

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

House Bill 1128 (Delegate Stein, *et al.*)  
Economic Matters

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Electricity - Community Energy-Generating Facilities - Pilot Program

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This bill establishes a three-year Pilot Program on Community Energy-Generating Facilities administered by the Public Service Commission (PSC). The commission must adhere to specified guidelines in conducting the program, and may adopt specified regulations. The bill establishes specified notification and reporting requirements for PSC.

The bill terminates September 30, 2017.

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Fiscal Summary

**State Effect:** PSC can implement the bill, including any necessary working group discussions and rulemakings to administer the pilot program, with existing budgeted resources.

**Local Effect:** Minimal.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** A “community energy-generating facility” means a renewable energy facility that (1) generates electricity from biomass, solar, fuel cell, wind, or closed conduit hydroelectric; (2) credits its generated electricity to the bill of the subscribers to the facility; (3) is located in the same electric company service territory as its subscribers; (4) has at least two subscribers; (5) has a generating capacity of up to two megawatts; and (6) may be owned by any person, including a subscriber organization. It is *not* an electric company, an electric supplier, or a generating station.

A “subscriber” means a retail customer of an electric company who owns a subscription and has identified one or more individual meters or accounts to which the subscription must be attributed. A “subscriber organization” means an organization whose sole purpose is to own or operate a community energy-generating facility or the subscribers of the community energy-generating facility. “Unsubscribed energy” means any community energy-generating facility output that is not allocated to a subscriber.

PSC must adhere to the following guidelines in conducting the pilot program, among others:

- an electric company must credit a subscriber on a monthly basis for the subscriber’s portion of the community energy-generating facility;
- the dollar value of net excess generation must be equal to the generation or commodity portion of the rate that the eligible subscriber would have been charged by the electric company averaged over the previous 12-month period multiplied by the number of kilowatt-hours of net excess generation;
- PSC must determine the maximum amount of net excess generation that a subscriber may be credited;
- electricity generated by the facility must be valued at a rate set by PSC to correspond to the average retail value of electricity for the subscriber’s customer class;
- PSC must determine a transmission and distribution rate that takes into account specified costs and benefits, which must be incorporated into the value of electricity generated by the facility;
- all rate classes must be allowed to participate in the pilot program;
- all costs associated with interconnection are the responsibility of the owner or operator of the facility;
- any unsubscribed energy must be purchased under the electric company’s process for purchasing the output from qualifying facilities at avoided cost;
- a subscriber organization may contract with a third party for the third party to finance, build, own, or operate a facility; and
- an electric company may assess a fair and reasonable fee, subject to PSC approval, to administer the pilot program.

A contract entered into during the pilot program must remain in effect for the duration of the contract, and neither PSC nor the electric company may change the terms of the contract.

Electricity generated under the pilot program is limited to 15, 30, and 50 megawatts during the first, second, and third years, respectively.

PSC must notify the General Assembly and the Department of Legislative Services when it adopts a pilot tariff under the bill. The pilot program must terminate three years after PSC adopts pilot tariffs. PSC may adopt consumer protection regulations for the pilot program.

Finally, PSC must report to the General Assembly by December 31 of the year following the termination of the pilot program on specified information related to the implementation of community energy-generating facilities.

**Current Law:** Net energy metering is the 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 company over the eligible customer-generator's billing period. An "eligible customer-generator" is a customer that owns and operates, or leases and operates, a biomass, solar, fuel cell, wind, or micro-combined heat and power electric generating facility located on the customer's premises or contiguous property, interconnected and operated in parallel with an electric company's transmission and distribution facilities, and intended primarily to offset all or part of the customer's own electricity requirements. The generating capacity of an eligible customer-generator for net metering may not exceed two megawatts.

An eligible customer-generator may accrue net excess generation for a period (1) of up to one year and (2) that ends with the billing cycle that is complete immediately prior to the end of April of each year. The electric company must carry forward net excess generation until (1) the eligible customer-generator's consumption of electricity from the grid eliminates the net excess generation or (2) the accrual period expires.

Generally, the dollar value of net excess generation is equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged for the electricity multiplied by the number of kilowatt-hours of net excess generation. At the end of the accrual period ending in April each year, the electric company must pay to each eligible customer-generator the dollar value for any accrued net excess generation remaining.

PSC is required to submit an annual report on the status of net energy metering to the General Assembly. The report must contain the amount of generating capacity owned by eligible customer-generators in the State, the type of energy resource used in generation, a recommendation regarding whether the generating capacity limit of the net metering program should be altered, and other pertinent information.

**Background:** In response to an April 2012 request from the Senate Finance Committee, PSC ordered its stakeholder Net Metering Working Group to evaluate whether a net energy metering program for "community energy-generating facilities" as specified in

SB 595 of 2012 could be a workable net energy metering program in the State. A November 2012 letter from PSC to the committee indicated that, although the working group concluded that such a program could be workable in Maryland, significant policy issues remained, and PSC had not yet evaluated, resolved, or decided any of the disputed issues at that point.

The most recent data reported to PSC on net energy metering is provided in **Exhibit 1**. During calendar 2012, the amount of net energy metered capacity increased over the prior year from 31,739 kilowatts to 58,514 kilowatts. This represents only 3.9% of the current statewide limit of 1,500 megawatts for total net energy metering capacity.

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**Exhibit 1**  
**Net Energy Metered Installed Capacity in Maryland**  
**(Kilowatts)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Solar	321	2,242	24,628	30,905	55,856
Wind	42	211	556	514	1,278
Biomass	-	-	30	320	1,380
<b>Total</b>	<b>364</b>	<b>2,453</b>	<b>25,214</b>	<b>31,739</b>	<b>58,514</b>

Note: Numbers may not sum to total due to rounding.

Source: Public Service Commission

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 699 (Senator Pinsky, *et al.*) - Finance.

**Information Source(s):** Public Service Commission, Office of People's Counsel, cities of Frederick and Havre de Grace, Department of Legislative Services,

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