

HOUSE BILL 397

M5, C5, P2

4lr0652
CF SB 570

By: **Delegate Charkoudian**

Introduced and read first time: January 17, 2024

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 29, 2024

CHAPTER _____

1 AN ACT concerning

2 **Public Utilities – Thermal Energy Network Systems – Authorization and**
3 **Establishment**
4 **(Working for Accessible Renewable Maryland Thermal Heat (WARMTH) Act)**

5 FOR the purpose of requiring ~~each certain~~ gas ~~company~~ companies and authorizing certain
6 gas companies to develop a plan for a pilot thermal energy network system or
7 systems on or before a certain date; requiring ~~each certain~~ gas ~~company~~ companies
8 to submit a certain proposal or proposals to the Public Service Commission for
9 approval on or before a certain date; authorizing a municipal corporation, county, or
10 community organization to submit neighborhoods to gas companies for consideration
11 as part of a pilot system; establishing requirements and authorizations for the
12 development and implementation of a proposal and thermal energy network system;
13 requiring the Commission to approve, approve with modifications, or reject each
14 proposal on or before a certain date; requiring the Commission, in consultation with
15 the Maryland Energy Administration ~~and~~, the Office of People’s Counsel, a certain
16 company, a certain certified representative, and certain customers, to make a
17 determination on whether to make a pilot system permanent after the completion of
18 the pilot system’s pilot period; establishing funding requirements for the
19 Administration to ~~cover~~ assist certain companies in covering certain costs; providing
20 for the payment and recovery of certain costs; requiring the Administration to
21 coordinate with the Department of Housing and Community Development to provide
22 certain services or funding; requiring ~~the Maryland Environmental Service to issue~~
23 ~~certain procurements for certain projects~~ a gas company to be responsible for certain
24 costs associated with certain behind-the-meter projects; establishing certain

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 employment and wage requirements for certain projects; and generally relating to
2 thermal energy network systems.

3 BY repealing and reenacting, without amendments,
4 Article – Public Utilities
5 Section 7–703(f)(1)
6 Annotated Code of Maryland
7 (2020 Replacement Volume and 2023 Supplement)

8 BY adding to
9 Article – Public Utilities
10 Section 7–1001 through 7–1006 to be under the new subtitle “Subtitle 10. Thermal
11 Energy Network Systems”
12 Annotated Code of Maryland
13 (2020 Replacement Volume and 2023 Supplement)

14 BY repealing and reenacting, without amendments,
15 Article – ~~Environment~~ Environment
16 Section 1–701(a)(1), (7), and (8)
17 Annotated Code of Maryland
18 (2013 Replacement Volume and 2023 Supplement)

19 BY repealing and reenacting, without amendments,
20 Article – Housing and Community Development
21 Section 4–1801(a) and (c)
22 Annotated Code of Maryland
23 (2019 Replacement Volume and 2023 Supplement)

24 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
25 That the Laws of Maryland read as follows:

26 **Article – Public Utilities**

27 7–703.

28 (f) (1) (i) In this subsection the following words have the meanings
29 indicated.

30 (ii) “Area median income” has the meaning stated in § 4–1801 of the
31 Housing and Community Development Article.

32 (iii) “Low or moderate income housing” means housing that is
33 affordable for a household with an aggregate annual income that is below 120% of the area
34 median income.

35 **SUBTITLE 10. THERMAL ENERGY NETWORK SYSTEMS.**

1 7-1001.

2 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
3 INDICATED.

4 (B) "ADMINISTRATION" MEANS THE MARYLAND ENERGY
5 ADMINISTRATION.

6 (C) "BEHIND-THE-METER PROJECT" MEANS A PROJECT THAT INVOLVES A
7 PHYSICAL, OPERATIONAL, OR BEHAVIORAL MODIFICATION ON THE CUSTOMER SIDE
8 OF A UTILITY METER, INCLUDING REPLACEMENT OF APPLIANCES, RETROFITS, AND
9 PANEL UPGRADES.

10 (D) "COMMUNITY BENEFIT AGREEMENT" MEANS AN AGREEMENT
11 APPLICABLE TO THE CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM
12 AND ANY ACCOMPANYING RESIDENTIAL ELECTRIFICATION THAT:

13 (1) PROMOTES INCREASED OPPORTUNITIES FOR LOCAL BUSINESSES
14 AND SMALL, MINORITY, WOMEN-OWNED, AND VETERAN-OWNED BUSINESSES IN THE
15 CLEAN ENERGY INDUSTRY;

16 (2) ENSURES THE TIMELY, SAFE, AND EFFICIENT COMPLETION OF
17 THE PROJECT BY:

18 (I) FACILITATING A STEADY SUPPLY OF HIGHLY SKILLED
19 CRAFT WORKERS WHO SHALL BE PAID NOT LESS THAN THE PREVAILING WAGE RATE
20 DETERMINED BY THE COMMISSIONER OF LABOR AND INDUSTRY UNDER TITLE 17,
21 SUBTITLE 2 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; AND

22 (II) GUARANTEEING THAT THE CONSTRUCTION WORK
23 PERFORMED IN CONNECTION WITH THE PROJECT WILL BE SUBJECT TO AN
24 AGREEMENT THAT:

