

HOUSE BILL 1016

C5, Q7

(7lr1196)

ENROLLED BILL

— *Economic Matters / Finance and Budget and Taxation* —

Introduced by **Delegates Hecht, Barkley, Barnes, Bartlett, Beidle, Bobo, Bohanan, Bronrott, Cane, G. Clagett, V. Clagett, Conaway, Conway, Davis, DeBoy, Donoghue, Doory, Elliott, Feldman, Gilchrist, Gutierrez, Guzzone, Harrison, Heller, Hubbard, Hucker, James, Jones, Kaiser, N. King, Kirk, Kramer, Krysiak, Kullen, Lawton, Levy, Love, Malone, Manno, Mathias, McHale, McIntosh, Minnick, Mizeur, Montgomery, Pena-Melnyk, Pendergrass, Rice, Riley, Robinson, Rudolph, Stull, Taylor, F. Turner, Walker, ~~and Weldon~~ Weldon, Burns, Haddaway, and Vaughn**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Electricity – Net Energy Metering – Renewable Energy Portfolio Standard –**
3 **Solar Energy**

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.

Italics indicate opposite chamber / conference committee amendments.



1 FOR the purpose of increasing a certain limit used to determine the availability of net
2 energy metering to eligible customer-generators; increasing the amount of
3 generating capacity of an electric generating system that may be used by an
4 eligible customer-generator for net metering; requiring the Public Service
5 Commission to make a certain determination concerning dual metering for
6 certain eligible customer-generators; providing that an eligible customer-
7 generator has a title to certain attributes or credits associated with certain
8 electricity produced; requiring the Commission on or before a certain date each
9 year to report to the General Assembly on the status of the net metering program
10 in the State; altering a certain renewable energy portfolio standard by requiring
11 that certain portions of electricity in the standard be derived from solar energy;
12 extending the deadlines within the renewable energy portfolio standard for
13 certain requirements; limiting the eligibility of certain energy for meeting the
14 renewable energy portfolio standard in certain manners during certain periods;
15 requiring certain credits to be offered for certain purposes in a certain manner;
16 repealing a certain provision that provided for an electricity supplier to receive
17 a double credit toward meeting a certain renewable energy portfolio standard
18 for energy derived by solar energy sources under certain circumstances;
19 ~~requiring an electricity supplier to enter into certain contracts for not less than~~
20 ~~a certain term of years; requiring the purchase of certain credits from certain~~
21 ~~systems to be made in a certain manner in accordance with rates and methods~~
22 ~~determined by the Commission~~ allowing certain renewable on-site generators to
23 retain or transfer certain credits in a certain manner; requiring certain electricity
24 suppliers to submit a certain report; altering certain compliance fees to include
25 fees for a shortfall from the requirement for solar energy within a certain time
26 frame; authorizing an electricity supplier to request a delay in implementing
27 certain requirements under certain circumstances; ~~requiring the Public Service~~
28 ~~Commission to make certain considerations when deciding to grant a certain~~
29 ~~request;~~ altering the use of a certain fund; requiring certain fees to be accounted
30 for and used in a certain manner; requiring the Maryland Energy
31 Administration to report each year on certain matters; requiring certain
32 electricity suppliers to enter into certain contracts for not less than a certain term
33 of years; requiring the Commission to set a maximum price for a solar renewable
34 energy credit each year by taking into consideration certain market prices;
35 ~~prohibiting certain credits from being sold above a certain price; requiring the~~
36 ~~purchase of certain credits from certain systems to be made based on certain~~
37 ~~market prices~~ purchase of certain credits from certain systems to be made in a
38 certain manner in accordance with rates and methods determined by the
39 Commission; requiring the Commission to designate a certain individual to have
40 certain responsibilities; ~~altering certain amounts of net energy metering~~
41 ~~available under certain circumstances;~~ requiring the Commission to ~~begin and~~
42 ~~complete a revision of~~ convene a certain workgroup to revise the State's
43 interconnection standards and procedures to be consistent with certain

standards *and procedures* of the ~~Interstate Renewable Energy Council~~ by a certain ~~dates~~ date; altering the time frame within which a certain qualified energy facility may place certain energy resources in service for a certain tax credit for renewable energy; ~~altering the calculation of the amount of the tax credit; extending the period over which a certain tax credit may be claimed; altering the expiration date of a certain tax credit certificate; requiring the Commission to investigate certain rate-making mechanisms; requiring the Commission to include certain information in a certain report due on a certain date; requiring certain committees of the General Assembly to convene a certain workgroup for certain purposes~~ altering certain definitions; making stylistic changes; providing for the application and construction of certain provisions of this Act; and generally relating to net energy metering, the ~~use~~ of renewable energy portfolio standard, and increasing the use of solar energy in the State.

BY repealing and reenacting, with amendments,

Article – Public Utility Companies

Section 7-306, ~~7-701(h)(2) and (m), 7-703(b), 7-703(b) and (d), 7-704(a), 7-704, 7-705, 7-706(c)(1), 7-707(f), 7-709, and 7-711~~

Annotated Code of Maryland

(1998 Volume and 2006 Supplement)

~~BY repealing~~

~~Article – Public Utility Companies~~

~~Section 7-704(e)~~

~~Annotated Code of Maryland~~

~~(1998 Volume and 2006 Supplement)~~

BY adding to

Article – Public Utility Companies

Section ~~7-704(e)~~ 7-707(h)

Annotated Code of Maryland

(1998 Volume and 2006 Supplement)

~~BY repealing and reenacting, with amendments,~~

~~Article – Tax – General~~

~~Section 10-720(a), (b), and (c)~~

~~Annotated Code of Maryland~~

~~(2004 Replacement Volume and 2006 Supplement)~~

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

Article – Public Utility Companies

1 7-306.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) "Biomass" means "qualified biomass" as defined in § 7-701 of this
4 title.

5 (3) "Eligible customer-generator" means a customer that owns and
6 operates or leases and operates a biomass, solar, or wind electric generating facility
7 that:

8 (i) is located on the customer's premises;

9 (ii) is interconnected and operated in parallel with an electric
10 company's transmission and distribution facilities; and

11 (iii) is intended primarily to offset all or part of the customer's
12 own electricity requirements.

13 (4) "Net energy metering" means measurement of the difference
14 between the electricity that is supplied by an electric company and the electricity that
15 is generated by an eligible customer-generator and fed back to the electric company
16 over the eligible customer-generator's billing period.

17 (b) The General Assembly finds and declares that a program to provide net
18 energy metering for eligible customer-generators is a means to encourage private
19 investment in renewable energy resources, stimulate in-State economic growth,
20 enhance continued diversification of the State's energy resource mix, and reduce costs
21 of interconnection and administration.

22 (c) An electric company serving an eligible customer-generator shall ensure
23 that the meter installed for net energy metering is capable of measuring the flow of
24 electricity in two directions.

25 (d) The Commission shall require electric utilities to develop a standard
26 contract or tariff for net energy metering and make it available to eligible
27 customer-generators on a first-come, first-served basis until the rated generating
28 capacity owned and operated by eligible customer-generators in the State reaches
29 [34.722 megawatts, 0.2% of the State's adjusted peak-load forecast for 1998] **1,500**
30 **MEGAWATTS.**

1 (e) (1) Except as provided in subsection (g) of this section, a net energy
2 metering contract or tariff shall be identical, in energy rates, rate structure, and
3 monthly charges, to the contract or tariff that the customer would be assigned if the
4 customer were not an eligible customer-generator.

