two or more facilities, used for electricity production for the purpose of onsite emergency backup for critical infrastructure when service from the electric company is interrupted and conducting necessary test and maintenance operations (subject to satisfying other requirements).

The CPCN process, detailed further below, involves the notification of specified stakeholders, the holding of public hearings, the consideration of recommendations by State and local government entities, and the consideration of the project's effects on various aspects of the State infrastructure, economy, and environment.

In December 2020, PSC initiated a rulemaking (RM 72) to revise regulations governing CPCNs for generating stations. Updated regulations became effective in September 2021. Among other changes, the regulations contain additional information requirements – to assist in project evaluation – and allow for electronic submission and distribution of application materials.

Notification Process

Upon receipt of a CPCN application, PSC – or the CPCN applicant, if required by PSC – must immediately provide notice to specified recipients, including the executive and governing body of affected local governments, affected members of the General Assembly, and other interested persons. When providing the notice, PSC must also forward the CPCN application to each appropriate unit of State and local government for review, evaluation, and comment and to each member of the General Assembly who requests a copy.

Public Hearing and Comment

PSC must provide an opportunity for public comment and hold a public hearing on a CPCN application in each county and municipality in which any portion of the construction of a generating station, overhead transmission line, or qualified generator lead line is proposed to be located. PSC must hold the hearing jointly with the governing body of the county or municipality and must provide weekly notice during the four weeks prior to the hearing, both in a newspaper and online, and must further coordinate with each local government to identify additional hearing notification options. PSC must ensure presentation and recommendations from each interested State unit and must allow representatives of each State unit to sit during the hearing of all parties. PSC must then allow each State unit 15 days after the conclusion of the hearing to modify the unit's initial recommendations.

Public Service Commission Considerations

PSC must take final action on a CPCN application only after due consideration of (1) recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; (2) various aspects of the State infrastructure, economy, and environment; and (3) the effect of climate change on the project. For example, PSC must consider the effect of the project on the stability and reliability of the electric system and, when applicable, air and water pollution. There are additional considerations specifically for a generating station or an overhead transmission line. For example, PSC must consider the impact of a generating station on the quantity of annual and long-term statewide greenhouse gas emissions and must consider alternative routes and related costs for the construction of a new overhead transmission line.

Exemptions Under § 7-207.1 of the Public Utilities Article

Section 7-207.1 of the Public Utilities Article specifies three conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement:

- the facility is designed to provide onsite generated electricity, the capacity is up to 70 megawatts, and the excess electricity can be sold only on the wholesale market pursuant to a specified agreement with the local electric company;
- at least 10% of the electricity generated is consumed onsite, the capacity is up to 25 megawatts, and the excess electricity is sold on the wholesale market pursuant to a specified agreement with the local electric company; or
- the facility is wind-powered and land-based, the capacity is up to 70 megawatts, and the facility is no closer than a PSC-determined distance from the Patuxent River Naval Air Station, among other requirements.

However, PSC must require a person who is exempted from the CPCN requirement to obtain approval from the commission before the person may construct a generating station as described above. The application must contain specified information that PSC requires, including proof of compliance with all applicable requirements of the independent system operator.

Exemptions Under § 7-207.4 of the Public Utilities Article

The Renewable Energy Certainty Act of 2025 (Chapters 623 and 624) establishes the Distributed Generation Certificate of Public Convenience and Necessity (DGCPCN), a certificate that PSC may issue – in lieu of a CPCN – to a person seeking to construct and operate community solar projects that have a generating capacity of 2 megawatts to 5 megawatts and meet other specified requirements. A DGCPCN carries the same force and effect as a CPCN while offering applicants a streamlined review process; however, until PSC begins accepting applications for DGCPCNs (likely in 2027), a CPCN will still be required to construct a community solar project.

As with the CPCN process, PSC must provide an opportunity for public comment and hold a public hearing on a DGCPCN application in each county where any portion of the project is proposed to be located.