25 1. ESTABLISHES THE TERMS AND CONDITIONS OF
26 EMPLOYMENT AT THE CONSTRUCTION SITE OF THE PROJECT OR A PORTION OF THE
27 PROJECT;

28 2. GUARANTEES AGAINST STRIKES, LOCKOUTS, AND
29 SIMILAR DISRUPTIONS;

30 3. ENSURES THAT ALL WORK ON THE PROJECT FULLY
31 CONFORMS TO ALL RELEVANT STATE AND FEDERAL LAWS, RULES, AND
32 REGULATIONS, INCLUDING ALL REQUIRED TRAINING FOR EMPLOYEES;

1 4. CREATES MUTUALLY BINDING PROCEDURES FOR
2 RESOLVING LABOR DISPUTES ARISING DURING THE TERM OF THE PROJECT;

3 5. SETS FORTH OTHER MECHANISMS FOR
4 LABOR-MANAGEMENT COOPERATION ON MATTERS OF MUTUAL INTEREST AND
5 CONCERN, INCLUDING PRODUCTIVITY, QUALITY OF WORK, SAFETY, AND HEALTH;
6 AND

7 6. BINDS ALL CONTRACTORS AND SUBCONTRACTORS TO
8 THE TERMS OF THE AGREEMENT THROUGH THE INCLUSION OF APPROPRIATE
9 PROVISIONS IN ALL RELEVANT SOLICITATION AND CONTRACT DOCUMENTS;

10 (3) PROMOTES SAFE COMPLETION OF THE PROJECT BY ENSURING
11 THAT AT LEAST 80% OF THE CRAFT WORKERS ON THE PROJECT HAVE COMPLETED
12 AN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION 10-HOUR COURSE;

13 (4) PROMOTES CAREER TRAINING OPPORTUNITIES IN THE
14 MANUFACTURING, MAINTENANCE, AND CONSTRUCTION INDUSTRIES FOR LOCAL
15 RESIDENTS, VETERANS, WOMEN, MINORITIES, AND FORMERLY INCARCERATED
16 INDIVIDUALS;

17 (5) INCLUDES PROVISIONS FOR LOCAL HIRING AND THE HIRING OF
18 HISTORICALLY DISADVANTAGED GROUPS;

19 (6) ~~REFLECTS A 21ST-CENTURY LABOR-MANAGEMENT APPROACH BY~~
20 ~~DEVELOPERS AND SUPPLIERS BASED ON COOPERATION, HARMONY, AND~~
21 ~~PARTNERSHIP THAT PROACTIVELY SEEKS TO ENSURE THAT WORKERS CAN FREELY~~
22 ~~CHOOSE TO BOTH ORGANIZE AND COLLECTIVELY BARGAIN;~~

23 ~~(7)~~ USES LOCALLY, SUSTAINABLY, AND DOMESTICALLY
24 MANUFACTURED CONSTRUCTION MATERIALS AND COMPONENTS TO THE EXTENT
25 PRACTICABLE;

26 ~~(8)~~ (7) PROMOTES THE USE OF SKILLED LOCAL LABOR,
27 PARTICULARLY WITH REGARD TO THE CONSTRUCTION AND MANUFACTURING
28 COMPONENTS OF THE PROJECT, USING METHODS INCLUDING OUTREACH, HIRING,
29 OR REFERRAL METHODS THAT ARE AFFILIATED WITH REGISTERED
30 APPRENTICESHIP PROGRAMS UNDER TITLE 11, SUBTITLE 4 OF THE LABOR AND
31 EMPLOYMENT ARTICLE; AND

32 ~~(9)~~ (8) AUTHORIZES THE MARYLAND DEPARTMENT OF LABOR AND
33 THE COMMISSION TO CONSIDER, REVIEW, AND ENFORCE A PUBLIC SERVICE
34 COMPANY'S COMPLIANCE WITH ANY COMMUNITY BENEFIT AGREEMENT.

1 (E) "FRONT-OF-METER PROJECT" MEANS A PROJECT THAT IMPACTS THE
2 UTILITY SIDE OF A METER.

3 (F) "GEOTHERMAL BOREHOLE" MEANS A GEOTHERMAL SHAFT DRILLED
4 INTO THE EARTH FOR USE IN A SYSTEM THAT USES THE THERMAL PROPERTIES OF
5 THE EARTH OR GROUNDWATER TO HEAT OR COOL BUILDINGS.

6 (G) "LEARNING FROM THE GROUND UP" MEANS THE LEARNING FROM THE
7 GROUND UP RESEARCH TEAM FORMED BY THE HOME ENERGY EFFICIENCY TEAM.

8 (H) "LOW OR MODERATE INCOME HOUSING" HAS THE MEANING STATED IN
9 § 7-703(F)(1)(III) OF THIS TITLE.

10 (I) "PILOT SYSTEM" MEANS A PILOT THERMAL ENERGY NETWORK SYSTEM
11 DEVELOPED BY A GAS COMPANY TO REPLACE GAS INFRASTRUCTURE WITH A
12 THERMAL ENERGY NETWORK SYSTEM.

13 (J) "PJM CAPACITY MARKET" MEANS THE CAPACITY MARKET OF PJM
14 INTERCONNECTION, LLC OR ANY SUCCESSOR ORGANIZATION THAT SERVICES THE
15 PJM REGION.

