

HOUSE BILL 1016

C5, Q7

71r1196

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**

Introduced and read first time: February 9, 2007

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 2007

CHAPTER _____

1 AN ACT concerning

2 **Renewable Energy Portfolio Standard – Solar Energy**

3 FOR the purpose of altering a certain renewable energy portfolio standard by
4 requiring that certain portions of electricity in the standard be derived from
5 solar energy; extending the deadlines within the renewable energy portfolio
6 standard for certain requirements; limiting the eligibility of certain energy for
7 meeting the renewable energy portfolio standard; repealing a certain provision
8 that provided for an electricity supplier to receive a double credit toward
9 meeting a certain renewable energy portfolio standard for energy derived by
10 solar energy sources under certain circumstances; requiring an electricity
11 supplier to enter into certain contracts for not less than a certain term of years;
12 requiring the purchase of certain credits from certain systems to be made in a
13 certain manner in accordance with rates and methods determined by the
14 Commission; altering certain compliance fees to include fees for a shortfall from

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

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



1 the requirement for solar energy within a certain time frame; authorizing an
 2 electricity supplier to request a delay in implementing certain requirements
 3 under certain circumstances; requiring the Public Service Commission to make
 4 certain considerations when deciding to grant a certain request; altering the use
 5 of a certain fund; requiring the Commission to designate a certain individual to
 6 have certain responsibilities; altering certain amounts of net energy metering
 7 available under certain circumstances; requiring the Commission to ~~begin and~~
 8 ~~complete a revision of~~ convene a certain workgroup to revise the State's
 9 interconnection standards to be consistent with certain standards ~~of the~~
 10 ~~Interstate Renewable Energy Council~~ by a certain date ~~date~~; altering the time
 11 frame within which a certain qualified energy facility may place certain energy
 12 resources in service for a certain tax credit for renewable energy; altering the
 13 calculation of the amount of the tax credit; extending the period over which a
 14 certain tax credit may be claimed; altering the expiration date of a certain tax
 15 credit certificate; requiring the Commission to investigate certain rate-making
 16 mechanisms; requiring the Commission to include certain information in a
 17 certain report; requiring certain committees of the General Assembly to convene
 18 a certain workgroup for certain purposes; providing for the application of this
 19 Act; and generally relating to the use of renewable energy and increasing the
 20 use of solar energy in the State.

21 BY repealing and reenacting, with amendments,
 22 Article – Public Utility Companies
 23 Section 7–306, ~~7–703(b)~~, 7–703(b) and (d), 7–704(a), 7–705, 7–707(f), and 7–711
 24 Annotated Code of Maryland
 25 (1998 Volume and 2006 Supplement)

26 BY repealing
 27 Article – Public Utility Companies
 28 Section 7–704(c)
 29 Annotated Code of Maryland
 30 (1998 Volume and 2006 Supplement)

31 BY adding to
 32 Article – Public Utility Companies
 33 Section 7–704(c)
 34 Annotated Code of Maryland
 35 (1998 Volume and 2006 Supplement)

36 BY repealing and reenacting, with amendments,
 37 Article – Tax – General
 38 Section 10–720(a), (b), and (c)
 39 Annotated Code of Maryland

1 (2004 Replacement Volume and 2006 Supplement)

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

4 **Article – Public Utility Companies**

5 7–306.

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

7 (2) “Biomass” means “qualified biomass” as defined in § 7–701 of this
8 title.

9 (3) “Eligible customer–generator” means a customer that owns and
10 operates or leases and operates a biomass, solar, or wind electric generating facility
11 that:

12 (i) is located on the customer’s premises;

13 (ii) is interconnected and operated in parallel with an electric
14 company’s transmission and distribution facilities; and

15 (iii) is intended primarily to offset all or part of the customer’s
16 own electricity requirements.

17 (4) “Net energy metering” means measurement of the difference
18 between the electricity that is supplied by an electric company and the electricity that
19 is generated by an eligible customer–generator and fed back to the electric company
20 over the eligible customer–generator’s billing period.

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

26 (c) An electric company serving an eligible customer–generator shall ensure
27 that the meter installed for net energy metering is capable of measuring the flow of
28 electricity in two directions.

29 (d) The Commission shall require electric utilities to develop a standard
30 contract or tariff for net energy metering and make it available to eligible

1 customer-generators on a first-come, first-served basis until the rated generating
2 capacity owned and operated by eligible customer-generators in the State reaches
3 [34.722 megawatts, 0.2% of the State's adjusted peak-load forecast for 1998] **1,500**
4 **MEGAWATTS.**

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

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

13 (ii) Charges prohibited by this paragraph include new or
14 additional demand charges, standby charges, customer charges, and minimum
15 monthly charges.