5 (2) (i) A net energy metering contract or tariff may not include
6 charges that would raise the eligible customer-generator's minimum monthly charge
7 above that of customers of the rate class to which the eligible customer-generator
8 would otherwise be assigned.

9 (ii) Charges prohibited by this paragraph include new or
10 additional demand charges, standby charges, customer charges, and minimum
11 monthly charges.

12 (f) (1) The electric company shall calculate net energy metering in
13 accordance with this subsection.

14 (2) Net energy produced or consumed on a monthly basis shall be
15 measured in accordance with standard metering practices.

16 (3) If electricity supplied by the grid exceeds electricity generated by
17 the eligible customer-generator during a month, the eligible customer-generator shall
18 be billed for the net energy supplied in accordance with subsection (e) of this section.

19 (4) If electricity generated by the eligible customer-generator exceeds
20 the electricity supplied by the grid, the eligible customer-generator shall be required
21 to pay only customer charges for that month in accordance with subsection (e) of this
22 section.

23 (5) (i) An eligible customer-generator under paragraph (4) of this
24 subsection may accrue generation credit for a period not to exceed 12 months.

25 (ii) The electric company shall carry forward a negative
26 kilowatt-hour reading until:

27 1. the eligible customer-generator's consumption of
28 electricity from the grid eliminates the credit; or

29 2. the 12-month accrual period under subparagraph (i)
30 of this paragraph expires.

1 **(6) ANY REMAINING ACCRUED GENERATION CREDIT AT THE**
 2 **EXPIRATION OF THE 12-MONTH ACCRUAL PERIOD UNDER PARAGRAPH (5)(II)2**
 3 **OF THIS SUBSECTION:**

4 **(I) SHALL REVERT TO THE ELECTRIC COMPANY; AND**

5 **(II) MAY NOT BE RECOVERED BY THE ELIGIBLE**
 6 **CUSTOMER-GENERATOR.**

7 (g) **(1)** For an eligible customer-generator whose facility is sized to
 8 produce energy in excess of the eligible customer-generator's annual energy
 9 consumption, the Commission:

10 ~~(i)~~ **(I)** may require the eligible customer-generator to install a dual meter
 11 that is capable of measuring the flow of electricity in two directions; and

12 ~~(ii)~~ **(II)** shall develop a credit formula that:

13 ~~(i)~~ **1.** excludes recovery of transmission and distribution costs; and

14 ~~(ii)~~ **2.** provides that the credit may be calculated using a method
 15 other than a kilowatt-hour basis, including a method that allows a dollar for dollar
 16 offset of electricity supplied by the grid compared to electricity generated by the
 17 eligible customer-generator.

18 **(2) IN DETERMINING WHETHER TO REQUIRE AN ELIGIBLE**
 19 **CUSTOMER-GENERATOR TO INSTALL A DUAL METER UNDER PARAGRAPH (1)(I)**
 20 **OF THIS SUBSECTION, THE COMMISSION SHALL CONSIDER THE GENERATING**
 21 **CAPACITY OF THE ELIGIBLE CUSTOMER-GENERATOR.**

22 (h) (1) [(i) Except as provided in subparagraph (ii) of this paragraph,
 23 the] **THE** generating capacity of an electric generating system used by an eligible
 24 customer-generator for net metering may not exceed [200 kilowatts] **2 MEGAWATTS.**

25 [(ii) 1. An eligible customer-generator may petition the
 26 Commission to use an electric generating system with a capacity not exceeding 500
 27 kilowatts.

28 2. The Commission may approve a petition for use of an
 29 electric generating system with a capacity not exceeding 500 kilowatts for net

1 metering if the Commission finds that the project meets public safety and reliability
2 requirements and is in the public interest.]

3 (2) An electric generating system used by an eligible
4 customer-generator for net metering shall meet all applicable safety and performance
5 standards established by the National Electrical Code, the Institute of Electrical and
6 Electronics Engineers, and Underwriters Laboratories.

7 (3) The Commission may adopt by regulation additional control and
8 testing requirements for eligible customer-generators that the Commission
9 determines are necessary to protect public safety and system reliability.

10 (4) An electric company may not require an eligible
11 customer-generator whose electric generating system meets the standards of
12 paragraphs (2) and (3) of this subsection to:

- 13 (i) install additional controls;
- 14 (ii) perform or pay for additional tests; or
- 15 (iii) purchase additional liability insurance.

16 **(5) AN ELIGIBLE CUSTOMER-GENERATOR SHALL OWN AND HAVE**
17 **TITLE TO ALL RENEWABLE ENERGY ATTRIBUTES OR RENEWABLE ENERGY**
18 **CREDITS ASSOCIATED WITH ANY ELECTRICITY PRODUCED BY ITS ELECTRIC**
19 **GENERATING SYSTEM.**

20 ~~**(5) (I) ON OR BEFORE NOVEMBER 1, 2007, THE COMMISSION**~~
21 ~~**SHALL BEGIN A REVISION OF THE STATE'S INTERCONNECTION STANDARDS AND**~~
22 ~~**PROCEDURES TO BE CONSISTENT WITH THE MR 12005 MODEL**~~
23 ~~**INTERCONNECTION STANDARDS OF THE INTERSTATE RENEWABLE ENERGY**~~
24 ~~**COUNCIL.**~~

25 ~~**(II) THE COMMISSION SHALL COMPLETE THE REVISION OF**~~
26 ~~**THE STATE'S INTERCONNECTION STANDARDS ON OR BEFORE MAY 1, 2008.**~~

27 **(I) ON OR BEFORE FEBRUARY 1 OF EACH YEAR, THE COMMISSION**
28 **SHALL REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246**
29 **OF THE STATE GOVERNMENT ARTICLE, ON THE STATUS OF THE NET METERING**
30 **PROGRAM UNDER THIS SECTION, INCLUDING:**

1 **(1) THE AMOUNT OF CAPACITY OF ELECTRIC GENERATING**
 2 **FACILITIES OWNED AND OPERATED BY ELIGIBLE CUSTOMER-GENERATORS IN**
 3 **THE STATE BY TYPE OF ENERGY RESOURCE;**

4 **(2) BASED ON THE NEED TO ENCOURAGE A DIVERSIFICATION OF**
 5 **THE STATE'S ENERGY RESOURCE MIX TO ENSURE RELIABILITY, WHETHER THE**
 6 **RATED GENERATING CAPACITY LIMIT IN SUBSECTION (D) OF THIS SECTION**
 7 **SHOULD BE ALTERED; AND**

8 **(3) OTHER PERTINENT INFORMATION.**

9 7-701.

10 (h) (2) "Qualifying biomass" includes biomass listed in paragraph (1) of
 11 this section that is used for co-firing, subject to [§ 7-704(e)] § 7-704(D) of this subtitle.