16 (K) "THERMAL ENERGY NETWORK SYSTEM" MEANS A SYSTEM:

17 (1) OF CLOSED LOOP UNDERGROUND PIPING INFRASTRUCTURE,
18 INCLUDING GEOTHERMAL BOREHOLES, LEADING UP TO A UTILITY METER FOR THE
19 CONVEYANCE OR STORAGE OF RENEWABLE, NONGREENHOUSE GAS-EMITTING
20 THERMAL ENERGY; AND

21 (2) THAT CREATES A NETWORK OF CUSTOMERS WITH THERMAL
22 ENERGY FOR HEATING AND COOLING THROUGH NONCOMBUSTING ELECTRIC HEAT
23 PUMPS.

24 7-1002.

25 (A) (1) (I) ON OR BEFORE OCTOBER 1, 2024, EACH GAS COMPANY
26 THAT SERVES AT LEAST 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY
27 SHALL:

28 ~~(H)~~ 1. BEGIN TO DEVELOP A PLAN FOR A PILOT SYSTEM OR
29 SYSTEMS; AND

30 ~~(H)~~ 2. FILE NOTICE WITH THE COMMISSION THAT THE
31 COMPANY HAS BEGUN PLAN DEVELOPMENT.

1 **(II) ON OR BEFORE OCTOBER 1, 2024, A GAS COMPANY THAT**
2 **SERVES FEWER THAN 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY MAY**
3 **DEVELOP A PLAN FOR A PILOT SYSTEM OR SYSTEMS IN ACCORDANCE WITH THE**
4 **REQUIREMENTS OF THIS SECTION.**

5 **(2) IN DEVELOPING A PLAN FOR A PILOT SYSTEM, A GAS COMPANY**
6 **SHALL COORDINATE WITH COMMUNITY GROUPS, LOCAL GOVERNMENTS, ANY**
7 **CERTIFIED REPRESENTATIVES OF THE EMPLOYEES OF THE GAS COMPANY, THE**
8 **COMMISSION, THE ADMINISTRATION, AND ANY OTHER GROUPS THE GAS COMPANY**
9 **CONSIDERS NECESSARY TO ALLOW FOR DIVERSE DESIGN AMONG PILOT SYSTEMS.**

10 **(3) EACH GAS COMPANY SHALL INCLUDE IN THE NOTICE FILED**
11 **UNDER PARAGRAPH (1) OF THIS SUBSECTION:**

12 **(I) DETAILS OF ANY COORDINATION WITH COMMUNITY**
13 **GROUPS, LOCAL GOVERNMENTS, CERTIFIED REPRESENTATIVES OF THE**
14 **EMPLOYEES OF THE GAS COMPANY, THE COMMISSION, THE ADMINISTRATION, AND**
15 **ANY OTHER GROUPS THE GAS COMPANY CONSIDERS NECESSARY TO ALLOW FOR**
16 **DIVERSE DESIGN AMONG PILOT SYSTEMS; AND**

17 **(II) ANY LETTERS OF SUPPORT FROM INTERESTED GROUPS.**

18 **(B) (1) (I) ON OR BEFORE JULY 1, 2025, EACH GAS COMPANY THAT**
19 **SERVES AT LEAST 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY SHALL**
20 **SUBMIT EITHER ONE OR TWO PROPOSALS FOR A PILOT SYSTEM TO THE COMMISSION**
21 **FOR APPROVAL.**

22 **(II) A GAS COMPANY THAT SERVES FEWER THAN 75,000**
23 **CUSTOMERS IN ITS DISTRIBUTION TERRITORY MAY SUBMIT A PROPOSAL FOR A**
24 **PILOT SYSTEM TO THE COMMISSION AFTER PROVIDING AT LEAST 60 DAYS' NOTICE**
25 **TO THE COMMISSION OF THE COMPANY'S INTENT TO FILE A PROPOSAL.**

26 **(2) A PROPOSAL FOR A PILOT SYSTEM SHALL ENSURE THAT AT LEAST**
27 **80% OF ITS CUSTOMERS ARE FROM LOW OR MODERATE INCOME HOUSING.**

28 **(3) A CUSTOMER MAY CHOOSE TO OPT OUT OF A PILOT SYSTEM**
29 **BEFORE THE PROPOSAL FOR THE PILOT SYSTEM IS SUBMITTED.**

30 **(4) EACH PROPOSAL FOR A PILOT SYSTEM SHALL DEMONSTRATE**
31 **THAT THE GAS COMPANY HAS SOUGHT ACCESS TO ANY AVAILABLE FEDERAL**
32 **FUNDING IN THE FORM OF A MATCH, GRANT, LOAN, OR TAX CREDIT, INCLUDING**
33 **THOSE ESTABLISHED UNDER THE ENERGY INFRASTRUCTURE REINVESTMENT**
34 **CATEGORY OF THE TITLE 17 CLEAN ENERGY FINANCING PROGRAM AND THE**

1 GREENHOUSE GAS REDUCTION FUND UNDER THE FEDERAL INFLATION
2 REDUCTION ACT OF 2022.

3 (5) EACH GAS COMPANY IS RESPONSIBLE FOR ENSURING THAT EACH
4 PROPOSAL SUBMITTED BY THE GAS COMPANY COMPLIES WITH ALL APPLICABLE
5 FEDERAL STATUTES, REGULATIONS, AND GUIDANCE RELATING TO ANY FEDERAL
6 FUNDING.