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

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

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

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

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

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

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

1 2. The Commission may approve a petition for use of an
2 electric generating system with a capacity not exceeding 500 kilowatts for net
3 metering if the Commission finds that the project meets public safety and reliability
4 requirements and is in the public interest.]

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

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

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

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

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

22 ~~(5) (i) ON OR BEFORE NOVEMBER 1, 2007, THE COMMISSION~~
23 ~~SHALL BEGIN A REVISION OF THE STATE'S INTERCONNECTION STANDARDS AND~~
24 ~~PROCEDURES TO BE CONSISTENT WITH THE MR I2005 MODEL~~
25 ~~INTERCONNECTION STANDARDS OF THE INTERSTATE RENEWABLE ENERGY~~
26 ~~COUNCIL.~~

27 ~~(ii) THE COMMISSION SHALL COMPLETE THE REVISION OF~~
28 ~~THE STATE'S INTERCONNECTION STANDARDS ON OR BEFORE MAY 1, 2008.~~

29 **(i) ON OR BEFORE FEBRUARY 1 OF EACH YEAR, THE COMMISSION**
30 **SHALL REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246**

1 **OF THE STATE GOVERNMENT ARTICLE, ON THE STATUS OF THE NET METERING**
2 **PROGRAM UNDER THIS SECTION, INCLUDING:**

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

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

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

11 7-703.

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

13 (1) in 2006, 1% from Tier 1 renewable sources and 2.5% from Tier 2
14 renewable sources;

15 (2) in 2007, 1% from Tier 1 renewable sources and 2.5% from Tier 2
16 renewable sources;

17 (3) in 2008, [2%] ~~3%~~ **2.005%** from Tier 1 renewable sources,
18 **INCLUDING AT LEAST 0.005% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
19 2 renewable sources;

20 (4) in 2009, [2%] ~~3%~~ **2.01%** from Tier 1 renewable sources,
21 **INCLUDING AT LEAST 0.01% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
22 2 renewable sources;

23 (5) in 2010, [3%] ~~4%~~ **3.025%** from Tier 1 renewable sources,
24 **INCLUDING AT LEAST 0.025% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
25 2 renewable sources;

26 (6) in 2011, [3%] ~~4%~~ **3.04%** from Tier 1 renewable sources,
27 **INCLUDING AT LEAST 0.04% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
28 2 renewable sources;

1 (7) in 2012, [4%] ~~5%~~ 4.06% from Tier 1 renewable sources,
2 **INCLUDING AT LEAST 0.06% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
3 2 renewable sources;

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

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

10 (10) in 2015, [5%] ~~6%~~ 5.25% from Tier 1 renewable sources,
11 **INCLUDING AT LEAST 0.25% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
12 2 renewable sources;

13 (11) in 2016, [6%] ~~7%~~ 6.35% from Tier 1 renewable sources,
14 **INCLUDING AT LEAST 0.35% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
15 2 renewable sources;

16 (12) in 2017, [6%] ~~7%~~ 6.55% from Tier 1 renewable sources,
17 **INCLUDING AT LEAST 0.55% DERIVED FROM SOLAR ENERGY**, and 2.5% from Tier
18 2 renewable sources;

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

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

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

28 **(16) IN 2021, 9.5% FROM TIER 1 RENEWABLE SOURCES,**
29 **INCLUDING AT LEAST 1.85% DERIVED FROM SOLAR ENERGY, AND 0% FROM**
30 **TIER 2 RENEWABLE SOURCES; AND**

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

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

8 7-704.

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

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

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

15 **(2) STARTING JANUARY 1, 2012, FOR THE RENEWABLE ENERGY**
16 **PORTFOLIO STANDARD APPLICABLE TO 2012 AND LATER:**

17 **(I) ENERGY FROM A TIER 1 RENEWABLE SOURCE UNDER §**
18 **7-701(L)(1) OF THIS SUBTITLE IS ELIGIBLE FOR INCLUSION IN MEETING THE**
19 **RENEWABLE ENERGY PORTFOLIO STANDARD ONLY IF THE SOURCE IS**
20 **CONNECTED WITH THE ELECTRIC DISTRIBUTION GRID SERVING MARYLAND;**
21 **AND**