12 (m) "Tier 2 renewable source" means one or more of the following types of
 13 energy sources:

14 (1) hydroelectric power other than pump storage generation;

15 (2) incineration of poultry litter[, if the Maryland Energy
 16 Administration and the Maryland Department of Agriculture determine that there is a
 17 sufficient quantity of poultry litter available for the economic viability of any existing
 18 and operating entity that is sited on the Delmarva Peninsula and that, as of July 1,
 19 2004, processes and pasteurizes chicken litter as fertilizer]; and

20 (3) waste-to-energy.

21 7-703.

22 (b) The renewable energy portfolio standard shall be as follows:

23 (1) in 2006, 1% from Tier 1 renewable sources and 2.5% from Tier 2
 24 renewable sources;

25 (2) in 2007, 1% from Tier 1 renewable sources and 2.5% from Tier 2
 26 renewable sources;

27 (3) in 2008, [2%] ~~3%~~ **2.005%** from Tier 1 renewable sources,
 28 **INCLUDING AT LEAST 0.005% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
 29 2 renewable sources;

1 (4) in 2009, [2%] ~~3%~~ 2.01% from Tier 1 renewable sources,
2 **INCLUDING AT LEAST 0.01% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
3 2 renewable sources;

4 (5) in 2010, [3%] ~~4%~~ 3.025% from Tier 1 renewable sources,
5 **INCLUDING AT LEAST 0.025% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
6 2 renewable sources;

7 (6) in 2011, [3%] ~~4%~~ 3.04% from Tier 1 renewable sources,
8 **INCLUDING AT LEAST 0.04% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
9 2 renewable sources;

10 (7) in 2012, [4%] ~~5%~~ 4.06% from Tier 1 renewable sources,
11 **INCLUDING AT LEAST 0.06% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
12 2 renewable sources;

13 (8) in 2013, [4%] ~~5%~~ 4.1% from Tier 1 renewable sources,
14 **INCLUDING AT LEAST 0.1% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier 2
15 renewable sources;

16 (9) in 2014, [5%] ~~6%~~ 5.15% from Tier 1 renewable sources,
17 **INCLUDING AT LEAST 0.15% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
18 2 renewable sources;

19 (10) in 2015, [5%] ~~6%~~ 5.25% from Tier 1 renewable sources,
20 **INCLUDING AT LEAST 0.25% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
21 2 renewable sources;

22 (11) in 2016, [6%] ~~7%~~ 6.35% from Tier 1 renewable sources,
23 **INCLUDING AT LEAST 0.35% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
24 2 renewable sources;

25 (12) in 2017, [6%] ~~7%~~ 6.55% from Tier 1 renewable sources,
26 **INCLUDING AT LEAST 0.55% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
27 2 renewable sources;

28 (13) in 2018, [7%] ~~8%~~ 7.9% from Tier 1 renewable sources,
29 **INCLUDING AT LEAST 0.9% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier 2
30 renewable sources; [and]

1 (14) in 2019 [and later, 7.5%], ~~8%~~ 8.7% from Tier 1 renewable sources,
 2 **INCLUDING AT LEAST 1.2% DERIVED FROM SOLAR ENERGY**, and 0% from Tier 2
 3 renewable sources;

4 (15) **IN 2020, 9% FROM TIER 1 RENEWABLE SOURCES, INCLUDING**
 5 **AT LEAST 1.5% DERIVED FROM SOLAR ENERGY, AND 0% FROM TIER 2**
 6 **RENEWABLE SOURCES;**

7 (16) **IN 2021, ~~9.5%~~ 9.35% FROM TIER 1 RENEWABLE SOURCES,**
 8 **INCLUDING AT LEAST 1.85% DERIVED FROM SOLAR ENERGY, AND 0% FROM**
 9 **TIER 2 RENEWABLE SOURCES; AND**

10 (17) **IN 2022 AND LATER, 9.5% FROM TIER 1 RENEWABLE**
 11 **SOURCES, INCLUDING AT LEAST 2% DERIVED FROM SOLAR ENERGY, AND 0%**
 12 **FROM TIER 2 RENEWABLE SOURCES.**

13 (d) Subject to subsections (a) and (c) of this section, an electricity supplier
 14 shall meet the renewable energy portfolio standard by accumulating the equivalent
 15 amount of renewable energy credits that equal the [percentage] PERCENTAGES
 16 required under this section.

17 7-704.

18 (a) (1) Energy from a Tier 1 renewable source:

19 (i) is eligible for inclusion in meeting the renewable energy
 20 portfolio standard regardless of when the generating system or facility was placed in
 21 service; and

22 (ii) may be applied to the percentage requirements of the
 23 standard for either Tier 1 renewable sources or Tier 2 renewable sources.

24 (2) ~~**STARTING JANUARY 1, 2012, FOR THE RENEWABLE ENERGY**~~
 25 ~~**PORTFOLIO STANDARD APPLICABLE TO 2012 AND LATER;**~~

26 (I) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2
 27 OF THIS SUBPARAGRAPH, ENERGY FROM A TIER 1 RENEWABLE SOURCE UNDER
 28 § 7-701(L)(1) OF THIS SUBTITLE IS ELIGIBLE FOR INCLUSION IN MEETING THE
 29 RENEWABLE ENERGY PORTFOLIO STANDARD ONLY IF THE SOURCE IS
 30 CONNECTED WITH THE ELECTRIC DISTRIBUTION GRID SERVING MARYLAND;
 31 AND.

1 **2. ON OR BEFORE DECEMBER 31, 2011, ENERGY**
 2 **FROM A TIER 1 RENEWABLE SOURCE UNDER § 7-701(L)(1) OF THIS SUBTITLE**
 3 **THAT IS NOT CONNECTED WITH THE ELECTRIC DISTRIBUTION GRID SERVING**
 4 **MARYLAND IS ELIGIBLE FOR INCLUSION IN MEETING THE RENEWABLE ENERGY**
 5 **PORTFOLIO STANDARD ONLY IF OFFERS FOR SOLAR CREDITS FROM MARYLAND**
 6 **GRID SOURCES ARE NOT MADE TO THE ELECTRICITY SUPPLIER THAT WOULD**
 7 **SATISFY REQUIREMENTS UNDER THE STANDARD AND ONLY TO THE EXTENT**
 8 **THAT SUCH OFFERS ARE NOT MADE.**

9 **(ii) ~~IF~~ IF THE OWNER OF A SOLAR GENERATING SYSTEM IN**
 10 **THIS STATE CHOOSES TO SELL SOLAR RENEWABLE ENERGY CREDITS FROM**
 11 **THAT SYSTEM, THE OWNER MUST FIRST OFFER THE CREDITS FOR SALE TO AN**
 12 **ELECTRICITY SUPPLIER OR ELECTRIC COMPANY THAT SHALL APPLY THEM**
 13 **TOWARD COMPLIANCE WITH THE RENEWABLE ENERGY PORTFOLIO STANDARD**
 14 **UNDER § 7-703 OF THIS SUBTITLE.**

15 **[(2)] (3) Energy from a Tier 1 renewable source under § 7-701(l)(8) of**
 16 **this subtitle is eligible for inclusion in meeting the renewable energy portfolio**
 17 **STANDARD if it is generated at a dam that existed as of January 1, 2004, even if a**
 18 **system or facility that is capable of generating electricity did not exist on that date.**