7 (6) EACH PROPOSAL SHALL ADDRESS:

8 (I) HOW THE PILOT SYSTEM WILL DEVELOP USEFUL
9 INFORMATION FOR THE ADOPTION OF REGULATIONS GOVERNING THERMAL
10 ENERGY NETWORK SYSTEMS;

11 (II) HOW THE PILOT SYSTEM FURTHERS GREENHOUSE GAS
12 EMISSIONS REDUCTION GOALS;

13 (III) HOW THE PILOT SYSTEM ADVANCES FINANCIAL AND
14 TECHNICAL APPROACHES TO EQUITABLE AND AFFORDABLE BUILDING
15 ELECTRIFICATION;

16 (IV) HOW THE PILOT SYSTEM CREATES BENEFITS TO ITS
17 CUSTOMERS, EMPLOYEES, AND SOCIETY AT LARGE, INCLUDING PUBLIC HEALTH
18 BENEFITS, QUALITY JOB RETENTION OR CREATION, RELIABILITY, AND INCREASED
19 AFFORDABILITY OF RENEWABLE THERMAL ENERGY OPTIONS;

20 (V) HOW THE PILOT SYSTEM CONTRIBUTES TO AVOIDING COSTS
21 TO ELECTRIC DISTRIBUTION AND TRANSMISSION SYSTEMS THAT WOULD
22 OTHERWISE BE REQUIRED FOR ELECTRIFICATION BY COMPARING THE PROPOSED
23 SYSTEM TO THE COST OF ELECTRIFICATION USING THE MOST WIDELY
24 COMMERCIALY AVAILABLE AIR-SOURCE HEAT PUMPS;

25 (VI) HOW THE PILOT SYSTEM CONTRIBUTES TO AVOIDING COSTS
26 RELATED TO GAS PIPE REPLACEMENT;

27 (VII) THE EXTENT TO WHICH THE PROPOSAL GIVES PRIORITY TO
28 UNDERSERVED OR OVERBURDENED COMMUNITIES AS DEFINED IN § 1-701(A) OF
29 THE ENVIRONMENT ARTICLE;

30 (VIII) THE PILOT SYSTEM'S ABILITY TO BID DEMAND REDUCTION
31 INTO THE PJM CAPACITY MARKET;

32 (IX) NEIGHBORHOODS AT THE END POINT OF A GAS SYSTEM
33 WHERE A FULL TRANSITION FROM GAS SYSTEMS TO ELECTRIFICATION COULD BE

1 FACILITATED WITHIN THE PILOT PERIOD OR WITHIN 5 YEARS AFTER THE PILOT
2 PERIOD CONCLUDES;

3 (X) SAFETY;

4 (XI) RELIABILITY;

5 (XII) ENVIRONMENTAL ACCEPTABILITY OF THE FLUID
6 TECHNOLOGY EMPLOYED;

7 (XIII) OPERATIONS;

8 (XIV) MAINTENANCE;

9 (XV) CUSTOMER COMPLAINT RESOLUTION;

10 (XVI) EMERGENCY RESPONSE;

11 (XVII) POINTS OF INTERCONNECTION BETWEEN THE GAS
12 COMPANY AND HOMEOWNER FOR ANY FLUID TRANSFER;

13 (XVIII) TECHNOLOGY TO BE USED TO SHUT OFF FLUID FLOW
14 TO CUSTOMERS;

15 (XIX) CUSTOMER SERVICE TERMINATION IN THE EVENT OF BILL
16 NONPAYMENT;

17 (XX) LIFE EXPECTANCY OF THE GEOTHERMAL SYSTEM; AND

18 (XXI) ANY OTHER REQUIREMENTS AS DETERMINED BY THE
19 COMMISSION.

20 (7) EACH PROPOSAL SHALL INCLUDE:

21 (I) A PROPOSED RATE STRUCTURE FOR THE PILOT SYSTEM
22 ~~THAT ENSURES~~ IS PROJECTED TO ENSURE THAT ANY CUSTOMER PARTICIPATING IN
23 THE PILOT SYSTEM DOES NOT PAY MORE FOR UTILITIES THAN IF THE CUSTOMER
24 HAD NOT PARTICIPATED; AND

25 (II) A PROPOSED SET OF MEASUREMENTS OF ENERGY UNITS
26 AND ACCOUNTING STANDARDS.

27 (8) (I) A MUNICIPAL CORPORATION, COUNTY, OR COMMUNITY
28 ORGANIZATION MAY SUBMIT NEIGHBORHOODS TO GAS COMPANIES FOR
29 CONSIDERATION AS PART OF A PILOT SYSTEM.

1 (II) A MUNICIPAL CORPORATION, COUNTY, OR COMMUNITY
2 ORGANIZATION THAT SUBMITS A NEIGHBORHOOD TO A GAS COMPANY FOR
3 CONSIDERATION AS PART OF A PILOT SYSTEM UNDER SUBPARAGRAPH (I) OF THIS
4 PARAGRAPH SHALL SUBMIT A COPY OF ITS PROPOSAL TO THE COMMISSION.

