HB 258

Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 258 (Delegate Qi)
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 electric company customers (or a third party applying for a grant on behalf of a customer) for new solar energy generating systems, funded by specified reallocated revenues within the Strategic Energy Investment Fund (SEIF). The bill also establishes that, in MEA's discretion, a certain percentage of specified SEIF revenues must be used for grants to households with low- to moderate-income to repair, improve, or modernize a house for installation of a solar energy generating system. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General/special fund expenditures increase by up to $2.6 million in FY 2025 and up to similar, ongoing amounts in future years. The bill's reallocation of SEIF funding does not materially affect overall SEIF expenditures. **This bill establishes a mandated appropriation beginning in FY 2026.**

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	$0	$0	$0	$0	$0
GF/SF Exp.	2,581,700	2,435,800	2,538,700	2,645,300	2,756,700
Net Effect	($2,581,700)	($2,435,800)	($2,538,700)	($2,645,300)	($2,756,700)

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

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

Small Business Effect: 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 grants to eligible customer-generators (defined below) as follows:

- **$750 per kilowatt (kW), up to $7,500** – An income-verified eligible customer-generator with a low- to moderate-income is eligible for a grant equal to $750 per kW of nameplate capacity for a solar energy generating system, up to a maximum of $7,500 per system.
- **$500 per kW, up to $5,000** – A non-income-verified eligible customer-generator located in a low- to moderate-income community, an overburdened community, or an underserved community is eligible for a grant equal to $500 per kW of nameplate capacity for a solar energy generating system, up to a maximum of $5,000 per system.
- **$400 per kW, up to $4,000** – A non-income-verified eligible customer-generator located outside a low- to moderate-income community, an overburdened community, or an underserved community is eligible for a grant equal to $400 per kW of nameplate capacity for a solar energy generating system, up to a maximum of $4,000 per system.

A third party may (1) apply for a grant on behalf of an eligible customer-generator with proof of consent from the eligible customer-generator and (2) be assigned a grant by the eligible customer-generator to act on behalf of the 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 80% of the average median income for the State.

"Low- to moderate-income community" means any census tract in which, according to the most recent U.S. Census Bureau survey, the average median income is at or below 80% of the average median income for the State.

"Overburdened community" means any census tract for which three or more of specified environmental health indicators are above the seventy-fifth percentile statewide.

"Underserved community" means any census tract in which, according to the most recent U.S. Census Bureau survey (1) at least 25% of the residents qualify as low-income; (2) at least 50% of the residents identify as nonwhite; or (3) at least 15% of the residents have limited English proficiency.

Adjustment of Grant Amounts

Beginning in fiscal 2028, MEA may adjust the grant amounts available under the program to reflect market conditions and the prevailing prices of solar energy generating systems. In making an adjustment to a grant amount, MEA must (1) ensure continued growth and deployment of the customer-sited industry and minimize market disruption and (2) consider comparable programs and incentives in other states.

Program Administration

MEA must establish application and income verification procedures for the program by November 1, 2024, 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 weekly, must include the amount of funding available, reserved, and spent for the fiscal year. Moreover, MEA must publish mapping tools to allow an eligible customer-generator to determine whether the customer is located within a low- to moderate-income community, an overburdened community, or an underserved community.

Program Funding

Alternative compliance payment revenues: Grants awarded to income-verified eligible customer-generators with a low- to moderate-income and non-income-verified eligible customer-generators located in a low- to moderate-income community, an overburdened community, or an underserved community are funded with a portion of the solar alternative compliance payment (ACP) revenues that are generated from the Renewable Energy Portfolio Standard (RPS) and deposited in SEIF.

Renewable and clean energy programs account: Grants awarded to non-income-verified eligible customer-generators located outside a low- to moderate-income community, an overburdened community, or an underserved community are funded with a portion of the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative (RGGI) that are deposited in the renewable and clean energy programs account within SEIF.

Grants for Roof Replacement/Repair or Electrical Panel Upgrades

The bill establishes that, in MEA's discretion, a certain percentage of solar ACP revenues deposited in SEIF must provide to households with low- to moderate-income (as defined under the Customer-Sited Solar Program) grants to repair, improve, or modernize the house for installation of a solar energy generating system, distributed as follows:

- A grant for a roof replacement or a structural roof repair must be at least $2 per square foot but may not exceed $5,000 in total.
- A grant for an electrical panel upgrade may not exceed $1,500 and may be applied for before a solar energy generating system is installed.

An applicant for a grant must 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. The system must be installed within 180 days after a grant is distributed.

Strategic Energy Investment Fund – Reallocation of Funding

Alternative Compliance Payment Revenues

The bill requires that solar ACP revenues received by SEIF be allocated as follows:

- Beginning in fiscal 2025, at least 60% of ACP revenues received by SEIF must be allocated to support the installation of new solar energy generating systems under the Customer-Sited Solar Program.