19 **[(3)] (4) (i) Energy from a Tier 2 renewable source under §**
 20 **7-701(m)(1) or (3) of this subtitle is eligible for inclusion in meeting the renewable**
 21 **energy portfolio standard through 2018 if it is generated at a system or facility that**
 22 **existed and was operational as of January 1, 2004, even if the facility or system was**
 23 **not capable of generating electricity on that date.**

24 **(ii) Energy from a Tier 2 renewable source under § 7-701(m)(2)**
 25 **of this subtitle is eligible for inclusion in meeting the renewable energy portfolio**
 26 **standard, regardless of when the generating system was placed in service, IF THE**
 27 **MARYLAND ENERGY ADMINISTRATION AND THE MARYLAND DEPARTMENT OF**
 28 **AGRICULTURE DETERMINE THAT THERE IS A SUFFICIENT QUANTITY OF**
 29 **POULTRY LITTER AVAILABLE FOR THE ECONOMIC VIABILITY OF ANY EXISTING**
 30 **AND OPERATING ENTITY THAT IS SITED ON THE DELMARVA PENINSULA AND**
 31 **THAT, AS OF JULY 1, 2004, PROCESSED AND PASTEURIZED CHICKEN LITTER AS**
 32 **FERTILIZER.**

33 **(b) On or after January 1, 2004, an electricity supplier may:**

34 **(1) receive renewable energy credits; and**

1 (2) accumulate renewable energy credits under this subtitle.

2 [(c) An electricity supplier shall receive double credit toward meeting the
3 renewable energy portfolio standard for energy derived from solar energy.]

4 ~~(c) (1) (i) AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR
5 RENEWABLE ENERGY CREDITS DIRECTLY FROM A SOLAR ON-SITE GENERATOR
6 SHALL ENTER INTO A CONTRACT WITH THE ON-SITE GENERATOR FOR A TERM
7 OF AT LEAST 15 YEARS.~~

8 ~~(H) THE MINIMUM REQUIRED TERM UNDER
9 SUBPARAGRAPH (I) OF THIS PARAGRAPH DOES NOT AFFECT THE ABILITY OF
10 THE PARTIES TO NEGOTIATE A PRICE FOR A SOLAR RENEWABLE ENERGY
11 CREDIT THAT VARIES OVER TIME IN ANY MANNER.~~

12 ~~(2) (i) AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR
13 RENEWABLE ENERGY CREDITS FROM AN ON-SITE GENERATOR USING A SOLAR
14 GENERATING SYSTEM WITH A CAPACITY NOT EXCEEDING 10 KILOWATTS SHALL
15 PURCHASE THE CREDITS WITH A SINGLE INITIAL PAYMENT REPRESENTING THE
16 FULL ESTIMATED PRODUCTION OF THE SYSTEM FOR THE LIFE OF THE
17 CONTRACT.~~

18 ~~(H) THE COMMISSION SHALL:~~

19 ~~1. DEVELOP A METHOD FOR ESTIMATING ANNUAL
20 PRODUCTION FROM THE TYPE OF SYSTEM DESCRIBED IN SUBPARAGRAPH (I) OF
21 THIS PARAGRAPH AND ALLOCATING CREDITS TO THE ELECTRICITY SUPPLIER
22 CONSISTENT WITH THE DURATION OF THE CONTRACT; AND~~

23 ~~2. DETERMINE THE RATE FOR A PAYMENT MADE TO
24 AN ON-SITE GENERATOR UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.~~

25 [[d)] (c) (1) This subsection applies only to a generating facility that is
26 placed in service on or after January 1, 2004.

27 (2) (i) On or before December 31, 2005, an electricity supplier shall
28 receive 120% credit toward meeting the renewable energy portfolio standard for energy
29 derived from wind.

1 (ii) After December 31, 2005, and on or before December 31,
2 2008, an electricity supplier shall receive 110% credit toward meeting the renewable
3 energy portfolio standard for energy derived from wind.

4 (3) On or before December 31, 2008, an electricity supplier shall receive
5 110% credit toward meeting the renewable energy portfolio standard for energy derived
6 from methane under § 7-701(l)(4) of this subtitle.

7 [(e)] (D) An electricity supplier shall receive credit toward meeting the
8 renewable energy portfolio standard for electricity derived from the biomass fraction of
9 biomass co-fired with other fuels.

10 [(f)] (E) (1) In this subsection, “customer” means:

11 (i) an industrial electric customer that is not on standard offer
12 service; or

13 (ii) a renewable on-site generator.

14 (2) (i) A customer may independently acquire renewable energy
15 credits to satisfy the standards applicable to the customer’s load, including credits
16 created by a renewable on-site generator.

17 (ii) [Except as provided in subparagraph (iii)1 of this paragraph,
18 the customer shall surrender the credits necessary to meet the standard to its electricity
19 supplier for inclusion in the electricity supplier’s compliance report under § 7-705 of
20 this subtitle.

21 (iii) 1.] Credits that a customer [surrenders] TRANSFERS to
22 its electricity supplier to meet the standard and that the electricity supplier relies on in
23 submitting its compliance report may not be resold or retransferred by the customer or
24 by the electricity supplier.

25 [2. The customer may retain or transfer any credits in
26 excess of the amount needed to satisfy the standard for the customer’s load.

27 (iv) A customer who surrenders credits under this subsection
28 retains all rights and title to any environmental or other attributes associated with the
29 credits, including emission reductions or related allowances.]

30 (3) A renewable on-site generator [shall receive credit] **MAY RETAIN**
31 **OR TRANSFER AT ITS SOLE OPTION ANY CREDITS CREATED BY THE RENEWABLE**

1 **ON-SITE GENERATOR, INCLUDING CREDITS** for the portion of its on-site generation
2 from a Tier 1 renewable source or a Tier 2 renewable source that displaces the purchase
3 of electricity by the renewable on-site generator from the grid.

4 (4) A customer that satisfies the standard applicable to the customer's
5 load under this subsection may not be required to contribute to a compliance fee
6 recovered under § 7-706 of this subtitle.

7 (5) The Commission shall adopt regulations governing the application
8 and transfer of credits under this subsection consistent with federal law.

9 ~~[(g)]~~ (F) (1) In order to create a renewable energy credit, a Tier 1
10 renewable source or Tier 2 renewable source must substantially comply with all
11 applicable environmental and administrative requirements, including air quality,
12 water quality, solid waste, and right-to-know provisions, permit conditions, and
13 administrative orders.

14 (2) (i) This paragraph applies to Tier 2 renewable sources that
15 incinerate solid waste.

16 (ii) At least 80% of the solid waste incinerated at a Tier 2
17 renewable source facility shall be collected from:

18 1. for areas in Maryland, jurisdictions that achieve the
19 recycling rates required under § 9-505 of the Environment Article; and

20 2. for other states, jurisdictions for which the electricity
21 supplier demonstrates recycling substantially comparable to that required under §
22 9-505 of the Environment Article, in accordance with regulations of the Commission.

23 (iii) An electricity supplier may report credits received under this
24 paragraph based on compliance by the facility with the percentage requirement of
25 subparagraph (ii) of this paragraph during the year immediately preceding the year in
26 which the electricity supplier receives the credit to apply to the standard.