5 (c) (1) ON OR BEFORE DECEMBER 31, 2025, THE COMMISSION ~~MAY~~
6 SHALL APPROVE, APPROVE WITH MODIFICATIONS, OR REJECT A PROPOSAL.

7 (2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, IF THE
8 COMMISSION DETERMINES THAT A PROPOSAL IS IN THE PUBLIC INTEREST, THE
9 COMMISSION SHALL APPROVE THE PROPOSAL.

10 (3) IN DETERMINING WHETHER TO APPROVE, APPROVE WITH
11 MODIFICATIONS, OR REJECT A PROPOSAL, THE COMMISSION SHALL:

12 (I) CONSIDER THE PROJECTED COSTS AND BENEFITS OF THE
13 PROJECTS PROPOSED FOR INCLUSION IN THE PILOT SYSTEM BY USING A TEST THAT
14 INCLUDES:

15 1. SOCIETAL COSTS AND BENEFITS; AND
16 2. AVOIDED ENERGY AND INFRASTRUCTURE
17 INVESTMENTS;

18 (II) DETERMINE WHETHER THE PILOT SYSTEM IS IN THE PUBLIC
19 INTEREST AND IN THE INTEREST OF RATEPAYERS;

20 (III) DETERMINE HOW EACH PILOT SYSTEM'S PERFORMANCE
21 WILL BE EVALUATED DURING THE PILOT SYSTEM'S DURATION; AND

22 (IV) ENSURE THAT EACH PILOT SYSTEM:

23 1. HAS A PROVISION FOR CUSTOMERS WHO MAY WISH TO
24 OPT OUT DURING THE COURSE OF THE PILOT PERIOD; AND

25 2. DETAILS RATEPAYER IMPACTS FOR PILOT SYSTEM
26 PARTICIPANTS AND ALL CUSTOMERS IN THE GAS COMPANY'S SERVICE TERRITORY.

27 (4) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
28 PARAGRAPH, EACH GAS COMPANY SHALL COMPLETE CONSTRUCTION OF A PILOT
29 SYSTEM WITHIN 1 YEAR AFTER THE COMMISSION APPROVES THE SYSTEM.

1 (II) THE COMMISSION MAY EXTEND THE DEADLINE UNDER
2 SUBPARAGRAPH (I) OF THIS PARAGRAPH FOR GOOD CAUSE SHOWN.

3 (5) IF THE COMMISSION APPROVES A PROPOSAL WITH
4 MODIFICATIONS, THE COMMISSION SHALL GIVE THE GAS COMPANY A REASONABLE
5 AMOUNT OF TIME TO MAKE THE NECESSARY MODIFICATIONS.

6 (6) ON COMPLETION OF A PILOT SYSTEM, THE GAS COMPANY SHALL
7 FILE WITH THE COMMISSION FOR EVALUATION ANY INFORMATION RELEVANT TO
8 THE CRITERIA ESTABLISHED UNDER PARAGRAPH (3) OF THIS SUBSECTION.

9 (D) (1) EACH PILOT SYSTEM SHALL MEET THE REQUIREMENTS FOR
10 PILOT SYSTEMS UNDER THIS SUBTITLE FOR 2 YEARS AFTER THE PILOT SYSTEM IS
11 INITIATED AND OPERATIONAL.

12 (2) (I) ONCE THE 2-YEAR PERIOD UNDER PARAGRAPH (1) OF THIS
13 SUBSECTION HAS PASSED, THE COMMISSION, IN CONSULTATION WITH THE
14 ADMINISTRATION, ~~AND~~ THE OFFICE OF PEOPLE'S COUNSEL, THE ELECTRIC, GAS,
15 OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, A CERTIFIED
16 REPRESENTATIVE OF THE EMPLOYEES OF THE ELECTRIC COMPANY, GAS COMPANY,
17 OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, AND
18 PARTICIPATING CUSTOMERS, SHALL DETERMINE WHETHER TO MAKE THE PILOT
19 SYSTEM PERMANENT.

20 (II) A PILOT SYSTEM MADE PERMANENT UNDER
21 SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL CONTINUE TO MEET THE
22 REQUIREMENTS PLACED ON PILOT SYSTEMS UNDER THIS SUBTITLE.

23 (III) IF A DETERMINATION IS MADE THAT A PILOT SYSTEM WILL
24 NOT BE MADE PERMANENT UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
25 COMMISSION SHALL APPROVE RECOVERY OF ALL COSTS NECESSARY FOR A GAS
26 COMPANY TO COMPLY WITH THE DETERMINATION.

27 (3) THE COMMISSION SHALL ADOPT REGULATIONS ADDRESSING THE
28 DECOMMISSIONING OR DISCONTINUANCE OF A PILOT SYSTEM, INCLUDING
29 REGULATIONS ENSURING THAT THE CUSTOMERS WHO PARTICIPATED IN THE PILOT
30 SYSTEM DO NOT INCUR ADDITIONAL EXPENSES FOR THE DECOMMISSIONING OR
31 INSTALLATION OF AN APPLIANCE THAT IS USED IN THE PILOT SYSTEM AND IS
32 DECOMMISSIONED BEFORE THE END OF ITS USEFUL LIFE.

33 (E) (1) EACH GAS COMPANY IMPLEMENTING A PILOT SYSTEM SHALL
34 PARTICIPATE IN STANDARDIZED DATA COLLECTION COORDINATED BY THE
35 COMMISSION.