22 **(II) IF THE OWNER OF A SOLAR GENERATING SYSTEM IN**
23 **THIS STATE CHOOSES TO SELL SOLAR RENEWABLE ENERGY CREDITS FROM**
24 **THAT SYSTEM, THE OWNER MUST FIRST OFFER THE CREDITS FOR SALE TO AN**
25 **ELECTRICITY SUPPLIER OR ELECTRIC COMPANY THAT SHALL APPLY THEM**
26 **TOWARD COMPLIANCE WITH THE RENEWABLE ENERGY PORTFOLIO STANDARD**
27 **UNDER § 7-703 OF THIS SUBTITLE.**

28 **[(2)] (3) Energy from a Tier 1 renewable source under § 7-701(l)(8) of**
29 **this subtitle is eligible for inclusion in meeting the renewable energy portfolio**
30 **STANDARD if it is generated at a dam that existed as of January 1, 2004, even if a**
31 **system or facility that is capable of generating electricity did not exist on that date.**

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

6 (ii) Energy from a Tier 2 renewable source under § 7-701(m)(2)
 7 of this subtitle is eligible for inclusion in meeting the renewable energy portfolio
 8 standard regardless of when the generating system was placed in service.

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

11 (C) (1) (I) **AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR**
 12 **RENEWABLE ENERGY CREDITS DIRECTLY FROM A SOLAR ON-SITE GENERATOR**
 13 **SHALL ENTER INTO A CONTRACT WITH THE ON-SITE GENERATOR FOR A TERM**
 14 **OF AT LEAST 15 YEARS.**

15 (II) **THE MINIMUM REQUIRED TERM UNDER**
 16 **SUBPARAGRAPH (I) OF THIS PARAGRAPH DOES NOT AFFECT THE ABILITY OF**
 17 **THE PARTIES TO NEGOTIATE A PRICE FOR A SOLAR RENEWABLE ENERGY**
 18 **CREDIT THAT VARIES OVER TIME IN ANY MANNER.**

19 (2) (I) **AN ELECTRICITY SUPPLIER THAT PURCHASES SOLAR**
 20 **RENEWABLE ENERGY CREDITS FROM AN ON-SITE GENERATOR USING A SOLAR**
 21 **GENERATING SYSTEM WITH A CAPACITY NOT EXCEEDING 10 KILOWATTS SHALL**
 22 **PURCHASE THE CREDITS WITH A SINGLE INITIAL PAYMENT REPRESENTING THE**
 23 **FULL ESTIMATED PRODUCTION OF THE SYSTEM FOR THE LIFE OF THE**
 24 **CONTRACT.**

25 (II) **THE COMMISSION SHALL:**

26 1. **DEVELOP A METHOD FOR ESTIMATING ANNUAL**
 27 **PRODUCTION FROM THE TYPE OF SYSTEM DESCRIBED IN SUBPARAGRAPH (I) OF**
 28 **THIS PARAGRAPH AND ALLOCATING CREDITS TO THE ELECTRICITY SUPPLIER**
 29 **CONSISTENT WITH THE DURATION OF THE CONTRACT; AND**

30 2. **DETERMINE THE RATE FOR A PAYMENT MADE TO**
 31 **AN ON-SITE GENERATOR UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.**

32 7-705.

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

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

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

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

11 (1) except as provided in paragraph (2) of this subsection, a
12 compliance fee of:

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

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

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

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

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

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

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

25 **AND**

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

27 **AND**

1 **7. 15 CENTS IN 2019 AND 2020;**

2 **8. 10 CENTS IN 2021 AND 2022; AND**

3 **9. 5 CENTS IN 2023 AND LATER; AND**

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

6 (2) for industrial process load:

7 (i) for each kilowatt-hour of shortfall from required Tier 1
8 renewable sources, a compliance fee of:

9 1. 0.8 cents in 2006, 2007, and 2008;

10 2. 0.5 cents in 2009 and 2010;

11 3. 0.4 cents in 2011 and 2012;

12 4. 0.3 cents in 2013 and 2014;

13 5. 0.25 cents in 2015 and 2016; and

14 6. 0.2 cents in 2017 and later; and

15 (ii) nothing for any shortfall from required Tier 2 renewable
16 sources.