27 7-705.

28 (a) Each electricity supplier shall submit a report to the Commission each
29 year in a form and by a date specified by the Commission that:

1 (1) demonstrates that the electricity supplier has complied with the
 2 applicable renewable energy portfolio standard under § 7-703 of this subtitle and
 3 includes the submission of the required amount of renewable energy credits; or

4 (2) demonstrates the amount of electricity sales by which the
 5 electricity supplier failed to meet the applicable renewable energy portfolio standard.

6 (b) If an electricity supplier fails to comply with the renewable energy
 7 portfolio standard for the applicable year, the electricity supplier shall pay into the
 8 Maryland Renewable Energy Fund established under § 7-707 of this subtitle:

9 (1) except as provided in ~~paragraph~~ ***ITEM*** (2) of this subsection, a
 10 compliance fee of:

11 (i) 2 cents for each kilowatt-hour of shortfall from required
 12 Tier 1 renewable sources **OTHER THAN THE SHORTFALL FROM THE REQUIRED**
 13 **TIER 1 RENEWABLE SOURCES THAT IS TO BE DERIVED FROM SOLAR ENERGY;**
 14 [and]

15 (II) **THE FOLLOWING AMOUNTS FOR EACH KILOWATT-HOUR**
 16 **OF SHORTFALL FROM REQUIRED TIER 1 RENEWABLE SOURCES THAT IS TO BE**
 17 **DERIVED FROM SOLAR ENERGY:**

18 1. ~~IN 2008,~~ **45 CENTS IN 2008;**

19 2. ~~IN 2009 AND 2010,~~ **40 CENTS IN 2009 AND 2010;**

20 3. ~~IN 2011 AND 2012,~~ **35 CENTS IN 2011 AND 2012;**

21 4. ~~IN 2013 AND 2014,~~ **30 CENTS IN 2013 AND 2014;**

22 5. ~~IN 2015 AND 2016,~~ **25 CENTS IN 2015 AND 2016;**

23 **AND**

24 6. ~~IN 2017 AND LATER,~~ **20 CENTS IN 2017 AND 2018;**

25 **AND**

26 7. **15 CENTS IN 2019 AND 2020;**

27 8. **10 CENTS IN 2021 AND 2022; AND**

1 9. 5 CENTS IN 2023 AND LATER; AND

2 [(ii)] (iii) 1.5 cents for each kilowatt–hour of shortfall from
3 required Tier 2 renewable sources; or

4 (2) for industrial process load:

5 (i) for each kilowatt–hour of shortfall from required Tier 1
6 renewable sources, a compliance fee of:

- 7 1. 0.8 cents in 2006, 2007, and 2008;
- 8 2. 0.5 cents in 2009 and 2010;
- 9 3. 0.4 cents in 2011 and 2012;
- 10 4. 0.3 cents in 2013 and 2014;
- 11 5. 0.25 cents in 2015 and 2016; and
- 12 6. 0.2 cents in 2017 and later; and

13 (ii) nothing for any shortfall from required Tier 2 renewable
14 sources.

15 (c) The Commission may allow an electricity supplier to submit the report
16 required under § 7–505(b)(4) of this title to demonstrate compliance with the
17 renewable energy portfolio standard.

18 (d) An aggregator or broker who assists an electricity customer in purchasing
19 electricity but who does not supply the electricity or take title to or ownership of the
20 electricity may require the electricity supplier who supplies the electricity to
21 demonstrate compliance with this subtitle.

22 (E) (1) **NOTWITHSTANDING THE REQUIREMENTS OF § 7–703(B) OF**
23 **THIS SUBTITLE, IF THE ACTUAL OR PROJECTED DOLLAR–FOR–DOLLAR COST**
24 **INCURRED OR TO BE INCURRED BY AN ELECTRICITY SUPPLIER SOLELY FOR THE**
25 **PURCHASE OF TIER 1 RENEWABLE ENERGY CREDITS DERIVED FROM SOLAR**
26 **ENERGY IN ANY 1 YEAR IS GREATER THAN OR EQUAL TO, OR IS ANTICIPATED TO**
27 **BE GREATER THAN OR EQUAL TO, 1% OF THE ELECTRICITY SUPPLIER’S TOTAL**
28 **ANNUAL ELECTRICITY SALES REVENUES IN MARYLAND, THE ELECTRICITY**
29 **SUPPLIER MAY REQUEST ~~A DELAY OF 1 YEAR IN THE SCHEDULED INCREASE OF~~**

1 ~~SOLAR ENERGY REQUIREMENTS THAT APPLY TO THE ELECTRICITY SUPPLIER~~
2 ~~UNDER § 7-703 OF THIS SUBTITLE.~~

3 ~~(2) WITH RESPECT TO A REQUEST FOR DELAY UNDER~~
4 ~~PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSION SHALL CONSIDER AND~~
5 ~~COMPARE THE DOLLAR-FOR-DOLLAR COMPLIANCE COSTS OF OTHER~~
6 ~~ELECTRICITY SUPPLIERS IN THE STATE THAT THE COMMISSION:~~

7 (I) DELAY BY 1 YEAR EACH OF THE SCHEDULED
8 PERCENTAGES FOR SOLAR ENERGY UNDER § 7-703(B) OF THIS SUBTITLE THAT
9 WOULD APPLY TO THE ELECTRICITY SUPPLIER; AND

10 (II) ALLOW THE RENEWABLE ENERGY PORTFOLIO
11 STANDARD FOR SOLAR ENERGY FOR THAT YEAR TO CONTINUE TO APPLY TO THE
12 ELECTRICITY SUPPLIER FOR THE FOLLOWING YEAR.

13 (2) IN MAKING ITS DETERMINATION UNDER PARAGRAPH (1) OF
14 THIS SUBSECTION, THE COMMISSION SHALL CONSIDER THE ACTUAL OR
15 PROJECTED DOLLAR-FOR-DOLLAR COMPLIANCE COSTS OF OTHER
16 ELECTRICITY SUPPLIERS.

17 (3) IF AN ELECTRICITY SUPPLIER MAKES A REQUEST UNDER
18 PARAGRAPH (1) OF THIS SUBSECTION BASED ON PROJECTED COSTS, THE
19 ELECTRICITY SUPPLIER SHALL PROVIDE VERIFIABLE EVIDENCE OF THE
20 PROJECTIONS TO THE COMMISSION AT THE TIME OF THE REQUEST.