1 **(2) ANY STANDARDIZED DATA COLLECTED UNDER PARAGRAPH (1) OF**
2 **THIS SUBSECTION SHALL:**

3 **(I) BE FILED WITH THE COMMISSION BY THE APPROPRIATE**
4 **GAS COMPANY; AND**

5 **(II) INCLUDE DATA FROM THE LEARNING FROM THE GROUND**
6 **UP AND ANY OTHER NATIONAL RESEARCH PROJECT FOR THE DEVELOPMENT OF**
7 **THERMAL ENERGY NETWORK SYSTEMS THAT THE COMMISSION CONSIDERS**
8 **APPROPRIATE.**

9 **(F) (1) THE ADMINISTRATION SHALL PROVIDE FUNDING IN THE FORM OF**
10 **GRANTS TO COMMUNITY-BASED ORGANIZATIONS THAT PERFORM OUTREACH IN**
11 **NEIGHBORHOODS TO INCREASE PARTICIPATION IN A PILOT SYSTEM AND**
12 **COORDINATE THE IMPLEMENTATION OF AN APPROVED PILOT SYSTEM.**

13 **(2) THE ADMINISTRATION MAY PROVIDE UP TO \$1,000,000 IN**
14 **FUNDING TO A COMMUNITY-BASED ORGANIZATION UNDER PARAGRAPH (1) OF THIS**
15 **SUBSECTION.**

16 **(3) FUNDING UNDER THIS SUBSECTION MAY BE PROVIDED ONLY**
17 **BEFORE OCTOBER 1, 2025.**

18 **(4) FUNDING UNDER THIS SUBSECTION MAY BE PROVIDED FROM THE**
19 **STRATEGIC ENERGY INVESTMENT FUND ESTABLISHED UNDER § 9-20B-05 OF THE**
20 **STATE GOVERNMENT ARTICLE OR ANY OTHER SOURCE OF STATE OR FEDERAL**
21 **FUNDING.**

22 **(G) (1) A GAS COMPANY MAY REQUEST APPROVAL FROM THE**
23 **COMMISSION TO TRACK THE COSTS OF DEVELOPING A PROPOSAL UNDER THIS**
24 **SECTION.**

25 **(2) A REQUEST UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL**
26 **INCLUDE A PROPOSED DEVELOPMENT PLAN AND BUDGET.**

27 **(3) THE COMMISSION SHALL APPROVE A REQUEST UNDER**
28 **PARAGRAPH (1) OF THIS SUBSECTION ON FINDING THAT THE PROPOSED PLAN AND**
29 **COSTS ARE NECESSARY TO MEET THE REQUIREMENTS UNDER THIS SECTION,**
30 **REASONABLE, AND IN THE PUBLIC INTEREST.**

31 **(4) AT A GAS COMPANY'S NEXT RATE CASE PROCEEDING FOLLOWING**
32 **THE APPROVAL OF A REQUEST UNDER THIS SUBSECTION, THE COMMISSION ~~SHALL~~**
33 **MAY AUTHORIZE RECOVERY OF PRUDENTLY INCURRED COSTS ASSOCIATED WITH**

1 DEVELOPING THE PROPOSAL AND ANY CARRYING COSTS THAT THE COMMISSION
2 DETERMINES ARE APPROPRIATE.

3 **7-1003.**

4 (A) (1) (I) THE ADMINISTRATION SHALL COORDINATE FUNDING
5 SOURCES, INCLUDING ALL AVAILABLE FEDERAL FUNDING, PHILANTHROPIC
6 FUNDING, FUNDING AVAILABLE UNDER THE EMPOWER MARYLAND PROGRAM,
7 AND STRATEGIC ENERGY INVESTMENT FUND FUNDING ALLOCATED TO ENERGY
8 EFFICIENCY, TO ~~COVER~~ ASSIST AN ELECTRIC COMPANY, A GAS COMPANY, OR A
9 WATER COMPANY IN COVERING THE COSTS FOR ALL BEHIND-THE-METER
10 PROJECTS, INCLUDING FULL ELECTRIFICATION ~~AND WEATHERIZATION~~,
11 ASSOCIATED WITH A THERMAL ENERGY NETWORK SYSTEM SO THAT ANY AFFECTED
12 RESIDENTIAL CUSTOMERS ARE NOT REQUIRED TO PAY FOR CONNECTION TO THE
13 THERMAL ENERGY NETWORK SYSTEM OR ANY APPLIANCE REPLACEMENTS
14 REQUIRED FOR ELECTRIFICATION.

15 (II) FUNDS FROM THE FEDERAL INFLATION REDUCTION ACT
16 MAY NOT EXCEED:

17 1. \$14,000 PER RESIDENTIAL UNIT; AND

18 2. \$9,000,000 IN TOTAL.

19 (2) (I) UNLESS PRECLUDED BY FEDERAL LAW, REGULATION, OR
20 PROGRAM REQUIREMENT GUIDELINES, THE ADMINISTRATION SHALL RESERVE
21 ~~\$12,000,000~~ \$9,000,000 OF FEDERAL FUNDING FROM THE U.S. DEPARTMENT OF
22 ENERGY TO ENSURE ADEQUATE FUNDING FOR ANY APPLIANCES INSTALLED IN
23 CONNECTION WITH A PILOT SYSTEM.