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

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

24 (E) (1) **NOTWITHSTANDING THE REQUIREMENTS OF § 7-703(B) OF**
25 **THIS SUBTITLE, IF THE ACTUAL OR PROJECTED DOLLAR-FOR-DOLLAR COST**
26 **INCURRED OR TO BE INCURRED BY AN ELECTRICITY SUPPLIER SOLELY FOR THE**
27 **PURCHASE OF TIER 1 RENEWABLE ENERGY CREDITS DERIVED FROM SOLAR**

1 ENERGY IN ANY 1 YEAR IS GREATER THAN OR EQUAL TO, OR IS ANTICIPATED TO
2 BE GREATER THAN OR EQUAL TO, 1% OF THE ELECTRICITY SUPPLIER'S TOTAL
3 ANNUAL ELECTRICITY SALES REVENUES IN MARYLAND, THE ELECTRICITY
4 SUPPLIER MAY REQUEST A DELAY OF 1 YEAR IN THE SCHEDULED INCREASE OF
5 SOLAR ENERGY REQUIREMENTS THAT APPLY TO THE ELECTRICITY SUPPLIER
6 UNDER § 7-703 OF THIS SUBTITLE.

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

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

14 (II) ALLOW THE RENEWABLE ENERGY PORTFOLIO
15 STANDARD FOR SOLAR ENERGY FOR THAT YEAR TO CONTINUE TO APPLY TO THE
16 ELECTRICITY SUPPLIER FOR THE FOLLOWING YEAR.

17 (2) IN MAKING ITS DETERMINATION UNDER PARAGRAPH (1) OF
18 THIS SUBSECTION, THE COMMISSION SHALL CONSIDER THE ACTUAL OR
19 PROJECTED DOLLAR-FOR-DOLLAR COMPLIANCE COSTS OF OTHER
20 ELECTRICITY SUPPLIERS.

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

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

27 (I) THE RENEWABLE ENERGY PORTFOLIO STANDARD FOR
28 SOLAR ENERGY APPLICABLE TO THE ELECTRICITY SUPPLIER UNDER THE DELAY
29 CONTINUES FOR EACH SUBSEQUENT CONSECUTIVE YEAR THAT THE ACTUAL OR
30 PROJECTED DOLLAR-FOR-DOLLAR COSTS INCURRED, OR TO BE INCURRED, BY
31 THE ELECTRICITY SUPPLIER SOLELY FOR THE PURCHASE OF SOLAR
32 RENEWABLE ENERGY CREDITS IS GREATER THAN OR EQUAL TO, OR IS
33 ANTICIPATED TO BE GREATER THAN OR EQUAL TO, 1% OF THE ELECTRICITY

1 SUPPLIER'S TOTAL ANNUAL RETAIL ELECTRICITY SALES REVENUES IN
2 MARYLAND; AND

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

12 7-707.

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

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

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

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

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

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

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

31 7-711.

1 (A) The Commission has the same power and authority with respect to an
2 electricity supplier under this subtitle that the Commission has with respect to any
3 public service company under this article for the purposes of investigating and
4 examining the electricity supplier to determine compliance with this subtitle and with
5 other applicable law.

6 (B) (1) **BEGINNING JANUARY 1, 2008, THE COMMISSION SHALL**
7 **DESIGNATE AN INDIVIDUAL TO BE RESPONSIBLE FOR THE OVERSIGHT OF**
8 **COMPLIANCE WITH THE REQUIREMENTS OF TIER 1 RENEWABLE ENERGY**
9 **SOURCES THAT ARE TO BE DERIVED FROM SOLAR ENERGY.**

10 (2) **THE ~~PERSON~~ INDIVIDUAL DESIGNATED UNDER PARAGRAPH**
11 **(1) OF THIS SUBSECTION SHALL:**

12 (I) **DEVELOP THE PROGRAM FOR THE REQUIREMENTS FOR**
13 **TIER 1 RENEWABLE ENERGY SOURCES DERIVED FROM SOLAR ENERGY;**

14 (II) **PROVIDE EDUCATION AND OUTREACH TO PROMOTE THE**
15 **USE OF SOLAR ENERGY; AND**

16 (III) **MAKE POLICY RECOMMENDATIONS TO THE**
17 **COMMISSION REGARDING IMPROVING THE STATE'S USE OF SOLAR ENERGY,**
18 **INCLUDING THE DEVELOPMENT OF CLEAR, SIMPLE, AND STRAIGHTFORWARD**
19 **FORMS, REQUIREMENTS, AND PROCEDURES TO FACILITATE PARTICIPATION BY**
20 **HOMEOWNERS AND SMALL BUSINESSES IN DEPLOYMENT OF SOLAR**
21 **GENERATION IN THE STATE.**

22 **Article - Tax - General**

23 10-720.

