

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 1393
Economic Matters

(Delegate Crosby)

Education, Energy, and the Environment

Electric System Planning - Scope and Funding

This bill modifies provisions related to electric distribution system planning established in the Climate Solutions Now Act (CSNA) of 2022 by (1) broadening the scope of the State policy goals beyond the electric *distribution* system and making conforming changes; (2) broadening references to federal funds available for electric companies to meet the State’s policy goals, including references in related labor requirements; and (3) delaying and modifying a related requirement for the Public Service Commission (PSC) to adopt regulations or issue orders for electric distribution system planning, subject to specified considerations.

Fiscal Summary

State Effect: PSC and the Maryland Energy Administration (MEA) can handle the bill’s requirements with existing budgeted resources. The bill does not otherwise materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful. The bill may alter the funding amounts, timing, or allocation for specific utility projects, which may affect small businesses involved in such projects.

Analysis

Bill Summary: PSC is *required*, rather than *authorized*, to adopt regulations or orders that require electric companies to apply for federal and other available funds in a timely manner. The regulations or orders must also ensure that least-cost debt is used. PSC must also

require each electric company to report *at least quarterly* to PSC and MEA on information related to the use of federal funds.

The date by which PSC must adopt regulations or issue orders to implement specific policies for electric distribution system planning and improvements in order to promote specified policy goals in CSNA is delayed from July 1, 2025, to December 31, 2025. The regulations or orders must also require consideration of investment in, or procurement of, cost-effective demand-side methods and technology to improve reliability and efficiency, including virtual power plants. The regulations and orders must be developed with consideration given to the inherent differences, individual circumstances, and available resources among different types of electric companies and, if determined necessary by PSC, establish separate requirements for each type.

Current Law:

Climate Solutions Now Act

CSNA made broad changes to the State's approach to reducing statewide greenhouse gas (GHG) emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions 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.

Provisions modified by the bill are described below – note the references to the electric *distribution* system.

Statement of Policy Goals

CSNA established the goal of the State that the electric distribution system support, in a cost-effective manner, the State's policy goals with regard to (1) GHG reduction; (2) renewable energy; (3) decreasing dependence on electricity imported from other states; and (4) achieving energy distribution resiliency, efficiency, and reliability.

Electric Distribution System Planning and Improvements

By December 1, 2024, and each year thereafter, PSC must submit a report to the General Assembly with information regarding the current status of electric distribution system evolution, including information on electric distribution system planning processes and implementation that promote, as specific goals, the following:

- measures to decrease GHG emissions incident to electric distribution, including high levels of distributed energy resources and electric vehicles;
- giving priority to vulnerable communities in the development of distributed energy resources and electric vehicle infrastructure;
- energy efficiency;
- meeting anticipated increases in load;
- incorporation of energy storage technology to support the electric distribution system, as specified;
- efficient management of load variability;
- electric distribution system resiliency and reliability;
- bidirectional power flows;
- demand response and other nonwire and noncapital alternatives;
- increased use of distributed energy resources, including electric vehicles;
- transparent stakeholder participation in ongoing electric distribution system planning processes; and
- any other issues PSC considers appropriate.

By July 1, 2025, PSC must adopt regulations or issue orders to implement specific policies for electric distribution system planning and improvements in order to promote the policy goals described above. PSC is not required to give consideration to the three different types of electric companies in the State (investor-owned electric companies, municipal electric utilities, and electric cooperatives) or to establish separate requirements for each type.

CSNA also required PSC to conduct a one-time study to assess the capacity of the distribution systems of the larger electric and gas companies to successfully serve customers under a managed transition to a highly electrified building sector, which can be viewed on the PSC [website](#).

Use of Federal Funds

CSNA states that the General Assembly strongly encourages the State's electric companies to pursue diligently federal funds to meet the State's policy goals for the electric distribution system, including funds made available under specified provisions of the federal Infrastructure Investment and Jobs Act.

PSC and MEA must provide assistance and support to electric companies for applying for and obtaining access to federal and other available funds to meet the State's policy goals for the electric distribution system. MEA must identify funding sources that may be available to electric companies to implement the State's policy goals, including funding for (1) increasing the efficiency of electric distribution systems, including through

installation and integration of energy storage devices and operational changes and upgrades; (2) grid-hardening activities to reduce the occurrence of or consequences of events that disrupt operations of the electric distribution system due to extreme weather or natural disasters; (3) other distribution system-related upgrade activities available for funding under specified provisions of the federal Infrastructure Investment and Jobs Act; and (4) other specific activities that PSC identifies.

As needed to promote the State's goals for the electric distribution system, PSC must require each electric company to report to PSC and MEA on (1) the funding for which the electric company has applied; (2) the purposes for which the funding is intended to be used; (3) the status of the funding applications; and (4) conditions that must be met to obtain the funding. PSC may also adopt regulations or issue orders that require electric companies to apply for federal and other available funds in a timely manner.

Wage and Labor Requirements for Specified Electric Infrastructure Work

An investor-owned electric company or gas and electric company must require a contractor or subcontractor that is working on specified projects (described below) to (1) pay the area prevailing wage for each trade employed, including wages and fringe benefits; (2) offer health care and retirement benefits to the employees working on the project; (3) participate in an apprenticeship program registered with the State for each trade employed on the project; (4) establish and execute a plan for outreach, recruitment, and retention of State residents, as specified, to perform work on the project; (5) have been in compliance with federal and State wage and hour laws for the previous three years; (6) be subject to all State reporting and compliance requirements; and (7) maintain all appropriate licenses in good standing.

These wage and labor requirements apply to a project that (1) involves the construction, reconstruction, installation, demolition, restoration, or alteration of any electric infrastructure of the company (and any related traffic control activities) and (2) is funded by federal funds to meet the State's policy goals for the electric distribution system, as specified. The wage and labor requirements only apply to the portion of a project supported by the federal funds.

Additional Comments: Although not modified by the bill, § 1-205 of the Environment Article, as enacted by CSNA, requires the Maryland Department of the Environment, in coordination with PSC and MEA, to coordinate with utility providers in the State to apply for and access federal funds in order to meet the policy goals of the State for the electric distribution grid system.

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 Department of the Environment; Maryland Department of Labor; Maryland Energy Administration; Department of Legislative Services

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