24 (II) FUNDS RESERVED UNDER SUBPARAGRAPH (I) OF THIS
25 PARAGRAPH SHALL BE ALLOCATED NOT LATER THAN DECEMBER 31, 2029, AND
26 SPENT NOT LATER THAN DECEMBER 31, 2031.

27 (3) THE ADMINISTRATION SHALL COORDINATE WITH THE
28 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO PROVIDE
29 SERVICES OR FUNDING FOR WEATHERIZATION FOR ALL LOW OR MODERATE INCOME
30 HOUSING WITHIN THE PILOT SYSTEM'S AREA.

31 (4) IN PROVIDING FUNDING MADE AVAILABLE UNDER THE FEDERAL
32 INFLATION REDUCTION ACT OF 2022 FOR BEHIND-THE-METER PROJECTS, THE
33 ADMINISTRATION SHALL GIVE PRIORITY TO LOW AND MODERATE INCOME HOUSING.

1 **(B) ~~THE MARYLAND ENVIRONMENTAL SERVICE~~ A GAS COMPANY**
2 **IMPLEMENTING A PILOT SYSTEM SHALL:**

3 **(1) ~~SHALL ISSUE PROCUREMENTS~~ BE RESPONSIBLE FOR**
4 **CONSTRUCTION, INCLUDING ANY NECESSARY RENOVATIONS, FOR**
5 **BEHIND-THE-METER PROJECTS RELATING TO ANY APPLIANCE OR PANEL**
6 **REPLACEMENTS OR UPGRADES NECESSARY TO CONNECT TO A THERMAL ENERGY**
7 **NETWORK SYSTEM AND OPERATE WITHOUT GAS;**

8 **(2) PURSUE ALL TAX CREDITS AND FEDERAL FUNDING AVAILABLE**
9 **FOR FRONT-OF-METER AND BEHIND-THE-METER PROJECTS; AND**

10 **(3) COORDINATE WITH THE ADMINISTRATION TO ACCESS FUNDS**
11 **AVAILABLE UNDER THE FEDERAL INFLATION REDUCTION ACT, REBATES AND**
12 **CREDITS AVAILABLE UNDER THE EMPOWER MARYLAND PROGRAM, AND ANY**
13 **OTHER AVAILABLE FUNDS.**

14 **(C) (1) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY**
15 **THAT OWNS AND MANAGES A PILOT SYSTEM SHALL PAY FOR ANY COST NOT COVERED**
16 **BY THE FUNDS AND TAX CREDITS SPECIFIED IN SUBSECTIONS (A) AND (B) OF THIS**
17 **SECTION.**

18 **(2) SUBJECT TO SUBSECTION (D) OF THIS SECTION, ANY COSTS**
19 **INCURRED BY AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY**
20 **AFTER ALL FUNDS AND TAX CREDITS SPECIFIED UNDER SUBSECTIONS (A) AND (B)**
21 **OF THIS SECTION HAVE BEEN APPLIED MAY BE RECOVERED WITHIN 1 YEAR OF**
22 **INCURRING THE COSTS THROUGH RATE ADJUSTMENTS OR ANOTHER MECHANISM**
23 **APPROVED BY THE COMMISSION.**

24 **(D) IF AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY IS**
25 **REQUIRED TO OWN BEHIND-THE-METER INFRASTRUCTURE FOR A SPECIFIED**
26 **PERIOD OF TIME TO QUALIFY FOR A FUNDING SOURCE SPECIFIED UNDER**
27 **SUBSECTION (A)(1)(I) OF THIS SECTION:**

28 **(1) THE COST ASSOCIATED WITH THE BEHIND-THE-METER**
29 **INFRASTRUCTURE SHALL BE RECOVERED WITHIN THE SPECIFIED OWNERSHIP**
30 **PERIOD REQUIRED FOR THE FUNDING;**

31 **(2) THE ELECTRIC COMPANY, GAS COMPANY, OR WATER COMPANY**
32 **SHALL MAINTAIN THE BEHIND-THE-METER INFRASTRUCTURE DURING THE**
33 **SPECIFIED OWNERSHIP PERIOD REQUIRED FOR THE FUNDING; AND**

34 **(3) OWNERSHIP OF THE BEHIND-THE-METER INFRASTRUCTURE**
35 **SHALL TRANSFER TO THE ELECTRIC, GAS, OR WATER CUSTOMER WHO THE**

1 INFRASTRUCTURE WAS INSTALLED TO BENEFIT WHEN THE SPECIFIED OWNERSHIP
2 PERIOD REQUIRED FOR THE FUNDING LAPSES.

3 (E) NOTHING IN THIS SECTION MAY BE CONSTRUED TO AUTHORIZE OR
4 PROHIBIT AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY FROM
5 RECOVERING COSTS OF BEHIND-THE-METER INFRASTRUCTURE THAT DOES NOT
6 MEET THE REQUIREMENTS OF THIS SUBTITLE.