21 (4) IF THE COMMISSION ALLOWS A DELAY UNDER PARAGRAPH
22 (1) OF THIS SUBSECTION:

23 (I) THE RENEWABLE ENERGY PORTFOLIO STANDARD FOR
24 SOLAR ENERGY APPLICABLE TO THE ELECTRICITY SUPPLIER UNDER THE DELAY
25 CONTINUES FOR EACH SUBSEQUENT CONSECUTIVE YEAR THAT THE ACTUAL OR
26 PROJECTED DOLLAR-FOR-DOLLAR COSTS INCURRED, OR TO BE INCURRED, BY
27 THE ELECTRICITY SUPPLIER SOLELY FOR THE PURCHASE OF SOLAR
28 RENEWABLE ENERGY CREDITS IS GREATER THAN OR EQUAL TO, OR IS
29 ANTICIPATED TO BE GREATER THAN OR EQUAL TO, 1% OF THE ELECTRICITY
30 SUPPLIER'S TOTAL ANNUAL RETAIL ELECTRICITY SALES REVENUES IN
31 MARYLAND; AND

1 **(II) THE RENEWABLE ENERGY PORTFOLIO STANDARD FOR**
 2 **SOLAR ENERGY APPLICABLE TO THE ELECTRICITY SUPPLIER UNDER THE DELAY**
 3 **IS INCREASED TO THE NEXT SCHEDULED PERCENTAGE INCREASE UNDER §**
 4 **7-703(B) OF THIS SUBTITLE FOR EACH YEAR IN WHICH THE ACTUAL OR**
 5 **PROJECTED DOLLAR-FOR-DOLLAR COSTS INCURRED, OR TO BE INCURRED, BY**
 6 **THE ELECTRICITY SUPPLIER SOLELY FOR THE PURCHASE OF SOLAR**
 7 **RENEWABLE ENERGY CREDITS IS LESS THAN, OR IS ANTICIPATED TO BE LESS**
 8 **THAN, 1% OF THE ELECTRICITY SUPPLIER'S TOTAL ANNUAL RETAIL**
 9 **ELECTRICITY SALES REVENUES IN MARYLAND.**

10 7-706.

11 (c) Any cost recovery under this section:

12 (1) for all electricity suppliers, may be in the form of a generation
 13 surcharge payable by all current electricity supply customers, except as otherwise
 14 provided in [§ 7-704(f)] § 7-704(E) of this subtitle;

15 7-707.

16 (f) (1) (I) [The] **SUBJECT TO SUBPARAGRAPH (II) OF THIS**
 17 **PARAGRAPH, THE** Fund may be used only to make loans and grants to support the
 18 creation of new Tier 1 renewable ~~energy~~ sources in the State.

19 **(II) COMPLIANCE FEES PAID UNDER § 7-705(B)(1)(II) OF**
 20 **THIS SUBTITLE SHALL BE ACCOUNTED FOR SEPARATELY WITHIN THE FUND AND**
 21 **MAY BE USED ONLY TO MAKE LOANS AND GRANTS TO SUPPORT THE CREATION**
 22 **OF NEW SOLAR ENERGY SOURCES IN THE STATE.**

23 (2) By regulation the Commission shall adopt eligibility criteria for
 24 projects supported by the Fund.

25 (3) (i) The Administration shall receive and review applications for
 26 loans and grants for eligible projects.

27 (ii) The Administration shall approve or disapprove applications
 28 for loans and grants from the Fund.

29 (4) (i) Subject to subparagraph (ii) of this paragraph, the
 30 Commission may allow the use of money of the Fund for administrative expenses
 31 related to the Fund and project review and oversight.

1 (ii) The Administration and the Commission may not spend
2 more than 10% of the funds placed in the Fund for administrative expenses.

3 **(H) (1) ON OR BEFORE FEBRUARY 1 OF EACH YEAR, THE**
4 **ADMINISTRATION, IN CONSULTATION WITH THE COMMISSION, SHALL REPORT**
5 **TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE**
6 **GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY, ON THE STATUS OF THE**
7 **FUND.**

8 **(2) THE REPORT SHALL INCLUDE:**

9 **(I) ALL AMOUNTS RECEIVED BY AND DISBURSED FROM THE**
10 **FUND;**

11 **(II) ALL AMOUNTS USED BY THE ADMINISTRATION AND THE**
12 **COMMISSION FOR ADMINISTRATIVE PURPOSES;**

13 **(III) THE EVALUATION CRITERIA USED BY THE**
14 **ADMINISTRATION IN MAKING LOANS AND GRANTS FROM THE FUND AND IN**
15 **SELECTING RECIPIENTS OF THOSE LOANS AND GRANTS;**

16 **(IV) THE NUMBER AND AMOUNTS OF LOANS AND GRANTS**
17 **MADE IN THE PRECEDING CALENDAR YEAR;**

18 **(V) THE STATUS OF LOANS PENDING AS OF THE END OF THE**
19 **PRECEDING CALENDAR YEAR;**

20 **(VI) THE ALLOCATION OF DISBURSEMENTS FOR**
21 **DEVELOPMENT OF NEW SOLAR AND OTHER TIER 1 RENEWABLE SOURCES;**

22 **(VII) THE PROJECTED RECEIPTS OF THE FUND IN THE**
23 **CURRENT CALENDAR YEAR; AND**

24 **(VIII) PLANS FOR THE USE OF RESOURCES OF THE FUND IN**
25 **THE CURRENT CALENDAR YEAR.**

26 7-709.

1 (a) An electricity supplier may use accumulated renewable energy credits to
2 meet the renewable energy portfolio standard, including credits created by a renewable
3 on-site generator.

4 (b) A renewable energy credit may be sold or otherwise transferred.

5 (c) (1) (I) IF AN ELECTRICITY SUPPLIER PURCHASES SOLAR
6 RENEWABLE ENERGY CREDITS DIRECTLY FROM A RENEWABLE ON-SITE
7 GENERATOR TO MEET THE SOLAR COMPONENT OF THE TIER 1 RENEWABLE
8 ENERGY PORTFOLIO STANDARD, THE DURATION OF THE CONTRACT TERM FOR
9 THE SOLAR RENEWABLE ENERGY CREDITS MAY NOT BE LESS THAN 15 YEARS.

10 ~~(II) SUBJECT TO SUBPARAGRAPH (IV) OF THIS~~
11 ~~PARAGRAPH, THE~~ THE MINIMUM REQUIRED TERM UNDER SUBPARAGRAPH (I) OF
12 THIS PARAGRAPH DOES NOT AFFECT THE ABILITY OF THE PARTIES TO
13 NEGOTIATE A PRICE FOR A SOLAR RENEWABLE ENERGY CREDIT THAT VARIES
14 OVER TIME IN ANY MANNER.

15 ~~(III) THE COMMISSION SHALL SET A MAXIMUM PRICE FOR A~~
16 ~~SOLAR RENEWABLE ENERGY CREDIT EACH YEAR BY TAKING INTO~~
17 ~~CONSIDERATION THE MARKET PRICES FOR SOLAR RENEWABLE ENERGY CREDITS~~
18 ~~IN ALL THE STATES THAT ARE WITHIN THE PJM REGION.~~

19 ~~(IV) A SOLAR RENEWABLE ENERGY CREDIT MAY NOT BE~~
20 ~~SOLD FOR MORE THAN THE MAXIMUM PRICE ESTABLISHED BY THE COMMISSION~~
21 ~~IN ACCORDANCE WITH SUBPARAGRAPH (III) OF THIS PARAGRAPH.~~

22 ~~(2) AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR~~
23 ~~RENEWABLE ENERGY CREDITS FROM A RENEWABLE ON-SITE GENERATOR WITH A~~
24 ~~CAPACITY NOT EXCEEDING 10 KILOWATTS SHALL PAY THE ON-SITE GENERATOR~~
25 ~~THE MAXIMUM PRICE ESTABLISHED EACH YEAR BY THE COMMISSION UNDER~~
26 ~~PARAGRAPH (1)(III) OF THIS SUBSECTION.~~

27 (2) (I) AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR
28 RENEWABLE ENERGY CREDITS FROM A RENEWABLE ON-SITE GENERATOR WITH A
29 CAPACITY NOT EXCEEDING 10 KILOWATTS SHALL PURCHASE THE CREDITS WITH
30 A SINGLE INITIAL PAYMENT REPRESENTING THE FULL ESTIMATED PRODUCTION
31 OF THE SYSTEM FOR THE LIFE OF THE CONTRACT.