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

25 (2) "Administration" means the Maryland Energy Administration.

26 (3) (i) Except as provided in subparagraphs (ii) and (iii) of this
27 paragraph, "qualified energy resources" has the meaning stated in § 45(c)(1) of the
28 Internal Revenue Code.

1 (ii) “Qualified energy resources” includes any solid,
2 nonhazardous, cellulosic waste material that is segregated from other waste materials
3 and is derived from:

4 1. any of the following forest-related resources, not
5 including old-growth timber:

6 A. mill residues, except sawdust and wood shavings;

7 B. forest thinnings;

8 C. slash; or

9 D. brush;

10 2. waste pallets, crates, and dunnage and landscape or
11 right-of-way trimmings; or

12 3. agricultural sources, including orchard tree crops,
13 vineyard, grain, legumes, sugar, and other crop by-products or residues.

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

18 1. anaerobic decomposition; or

19 2. thermal decomposition.

20 (4) “Qualified Maryland facility” means a facility located in the State
21 that:

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

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

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

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

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

11 (2) If the electricity is produced from a qualified energy resource that
12 is co-fired at a facility that produces electricity from coal, the credit is 0.5 cents for
13 each kilowatt hour of electricity produced from the qualified energy resource instead of
14 [0.85] **1.7** cents.

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

17 (c) (1) Subject to the provisions of this subsection, on application by a
18 taxpayer, the Administration shall issue an initial credit certificate if the taxpayer has
19 demonstrated that the taxpayer will within the next 12 months produce electricity
20 from qualified energy resources at a qualified Maryland facility.

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

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

24 (ii) state the earliest tax year for which the credit may be
25 claimed; and

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

28 (3) The maximum amount of credit stated in the initial credit
29 certificate shall:

30 (i) for an energy producer, be in an amount equal to the lesser
31 of:

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

4 2. \$2,500,000.

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

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

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

13 (i) the amount of the credit on average that was not claimed
14 over the 3-year period; and

15 (ii) the remaining number of tax years that the taxpayer is
16 eligible to take the credit.

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

21 (8) The Administration may not issue an initial credit certificate after
22 December 31, 2010.

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

26 (1) form a small generator interconnections workgroup to develop
27 interconnection standards and procedures for on-site generator facilities operating in
28 Maryland that are consistent with nationally adopted interconnection standards and
29 procedures; and

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

1 (i) to be consistent with nationally adopted interconnection
2 standards and procedures; and

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

6 SECTION 3. AND BE IT FURTHER ENACTED, That the Public Service
7 Commission shall investigate the benefits to residential customers of using a
8 regulatory rate-making mechanism that separates electric company distribution sales
9 from electric company distribution profits, including a mechanism that allows electric
10 companies to recover fixed distribution costs on a flat rate basis instead of on a
11 consumption rate basis.

12 SECTION 4. AND BE IT FURTHER ENACTED, That the requirement under §
13 7-306 (h)(5) of the Public Utility Companies Article, as enacted by Section 1 of this
14 Act, for an eligible customer-generator to own and have title to all renewable energy
15 attributes or renewable energy credits associated with any electricity produced by its
16 electric generating system shall apply prospectively and may not be construed to:

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

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

23 SECTION 5. AND BE IT FURTHER ENACTED, That, as part of its annual
24 report due February 1, 2014 under § 7-712 of the Public Utility Companies Article, the
25 Public Service Commission shall report its findings and recommendations for
26 modification, if any, to the renewable energy portfolio standard provisions under Title
27 7, Subtitle 7 of the Public Utility Companies Article based on a thorough study of the
28 implementation of the renewable energy portfolio standard requirements since 2006.
29 The study conducted by the Commission shall:

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

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

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

3 (4) consider the cost implications to residential consumers of
4 continuing the renewable energy portfolio standard requirements beyond 2014.

5 SECTION 6. AND BE IT FURTHER ENACTED, That:

6 (a) The House Economic Matters Committee and the Senate Finance
7 Committee jointly shall convene a workgroup to study issues relating to deployment of
8 solar generation in the State and to make recommendations on means to encourage
9 deployment of solar generation equipment in residential, commercial, and industrial
10 facilities.

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

14 (c) The purpose of the workgroup is to:

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

17 (2) assess their effectiveness and viability; and

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

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

23 (1) deploy solar technology in new residential construction;

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

26 (3) assist individuals and businesses to obtain training in installation
27 of solar technology; and

28 (4) finance these activities.

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

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

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.