7 ~~(2) SHALL PROVIDE A PROCUREMENT SUBMISSION WINDOW OF NOT~~
8 ~~LESS THAN 90 DAYS;~~

9 ~~(3) SHALL AWARD CONTRACTS IN A TIMELY MANNER; AND~~

10 ~~(4) MAY ENTER INTO A CONTRACT OR CONTRACTS FOR THE~~
11 ~~PROCUREMENT.~~

12 ~~(C) THE ADMINISTRATION AND THE MARYLAND ENVIRONMENTAL~~
13 ~~SERVICE SHALL COORDINATE WITH GAS COMPANIES TO ENSURE THAT~~
14 ~~BEHIND THE METER PROJECTS CONNECT TO THERMAL ENERGY NETWORK~~
15 ~~SYSTEMS THAT SERVE CUSTOMERS.~~

16 7-1004.

17 (A) FOR ANY FRONT-OF-METER OR BEHIND-THE-METER PROJECTS
18 RELATED TO THE CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM
19 UNDER THIS SUBTITLE, AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER
20 COMPANY SHALL:

21 (1) WORK WITH EMPLOYEES ALREADY UNDER CONTRACT WITH THE
22 COMPANY; OR

23 (2) USE QUALIFIED CONTRACTORS THAT ABIDE BY A COMMUNITY
24 BENEFIT AGREEMENT.

25 (B) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY SHALL
26 GIVE ITS EMPLOYEE BARGAINING UNIT AN OPPORTUNITY TO WORK ON ANY
27 FRONT-OF-METER OR BEHIND-THE-METER PROJECTS RELATED TO THE
28 CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM.

29 ~~(C) ANY RESIDENTIAL ELECTRIFICATION OR EFFICIENCY CONTRACTS~~
30 ~~PROCURED BY THE MARYLAND ENVIRONMENTAL SERVICE SHALL BE SUBJECT TO A~~
31 ~~COMMUNITY BENEFIT AGREEMENT.~~

1 ~~(D)~~ (1) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY
2 OPERATING A THERMAL ENERGY NETWORK SYSTEM SHALL PROVIDE ITS EMPLOYEE
3 BARGAINING UNIT AN OPPORTUNITY TO PROVIDE MAINTENANCE AND OPERATIONS
4 FOR ANY THERMAL ENERGY NETWORK SYSTEM.

5 (2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN
6 ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY MAY CONTRACT ANY
7 WORK UNDER THIS SUBTITLE NOT CONDUCTED BY THE COMPANY'S EMPLOYEE
8 BARGAINING UNIT TO A QUALIFIED CONTRACTOR.

9 (II) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER
10 COMPANY SHALL REQUIRE A CONTRACTOR OR SUBCONTRACTOR ON A PROJECT
11 UNDER THIS SUBTITLE TO:

12 1. PAY THE AREA PREVAILING WAGE RATE DETERMINED
13 BY THE COMMISSIONER OF LABOR AND INDUSTRY, INCLUDING WAGES AND FRINGE
14 BENEFITS;

15 2. OFFER HEALTH CARE AND RETIREMENT BENEFITS TO
16 THE EMPLOYEES WORKING ON THE PROJECT;

17 3. PARTICIPATE IN AN APPRENTICESHIP PROGRAM
18 REGISTERED WITH THE STATE OR THE U.S. DEPARTMENT OF LABOR;

19 4. ESTABLISH AND EXECUTE A PLAN FOR OUTREACH,
20 RECRUITMENT, AND RETENTION OF STATE RESIDENTS TO PERFORM WORK ON THE
21 PROJECT, WITH AN ASPIRATIONAL GOAL OF 25% OF TOTAL WORK HOURS
22 PERFORMED BY MARYLAND RESIDENTS, INCLUDING RESIDENTS WHO ARE:

23 A. RETURNING CITIZENS;

24 B. WOMEN;

25 C. MINORITY INDIVIDUALS; OR

26 D. VETERANS;

27 5. HAVE BEEN IN COMPLIANCE WITH FEDERAL, STATE,
28 AND LOCAL WAGE AND HOUR LAWS FOR THE PREVIOUS 3 YEARS;

29 6. BE SUBJECT TO ALL STATE REPORTING AND
30 COMPLIANCE REQUIREMENTS; ~~AND~~

- 1 (xi) Wastewater discharge indicator;
- 2 (xii) Proximity to a Concentrated Animal Feeding Operation (CAFO);
- 3 (xiii) Percent of the population lacking broadband coverage;
- 4 (xiv) Asthma emergency room discharges;
- 5 (xv) Myocardial infarction discharges;
- 6 (xvi) Low-birth-weight infants;
- 7 (xvii) Proximity to emitting power plants;
- 8 (xviii) Proximity to a Toxic Release Inventory (TRI) facility;
- 9 (xix) Proximity to a brownfields site;
- 10 (xx) Proximity to mining operations; and
- 11 (xxi) Proximity to a hazardous waste landfill.

12 (8) “Underserved community” means any census tract in which, according
13 to the most recent U.S. Census Bureau Survey:

- 14 (i) At least 25% of the residents qualify as low-income;
- 15 (ii) At least 50% of the residents identify as nonwhite; or
- 16 (iii) At least 15% of the residents have limited English proficiency.

17 **Article – Housing and Community Development**

18 4–1801.

19 (a) In this subtitle the following words have the meanings indicated.

20 (c) “Area median income” means the median household income for the area
21 adjusted for household size as published and annually updated by the United States
22 Department of Housing and Urban Development.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
24 1, 2024.