Additional Information

For a more thorough discussion of the above topics, along with legislative history and recent data trends, see *The Maryland Certificate of Public Convenience and Necessity* on the Department of Legislative Services' website.

Appendix – Incentives for Solar Energy Generating Systems

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. The following is an overview of notable State incentives, which may be combined, depending on the specifics of a particular solar energy generating system.

Production Incentives

Net Metering

Under § 7-306 of the Public Utilities Article, the Public Service Commission (PSC) must require electric companies to develop and make net metering tariffs available to eligible customer-generators. Net metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by the customer and fed back to the grid over the customer's billing period. Under net metering, the customer pays only for energy used, netted against energy generated, plus the fixed monthly customer charge. In the event that more energy is generated than used, the electric company must pay the customer the value of the difference, subject to specified requirements. Generally, net excess generation payments are made annually, although certain customers may instead choose to accrue net excess generation indefinitely.

Generally, the generating capacity of an eligible customer-generator for net metering may be up to 2 megawatts, although there are exceptions allowing for larger capacities, including for community solar. Community solar systems are those that meet specified requirements, have multiple subscribers, and engage in virtual net metering.

There are multiple eligible energy sources for net metering, although most of the installed capacity is solar. The statewide capacity limit is 3,000 megawatts.

Renewable Energy Portfolio Standard

Under Title 7, Subtitle 7 of the Public Utilities Article, which establishes the State Renewable Energy Portfolio Standard (RPS), utilities and other competitive energy suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, a REC is a tradable commodity equal to 1 megawatt-hour of electricity generated or obtained from a renewable energy generation source. In program compliance year 2026, RPS percentage requirements include 8.0% from solar, which must be connected to the electric distribution grid serving Maryland.

Under § 7-709.1 of the Public Utilities Article, PSC must establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar RECs, which have an RPS compliance value of 150%, for 15 years. In addition to other requirements, an eligible system must be placed in service between July 1, 2024, and January 1, 2028, inclusive.

Grant and Loan Incentives

Under § 9-20B-05 of the State Government Article, the Maryland Energy Administration (MEA) must administer the Strategic Energy Investment Fund (SEIF). Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and ACP revenues through the State RPS. RGGI-sourced funding is allocated through a statutory formula that provides significant annual funding for clean energy programs and initiatives, in addition to other purposes. In practice, MEA offers a variety of residential and commercial grants and rebates for different types of solar installations. Generally, solar ACP revenues must be used to support new solar development, although there are additional requirements in certain years.

Tax Incentives

Solar Energy Property Generally Not Subject to State or Local Real Property Tax

Under § 7-242 of the Tax-Property Article, solar energy property is generally not subject to State or local real property tax. "Solar energy property" means equipment that is installed to use solar energy or solar thermal electric energy to generate electricity to be used in a structure or supplied to the electric grid or provide hot water for use in a structure.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Community Solar Personal Property Tax Exemption

Under § 7-237 of the Tax-Property Article, a community solar energy generating system with up to 5 megawatts of capacity that meets specified requirements is exempt from the

county and municipal personal property tax through the life cycle of the system. To be eligible, a system must (1) be placed in service after June 30, 2022, and be approved by PSC by December 31, 2030; (2) provide at least 50% of the energy produced to low- to moderate-income customers at reduced prices, as specified; and (3) be used for agrivoltaics or be installed on a rooftop, brownfield, parking facility canopy, landfill, or clean fill.

Community Solar Real Property Tax Credit

Under § 9-111 of the Tax-Property Article, the State and local governments must grant a 50% property tax credit for a brownfield, landfill, or clean fill on which a specified community solar energy generating system is installed. To be eligible, a system must be placed in service after June 30, 2022, and have been approved by PSC by December 31, 2025.

Optional Local Property Tax Credit for Solar Energy Devices

Under § 9-203 of the Tax-Property Article, counties and municipalities are authorized to grant tax credits against county or municipal property taxes for the use of a solar energy, geothermal energy, or qualifying energy conservation device in a structure for the purposes of heating and cooling, electricity generation, or the provision of hot water. Local governments may establish related definitions in determining eligibility for the credit.