- In MEA's discretion, a certain percentage of ACP revenues, must provide, to households with low- to moderate-income, grants to repair, improve, or modernize the house for the installation of a solar energy generating system (see "Grants for Roof Replacement/Repair or Electrical Panel Upgrades" above).

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. 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).

Renewable and Clean Energy Programs Account Revenues

The bill requires that, beginning in fiscal 2025, of the amount in the renewable and clean energy programs account within SEIF, at least one-half must be credited to the Customer-Sited Solar Program for eligible customer-generators that are not eligible for incentives under renewable and clean energy programs and initiatives under the renewable and clean energy programs account. Revenues allocated to the Customer-Sited Solar Program but unused from a previous year must be used before revenues allocated for the current fiscal year. MEA must reallocate within the renewable and clean energy programs account any revenues that remain allocated but unused for three fiscal years after collection.

Current Law:

Strategic Energy Investment Fund

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 to power plants under RGGI, 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. 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. ACP revenues are deposited into SEIF and, aside from ACPs related to post-2022 geothermal sources, may only 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.

Regional Greenhouse Gas Initiative Proceeds

RGGI proceeds received by SEIF are allocated as follows:

- at least 50% to an energy assistance account, for energy assistance programs in the Department of Human Services;
- at least 20% to a low- and moderate-income efficiency and conservation programs account and 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.

Among various renewable and clean energy programs funded by SEIF, MEA operates a Clean Energy Rebate Program established in MEA regulations that provides both residential and commercial clean energy rebates. The rebate amount for residential solar energy systems is $1,000.

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 Expenditures:

Reallocation of Funding

The bill's reallocation of SEIF's solar ACP funding and renewable and clean energy programs account funding is not expected to have a material net effect on overall SEIF expenditures since the bill expressly reallocates SEIF funding – to fund grants under the Customer-Sited Solar Program and grants for roof replacement/repair and electrical panel upgrades – and does not increase SEIF's overall funding obligations.

The reallocation, however, significantly affects existing and/or planned programs. *For illustrative purposes*, if the bill's required allocations are applied to SEIF funding included in the fiscal 2025 budget as introduced, the bill shifts $58.8 million of $98.0 million in spending of solar ACP funding to the Customer-Sited Solar Program and shifts $19.6 million of $39.2 million of RGGI funding from the renewable and clean energy programs account to the Customer-Sited Solar Program. A total of $78.4 million is diverted away from existing or planned programs. 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). Some, additional percentage of solar ACP funding, in MEA's discretion, is also reallocated to grants for roof replacement/repair and electrical panel upgrades, further diverting funding.

Administrative Costs

General/special fund expenditures increase by up to $2.6 million in fiscal 2025 and $2.4 million in fiscal 2026, which reflects the cost of hiring (1) one section chief, two program managers, four energy specialists, and six financial specialists, with a start date of July 1, 2024, and (2) 12 contractual staff, with a start date of October 1, 2024, to assist with grant processing and customer service. MEA expects to need this level of staffing, based on (1) its experience administering the Clean Energy Rebate Program; (2) expected higher demand for the Customer-Sited Solar Program due to the higher incentives; and (3) the increased complexity of the Customer-Sited Solar Program (due to the three tiers of grants and the need for income verification for one of the tiers) compared to the Clean Energy Rebate Program. The estimate also includes contractual services for system development and process automation (included in "technology/operating expenses" below) to update the agency's current rebate processing system to manage the new program. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	FY 2025	FY 2026
Regular Positions (New)	13.0	-
Contractual Positions (New)	12.0	-
Salaries and Fringe Benefits (Regular)	$1,178,304	$1,147,734
Salaries and Fringe Benefits (Contractual)	918,469	1,160,757
Technology/Operating Expenses	484,910	127,270
Total Program Expenditures	**$2,581,683**	**$2,435,761**

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

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.

MEA indicates that general funds are needed to cover these administrative costs because the amount of SEIF funding that can be used for administrative expenses is limited in statute and existing administrative expenses are already near the limit. This analysis assumes, however, that SEIF funding is used to the extent possible, and therefore "general/special" funding is reflected. In addition, while MEA indicates that reallocation of some existing staff from programs that are no longer funded under the bill (because of the reallocation of funding) is already accounted for in its estimate of the need for new personnel, expenditures may be less than estimated to the extent there is additional room for existing, reallocated staff to absorb the workload of the Customer-Sited Solar Program.

Local Fiscal Effect: Local governments may be negatively affected to the extent the bill's reallocation of SEIF funding reduces overall funding available to local governments under MEA's programs.

Small Business Effect: Small businesses engaged in the manufacture, sale, or installation of solar energy generating systems may experience a significant increase in demand due to the Customer-Sited Solar Program's grants incentivizing installation of more solar energy generating systems each year. Other small businesses may be negatively affected to the extent they benefit from other MEA clean energy programs that have reduced funding, or are not funded, due to the bill's reallocation of SEIF funding.

Additional Information

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

Designated Cross File: SB 416 (Senator Lewis Young) - Education, Energy, and the Environment.

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

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