SB 416

Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 416 (Senator Lewis Young)

Education, Energy, and the Environment Economic Matters

Renewable Energy - Customer-Sited Solar Program

This bill establishes the Customer-Sited Solar Program within the Maryland Energy Administration (MEA) to provide grants to low- to moderate-income electric company customers (or a third party applying for a grant on behalf of a customer) for new solar energy generating systems, funded by reallocated solar alternative compliance payment (ACP) revenues within the Strategic Energy Investment Fund (SEIF). The bill also allows for a portion of solar ACP revenues to be used for costs related to the administration of SEIF. **The bill takes effect July 1, 2024, and terminates June 30, 2027.**

Fiscal Summary

State Effect: The bill is not expected to have a material net effect on overall State finances since it only reallocates existing special funds; however, the bill is expected to result in the hiring of additional personnel (covered by existing, reallocated funds), as discussed below. **This bill establishes a mandated appropriation (of existing, reallocated funds) in FY 2026 and 2027.**

Local Effect: Local governments may be affected, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Customer-Sited Solar Program

Purpose

The bill establishes a Customer-Sited Solar Program in MEA to (1) increase deployment of customer-sited solar energy generating systems and (2) provide grants to eligible customer-generators that have installed solar energy generating systems with or without energy storage.

Grants

The program may provide a grant to an income-verified eligible customer-generator (defined below) with a low to moderate income, in an amount equal to $750 per kilowatt of nameplate capacity for a solar energy generating system, up to a maximum of $7,500 per system.

A third party may apply for a grant on behalf of an eligible customer-generator with proof of consent from the eligible customer-generator and be assigned a grant by the eligible customer-generator to act on behalf of the eligible customer-generator. An applicant for a grant must (1) include in the application an executed contract to purchase or lease a solar energy generating system or an executed power purchase agreement for the system; (2) demonstrate that an agreement entered into between a third party and an eligible customer-generator delivers certain minimum benefits to the eligible customer-generator; and (3) include a signed disclosure form developed under the consumer protection policy that MEA must develop for the program (discussed below).

A solar energy generating system must be installed within 180 days after a grant is reserved by MEA for an eligible customer-generator.

"Eligible customer-generator" is defined in the same manner as it is defined under net energy metering provisions of the Public Utilities Article, meaning a customer (of an electric company) 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 hydroelectric generating facility that is (1) located on the customer's premises or contiguous property; (2) interconnected and operated in parallel with an electric company's transmission and distribution facilities; and (3) intended primarily to offset all or part of the customer's own electricity requirements.

"Low to moderate income" means a household with an annual household income at or below 150% of the average median income for the State.

Program Administration

MEA must establish application and income verification procedures for the program by January 1, 2025, and award grants from the program. The bill specifies income verification processes that must be used.

Grant funding under the program must be monitored through an application process maintained by MEA and visible on its website. Data on the website, which must be updated regularly, must include the amount of funding available, reserved, and spent for the fiscal year. Moreover, MEA must publish the disclosure form developed under the consumer protection policy (below) and the minimum benefits that an eligible customer-generator must receive under an agreement with a third party.

MEA must develop a consumer protection policy in consultation with representatives of the customer-sited solar industry. The consumer protection policy must:

- include a disclosure form for solar energy power purchase agreements, solar energy lease agreements, and solar energy loan agreements that must be signed by an eligible customer-generator before entering into the agreement;
- prohibit an annual rate increase of more than 3% (for a solar energy power purchase agreement or a solar energy lease agreement);
- allow a customer-generator to cancel an agreement entered into with a third party up to 30 days after signing the agreement; and
- be easily accessible on MEA's website and social media platforms.

Grant Funding

Grants awarded to income-verified eligible customer-generators are funded with a portion of the solar ACP revenues that are generated from the Renewable Energy Portfolio Standard (RPS) and deposited in SEIF (as described below).

Strategic Energy Investment Fund – Reallocation of Solar Alternative Compliance Payment Funding

The bill requires that, beginning in fiscal 2025, at least 20% of solar ACP revenues received by SEIF must be used to provide grants to support the installation of new solar energy generating systems under the Customer-Sited Solar Program. In addition, up to 10% of the solar ACP revenues received by SEIF must be credited to an administrative expense account for costs related to the administration of the fund.

Solar ACP revenues collected but unused from a previous year must be used before revenues allocated for the current year. MEA must reallocate to other authorized uses any revenues that are not used within three fiscal years after collection.

The bill also modifies an existing requirement that the solar ACP revenues received by SEIF be used only to make loans and grants to support the creation of new solar energy sources in the State that are owned by or directly benefit (1) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income for the State or (2) overburdened or underserved communities (as defined under the Environment Article). The bill modifies the requirement so that the loans and grants can also support the creation of new solar energy sources in the State that are owned by or directly benefit households with low to moderate income (as defined under the Customer-Sited Solar Program).