Optional Local Real Property Assessment Reduction for Certain Parking Canopies

Under § 7-250 of the Tax-Property Article, the governing body of a county or municipality may reduce or eliminate, by law, the percentage of the assessment of any real property that is subject to the county or municipal property tax if the real property includes a parking facility on which a solar energy generating system has been constructed on its canopy. These provisions apply only to real property that includes a parking facility on which a system has been approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024. The provision terminates June 30, 2027.

Sales and Use Tax Exemptions

Under § 11-230 of the Tax-General Article, the sales and use tax does not apply to the sale of solar energy equipment, which is defined as equipment that uses solar energy to heat or cool a structure, generate electricity to be used in a structure or supplied to the electric grid, or provide hot water for use in a structure.

Under § 11-207 of the Tax-General Article, the sales and use tax does not apply to the sale of electricity generated by solar energy equipment for use in residential property owned by an eligible customer-generator under the State's net metering law.

Appendix – Renewable Energy Portfolio Standard

General Overview

Maryland's Renewable Energy Portfolio Standard (RPS) was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. There are specified eligible ("Tier 1" or "Tier 2") sources as well as carve-outs for solar, offshore wind, and geothermal. Electric companies (utilities) and other electricity suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Historically, RPS requirements have been met almost entirely through RECs, with negligible reliance on ACPs; however, as discussed further below, that has not been the case more recently. Generally, the Maryland Energy Administration must use ACPs for purposes related to renewable energy, as specified.

In 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.50% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources.

Recent Significant Changes to Overall Percentage Requirements

- Chapter 757 of 2019 significantly increased the percentage requirements, which now escalate over time to a minimum of 50% from Tier 1 sources, including 14.5% from solar, by 2030.

- Chapter 673 of 2021 reduced the amount of solar energy required under the RPS each year from 2022 through 2029, while leaving the nonsolar requirement generally unchanged, before realigning with the previous requirements beginning in 2030. The Act also extended Tier 2 in perpetuity at 2.5%.

- Chapter 164 of 2021 created a carve-out for post-2022 geothermal systems in Tier 1 beginning in 2023.

Limited Applicability to Municipal Electric Utilities and Electric Cooperatives

As RPS percentage requirements have grown over time, legislation has been enacted to limit the effect on municipal electric utilities and electric cooperatives. Tier 1 percentage requirements for municipal electric utilities are limited to 20.4% in total beginning in 2021, including at least 1.95% from solar energy and up to 2.5% from offshore wind. Municipal electric utilities are also exempt from Tier 2 after 2021. Electric cooperatives are exempt from future increases to the solar carve-out beyond 2.5%, and the RPS does not apply to Choptank Electric Cooperative.

Renewable Energy Credits

Generally, a REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation resource. In other words, a REC represents the "generation attributes" of renewable energy – the lack of carbon emissions, its renewable nature, etc. A REC has a five-year life during which it may be transferred, sold, or redeemed. REC generators and electricity suppliers are allowed to trade RECs using a Public Service Commission (PSC) approved system known as the Generation Attributes Tracking System, a trading platform designed and operated by PJM Environmental Information Services, Inc., that tracks the ownership and trading of RECs.

Eligible Sources

Tier 1 sources include wind (onshore and offshore); solar (photovoltaic and certain water-heating systems); qualifying biomass; methane from anaerobic decomposition of organic materials in a landfill or wastewater treatment plant; geothermal; ocean, including energy from waves, tides, currents, and thermal differences; a fuel cell that produces electricity from specified sources; a small hydroelectric plant of less than 30 megawatts; poultry litter-to-energy; thermal energy from a thermal biomass system; and raw or treated wastewater used as a heat source or sink for heating or cooling. Tier 2 includes only large hydroelectric power plants.