32 (II) THE COMMISSION SHALL:

1 (i) demonstrate a return to compliance of the generating facility
 2 under [§ 7-704(g)] § 7-704(F) of this subtitle; or

3 (ii) replace the credit with a renewable energy credit from
 4 another source.

5 [(e)] (F) The Commission by regulation shall establish requirements for
 6 documentation and verification of renewable energy credits by licensed electricity
 7 suppliers and other generators that create and receive credits for compliance with the
 8 standards for Tier 1 renewable sources and Tier 2 renewable sources.

9 7-711.

10 (A) The Commission has the same power and authority with respect to an
 11 electricity supplier under this subtitle that the Commission has with respect to any
 12 public service company under this article for the purposes of investigating and
 13 examining the electricity supplier to determine compliance with this subtitle and with
 14 other applicable law.

15 (B) (1) BEGINNING JANUARY 1, 2008, THE COMMISSION SHALL
 16 DESIGNATE AN INDIVIDUAL TO BE RESPONSIBLE FOR THE OVERSIGHT OF
 17 COMPLIANCE WITH THE REQUIREMENTS OF TIER 1 RENEWABLE ~~ENERGY~~
 18 SOURCES THAT ARE TO BE DERIVED FROM SOLAR ENERGY.

19 (2) ~~THE PERSON~~ INDIVIDUAL DESIGNATED UNDER PARAGRAPH
 20 (1) OF THIS SUBSECTION SHALL:

21 (I) DEVELOP THE PROGRAM FOR THE REQUIREMENTS FOR
 22 TIER 1 RENEWABLE ~~ENERGY~~ SOURCES DERIVED FROM SOLAR ENERGY;

23 (II) PROVIDE EDUCATION AND OUTREACH TO PROMOTE THE
 24 USE OF SOLAR ENERGY; AND

25 (III) MAKE POLICY RECOMMENDATIONS TO THE
 26 COMMISSION REGARDING IMPROVING THE STATE'S USE OF SOLAR ENERGY,
 27 INCLUDING THE DEVELOPMENT OF CLEAR, SIMPLE, AND STRAIGHTFORWARD
 28 FORMS, REQUIREMENTS, AND PROCEDURES TO FACILITATE PARTICIPATION BY
 29 HOMEOWNERS AND SMALL BUSINESSES IN DEPLOYMENT OF SOLAR
 30 GENERATION IN THE STATE.

1 ~~10-720.~~

2 (a) (1) ~~In this section the following words have the meanings indicated.~~

3 (2) ~~“Administration” means the Maryland Energy Administration.~~

4 (3) (i) ~~Except as provided in subparagraphs (ii) and (iii) of this~~
 5 ~~paragraph, “qualified energy resources” has the meaning stated in § 45(c)(1) of the~~
 6 ~~Internal Revenue Code.~~

7 (ii) ~~“Qualified energy resources” includes any solid,~~
 8 ~~nonhazardous, cellulose waste material that is segregated from other waste materials~~
 9 ~~and is derived from:~~

10 1. ~~any of the following forest related resources, not~~
 11 ~~including old growth timber:~~

12 A. ~~mill residues, except sawdust and wood shavings;~~

13 B. ~~forest thinnings;~~

14 C. ~~slash; or~~

15 D. ~~brush;~~

16 2. ~~waste pallets, crates, and dunnage and landscape or~~
 17 ~~right of way trimmings; or~~

18 3. ~~agricultural sources, including orchard tree crops,~~
 19 ~~vineyard, grain, legumes, sugar, and other crop by products or residues.~~

20 (iii) ~~“Qualified energy resources” includes methane gas or other~~
 21 ~~combustible gases resulting from the decomposition of organic materials from an~~
 22 ~~agricultural operation, or from a landfill or wastewater treatment plant using one or a~~
 23 ~~combination of the following processes:~~

24 1. ~~anaerobic decomposition; or~~

25 2. ~~thermal decomposition.~~

26 (4) ~~“Qualified Maryland facility” means a facility located in the State~~
 27 ~~that:~~

1 (i) ~~primarily uses qualified energy resources to produce~~
2 ~~electricity and is originally placed in service on or after January 1, 2006, but before~~
3 ~~[January 1, 2011] JANUARY 2, 2016, or~~

4 (ii) ~~produces electricity from a qualified energy resource that is~~
5 ~~co-fired with coal and initially begins co-firing a qualified energy resource on or after~~
6 ~~January 1, 2006, but before January 1, 2011, regardless of when the original facility~~
7 ~~was placed in service.~~

8 (b) (1) ~~Except as provided in paragraphs (2) and (3) of this subsection, an~~
9 ~~individual or corporation that receives an initial credit certificate from the~~
10 ~~Administration may claim a credit against the State income tax for a taxable year in~~
11 ~~an amount equal to [0.85] 1.7 cents for each kilowatt hour of electricity:~~

12 (i) ~~produced by the individual or corporation from qualified~~
13 ~~energy resources at a qualified Maryland facility during the [5-year] 10-YEAR period~~
14 ~~specified in the initial credit certificate; and~~

15 (ii) ~~sold by the individual or corporation to a person other than a~~
16 ~~related person, within the meaning of § 45 of the Internal Revenue Code, during the~~
17 ~~taxable year.~~

18 (2) ~~If the electricity is produced from a qualified energy resource that~~
19 ~~is co-fired at a facility that produces electricity from coal, the credit is 0.5 cents for~~
20 ~~each kilowatt hour of electricity produced from the qualified energy resource instead of~~
21 ~~[0.85] 1.7 cents.~~

22 (3) ~~The annual tax credit under this subsection may not exceed~~
23 ~~one fifth of the maximum amount of credit stated in the initial credit certificate.~~

24 (e) (1) ~~Subject to the provisions of this subsection, on application by a~~
25 ~~taxpayer, the Administration shall issue an initial credit certificate if the taxpayer has~~
26 ~~demonstrated that the taxpayer will within the next 12 months produce electricity~~
27 ~~from qualified energy resources at a qualified Maryland facility.~~

28 (2) ~~The initial credit certificate issued under this subsection shall:~~

29 (i) ~~state the maximum amount of credit that may be claimed by~~
30 ~~the taxpayer over a [5-year] 10-YEAR period;~~

1 ~~(ii) state the earliest tax year for which the credit may be~~
2 ~~claimed; and~~

3 ~~(iii) expire after the [5th] 10TH consecutive tax year beginning~~
4 ~~with the earliest tax year for which the credit may be claimed.~~

5 ~~(3) The maximum amount of credit stated in the initial credit~~
6 ~~certificate shall:~~