Current Law:

Strategic Energy Investment Fund

In General

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative, and the fund also receives ACP revenues generated under Maryland's RPS.

Alternative Compliance Payment Revenues

Maryland's RPS requires that renewable sources generate specified percentages of Maryland's electricity supply each year (including specified percentages that must be derived from solar energy). Utilities and other electricity suppliers must submit renewable energy credits equal to these percentages in each year or else pay an ACP equivalent to the shortfall, including an ACP associated with any shortfall from the percentages that must be derived from solar energy (a "solar ACP"). ACP revenues are deposited into SEIF and, aside from ACPs related to post-2022 geothermal sources, may be used only to make loans and grants to support the creation of specified new renewable energy sources (and specifically new solar energy sources, in the case of solar ACPs) in the State that are owned by or directly benefit (1) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the State's average median income or (2) overburdened or underserved communities (as defined under the Environment Article).

Net Energy Metering

"Net energy metering" means 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 grid over the eligible customer-generator's billing period. The Public Service Commission 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.

"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 hydroelectric generating facility that (1) is located on the customer's premises or contiguous property; (2) is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and (3) is intended primarily to offset all or part of the customer's own electricity requirements.

State Fiscal Effect:

No Material Net Effect on State Finances

The bill is not expected to have a material net effect on overall State finances since the bill expressly reallocates portions of SEIF's solar ACP funding – to fund grants under the Customer-Sited Solar Program and cover costs related to the administration of SEIF– and does not increase SEIF's overall funding obligations. This analysis assumes that personnel and other administrative costs associated with the Customer-Sited Solar Program can be covered by the authorized reallocation of solar ACP funding to an administrative expense account for costs related to the administration of SEIF (since grants under the program are funded by SEIF).

The reallocation of solar ACP funding, however, may substantially impact existing and/or planned programs. *For illustrative purposes*, if the bill's required allocation of funding for grants under the Customer-Sited Solar Program is applied to SEIF funding included in the fiscal 2025 budget as introduced, the bill shifts at least $19.6 million of $98.0 million in spending of solar ACP funding to the Customer-Sited Solar Program, and the authorized reallocation of funding to an administrative expense account shifts up to $9.8 million more. Reallocation of SEIF funding to the Customer-Sited Solar Program is mandated under the bill beginning in fiscal 2026 but is discretionary in fiscal 2025 (a mandated appropriation must be enacted prior to July 1 of the year before the fiscal year to which the mandate first applies).

Additional Personnel

MEA expects to need additional personnel to administer the Customer-Sited Solar Program, based on the capacity of existing staff and the scope of the program. MEA expects to need one program manager, one financial specialist, and four contractual energy specialists, at a cost of $482,064 in fiscal 2025. As mentioned above, these costs along with any other administrative costs of the program are assumed to be covered by the funding authorized under the bill to be reallocated to an administrative expense account for costs related to the administration of SEIF. The personnel costs shown below account for the bill's July 1, 2024, effective date and include salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	2.0
Contractual Positions	4.0
Salaries and Fringe Benefits	$436,908
Other Operating Expenses	45,156
Total FY 2025 New Personnel Costs	**$482,064**
(Supported by Existing, Reallocated Funds)	

Future year costs (supported by existing, reallocated funds), which total $425,632 in fiscal 2026 and $444,298 in fiscal 2027, reflect (1) salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) termination of the positions on June 30, 2027, consistent with the bill's termination date. While this analysis assumes the positions terminate with the bill, on June 30, 2027, presumably one or more of the positions may continue, at MEA's discretion, since the need to administer the solar ACP funding continues after the bill terminates. Continuation of the positions, however, is subject to availability of sufficient other funding to cover the costs of the personnel, since the authorized reallocation of solar ACP funding to an administrative expense account terminates with the bill.

The personnel costs do 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.

Local Fiscal Effect: Local governments may be affected to the extent the bill's reallocation of SEIF solar ACP funding reduces the amount of solar ACP funding that may be available to local governments in the form of loans and grants to support the creation of new solar energy sources in the State.

Small Business Effect: Small businesses engaged in the manufacture, sale, or installation of solar energy generating systems may be meaningfully affected to the extent the use of solar ACP funding for the Customer-Sited Solar Program and administrative costs of SEIF increases or decreases business for individual small businesses in comparison to the uses of the funding in the absence of the bill.

Additional Information

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

Designated Cross File: HB 258 (Delegate Qi) - Economic Matters.

Information Source(s): Maryland Energy Administration; Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2024
km/sdk Third Reader - April 4, 2024
Revised - Amendment(s) - April 4, 2024
Revised - Clarification - April 4, 2024

Analysis by: Ralph W. Kettell

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