Chapter 673 excluded black liquor, or any product derived from black liquor, from Tier 1 beginning in 2022, although some black liquor RECs remain eligible through the duration of certain contracts. Chapters 625 and 626 of 2025 removed waste-to-energy and refuse-derived fuel from RPS eligibility. The exclusion generally applies to all RPS compliance years starting on or after January 1, 2025, except for a facility owned by a public instrumentality of the State (*i.e.*, Montgomery County), which applies beginning July 1, 2026.

Trends in Compliance Costs, Renewable Energy Credit Prices, and Resources Used

Compliance costs for electricity suppliers totaled $616.9 million in 2024: $254.7 million for 7.0 million RECs and $362.3 million in ACPs. This continues a multi-year trend of increasing overall compliance costs, reliance on ACPs, and REC prices. Of note, 2024 continues the trend of 2023 that ACPs have been used in a significant way for general Tier 1 compliance. In fact, 2024 had the fewest RECs retired since 2014. ACP prices were in many instances less expensive than REC prices and, as a result, suppliers chose to pay the ACP rather than retire RECs. Compliance costs and REC prices for the most recent five-year period are shown in **Exhibit 1**.

Exhibit 1
RPS Compliance Costs and REC Prices
2020-2024

	2020	2021	2022	2023	2024
Compliance Costs ($ Millions)					
RECs					
Tier 1	$99.8	$187.3	$246.5	$124.9	$90.1
Tier 1 Solar	122.9	144.4	101.4	109.6	150.4
Tier 1 Geothermal	n/a	n/a	n/a	0.1	2.2
Tier 2	0.4	1.0	4.4	9.3	12.0
RECs Subtotal	***$223.1***	***$332.7***	***$352.3***	***$243.8***	***$254.7***
ACPs					
Tier 1	$0.0	$0.2	$0.7	$262.4	$319.4
Tier 1 Solar	0.0	76.9	85.9	56.0	37.2
Tier 1 Geothermal	n/a	n/a	n/a	1.6	4.4
Tier 2	0.0	0.0	0.0	0.4	1.3
ACPs Subtotal	***$0.1***	***$77.1***	***$86.6***	***$320.4***	***$362.3***
Total	**$223.2**	**$409.8**	**$438.9**	**$564.2**	**$616.9**
Average REC Price ($)					
Tier 1	$8.24	$14.36	$17.80	$24.61	$27.09
Tier 1 Solar	$66.10	$72.59	$57.80	$56.67	$58.56
Tier 1 Geothermal	n/a	n/a	n/a	$94.47	$94.04
Tier 2	$1.06	$6.45	$7.42	$10.50	$11.16

ACP: alternative compliance payment
n/a: not applicable
REC: renewable energy credit
RPS: Renewable Energy Portfolio Standard

Note: Numbers may not sum to total due to rounding. The post-2022 geothermal system carve-out became effective in 2023.

Source: Public Service Commission

Approximately 45% of RECs used for compliance in 2024 came from in-state resources, up from 35% in 2023. RECs derived from three fuel types, solar (43.4%), black liquor (16.2%), and wind (15.1%), were the predominant sources of Tier 1 compliance in 2024. Maryland facilities generated approximately 5.7 million RECs in 2024: 1.5 million Tier 1

nonsolar RECs, 2.4 million Tier 1 SRECs, and 1.8 million Tier 2 RECs. Many RECs can be used for compliance in both Maryland and other surrounding states, although there are geographic and energy source restrictions.

Related Studies and Reports

PSC must submit an RPS compliance report to the General Assembly each year. The most recent report, which contains historical data through 2024, can be found here.

The Power Plant Research Program (PPRP) in the Department of Natural Resources has frequently been required to conduct RPS studies. PPRP submitted a final report on a comprehensive RPS study in December 2019, which can be found here. PPRP also submitted a related required study on nuclear energy at that time, which can be found here. PPRP's supplemental study on the overall costs and benefits of increasing the RPS to a goal of 100% by 2040 can be found here.

The Department of Legislative Services also issued an RPS report in 2025, which can be found here. The report contains additional detail on the program, significant statutory changes, and visualizations of planned and actual RPS percentage requirements over time.