7 ~~(i) for an energy producer, be in an amount equal to the lesser~~
8 ~~of:~~

9 ~~1. the product of multiplying 5 times the taxpayer's~~
10 ~~estimated annual tax credit, based on estimated annual energy production, as certified~~
11 ~~by the Administration; or~~

12 ~~2. \$2,500,000.~~

13 ~~(4) The Administration may not issue initial credit certificates for~~
14 ~~maximum credit amounts in the aggregate totaling more than \$25,000,000.~~

15 ~~(5) The Administration shall approve all applications that qualify for~~
16 ~~an initial credit certificate under this subsection on a first come, first served basis.~~

17 ~~(6) If a taxpayer over a 3 year period does not claim on average at~~
18 ~~least 10% of the maximum credit amount stated in the initial credit certificate, the~~
19 ~~Administration at its discretion may cancel an amount of the taxpayer's initial credit~~
20 ~~certificate equal to the product of multiplying:~~

21 ~~(i) the amount of the credit on average that was not claimed~~
22 ~~over the 3 year period; and~~

23 ~~(ii) the remaining number of tax years that the taxpayer is~~
24 ~~eligible to take the credit.~~

25 ~~(7) An applicant for an initial credit certificate or a taxpayer whose~~
26 ~~credits have been canceled under paragraph (6) of this subsection, may appeal a~~
27 ~~decision by the Administration to the Office of Administrative Hearings in accordance~~
28 ~~with Title 10, Subtitle 2 of the State Government Article.~~

29 ~~(8) The Administration may not issue an initial credit certificate after~~
30 ~~December 31, 2010.~~

1 SECTION 2. AND BE IT FURTHER ENACTED, That, in recognition of the
2 value of small distributed generation to the reliable and cost-effective operation of the
3 grid, the Public Service Commission shall:

4 (1) form a small generator interconnections workgroup to develop
5 interconnection standards and procedures for on-site generator facilities operating in
6 Maryland that are consistent with nationally adopted interconnection standards and
7 procedures; and

8 (2) on or before November 1, 2007, by regulation or order, revise
9 Maryland's interconnection standards and procedures:

10 (i) to be consistent with nationally adopted interconnection
11 standards and procedures; and

12 (ii) to facilitate and encourage a simplified connection of small
13 distributed generators to the grid in a manner that ensures the safe and reliable
14 operation of the grid.

15 SECTION 3. AND BE IT FURTHER ENACTED, That the Public Service
16 Commission shall investigate the benefits to residential customers of using a
17 regulatory rate-making mechanism that separates electric company distribution sales
18 from electric company distribution profits, including a mechanism that allows electric
19 companies to recover fixed distribution costs on a flat rate basis instead of on a
20 consumption rate basis.

21 SECTION 4. AND BE IT FURTHER ENACTED, That the requirement under §
22 7-306 (h)(5) of the Public Utility Companies Article, as enacted by Section 1 of this
23 Act, for an eligible customer-generator to own and have title to all renewable energy
24 attributes or renewable energy credits associated with any electricity produced by its
25 electric generating system shall apply prospectively and may not be construed to:

26 (1) impair contracts that were entered into before the effective date of
27 Section 1 of this Act; or

28 (2) prohibit contracts between an eligible customer-generator and
29 another entity entered into on or after the effective date of Section 1 of this Act that
30 explicitly transfers ownership of the renewable energy attributes or renewable energy
31 credits from the eligible customer-generator to another entity.

32 SECTION 5. AND BE IT FURTHER ENACTED, That, as part of its annual
33 report due February 1, 2014 under § 7-712 of the Public Utility Companies Article, the

1 Public Service Commission shall report its findings and recommendations for
2 modification, if any, to the renewable energy portfolio standard provisions under Title
3 7, Subtitle 7 of the Public Utility Companies Article based on a thorough study of the
4 implementation of the renewable energy portfolio standard requirements since 2006.
5 The study conducted by the Commission shall:

6 (1) be based on the results of the renewable energy portfolio standard
7 requirements effective through 2013;

8 (2) determine whether the intended goals of the renewable energy
9 portfolio standard provisions are being met and are anticipated to be met in the
10 future;

11 (3) consider the impact of the renewable energy portfolio standard
12 requirements in developing renewable energy in the State; and

13 (4) consider the cost implications to residential consumers of
14 continuing the renewable energy portfolio standard requirements beyond 2014;

15 (5) determine the realized and projected availability of solar renewable
16 energy credits in Maryland;

17 (6) consider the ability of a regional market to lower the cost impact of
18 the solar requirements of the renewable energy portfolio standard on customers;

19 (7) consider the ability of a regional market, in complying with the
20 solar requirements, to develop solar energy in Maryland; and

21 (8) determine the appropriate use of the funds that are paid into the
22 Maryland Renewable Energy Fund from compliance fees, including specific criteria for
23 making loans and grants, to achieve the intended goals of the renewable energy
24 portfolio standard.

25 ~~SECTION 6. AND BE IT FURTHER ENACTED, That:~~

26 ~~(a) The House Economic Matters Committee and the Senate Finance~~
27 ~~Committee jointly shall convene a workgroup to study issues relating to deployment of~~
28 ~~solar generation in the State and to make recommendations on means to encourage~~
29 ~~deployment of solar generation equipment in residential, commercial, and industrial~~
30 ~~facilities.~~

1 ~~(b) The workgroup shall solicit input from Executive agencies, other~~
2 ~~interested parties, and consumers in the State and may include representatives of~~
3 ~~these parties as members.~~

4 ~~(c) The purpose of the workgroup is to:~~

5 ~~(1) investigate current incentives and programs available to encourage~~
6 ~~deployment of solar generation equipment in the State;~~

7 ~~(2) assess their effectiveness and viability; and~~

8 ~~(3) propose changes or enhancements to these programs as well as~~
9 ~~new programs that will increase solar deployment for the environmental, economic,~~
10 ~~and security benefits of the State and its residents.~~

11 ~~(d) The areas studied by the workgroup shall include, at a minimum, means~~
12 ~~to create incentives to:~~

13 ~~(1) deploy solar technology in new residential construction;~~

14 ~~(2) retrofit existing property for the benefit of low-income families and~~
15 ~~others who struggle to meet energy costs in the midst of rising electricity costs;~~

16 ~~(3) assist individuals and businesses to obtain training in installation~~
17 ~~of solar technology; and~~

18 ~~(4) finance these activities.~~

19 ~~(e) The joint workgroup shall report its initial findings to the House~~
20 ~~Economic Matters Committee and the Senate Finance Committee on or before~~
21 ~~February 1, 2008, and may report supplemental findings whenever appropriate~~
22 ~~thereafter.~~

23 ~~SECTION 7. 6. AND BE IT FURTHER ENACTED, That Sections 1 and 4 of~~
24 ~~this Act shall take effect October 1, 2007. The changes to § 10-720 of the Tax~~
25 ~~General Article as enacted by Section 1 of this Act shall be applicable to all taxable~~
26 ~~years beginning after December 31, 2007.~~

27 ~~SECTION 2. 8. 7. AND BE IT FURTHER ENACTED, That, except as provided~~
28 ~~in Section 7 6 of this Act, this Act shall take effect October 1, 2007, and shall be~~
29 ~~applicable to all taxable years beginning after December 31, 2007 July 1, 2007.~~