

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

House Bill 858  
Economic Matters

(Delegate Boteler, *et al.*)

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Energy Companies - Net Energy Metering

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This bill changes limits placed on eligible customer-generators of electricity from biomass, solar, or wind power. The bill repeals the capacity limit on the net generating program (34.722 megawatts) and provides instead that a net energy metering contract between a customer-generator and an electric company must require the electric company to purchase all excess energy generated by the eligible customer-generator during each monthly cycle.

The time limit during which an eligible customer-generator may carry over a credit for excess energy generated is increased from 12 to 24 months. Also, if a generation credit remains on the account of a customer-generator for more than 24 consecutive months, the electric company must reimburse the customer-generator for the amount of the credit.

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Fiscal Summary

**State Effect:** Potential minimal decrease in electricity, and sales tax revenues. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful impact for a limited number of businesses.

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Analysis

**Current Law:** “Net energy metering” is 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 company over the billing

period. An “eligible customer-generator” means a customer that owns and operates a biomass, solar, or wind electrical generating facility that (1) is located on the customer’s premises; (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.

An eligible customer is given credit for the electricity it generates on its monthly bill from the electric company and is billed for the net energy supplied by the electric company. A customer may carry a generation credit if the customer produces more electricity than is used. A generation credit can be held for up to 12 months, but the electric company is not required to pay if the customer’s electric generation exceeds the electricity supplied by the grid. The maximum capacity of an electric generating system used for net metering may not exceed 200 kilowatts unless a petition to increase that, not to exceed 500 kilowatts, is filed with and granted by the Public Service Commission.

**Background:** Chapter 484 of 1997 established solar net energy metering to (1) encourage private investment in renewable energy resources; (2) stimulate in-state economic growth; (3) enhance continued diversification of the State’s energy resource mix; and (4) reduce costs of interconnection and administration. While the rated generating capacity for the program is capped in statute at 34.722 megawatts, the Public Service Commission reports that the program generates substantially less than one megawatt annually in the State.

Chapter 542 of 2004 added wind generators to the program, and Chapter 266 of 2005 added biomass generators. Chapter 121 of 2006 allowed eligible customer-generators to carry credits for excess electricity generated for up to 12 months.

**State Fiscal Effect:** Electricity customers who generate their own electricity to consume on-site greatly reduce their purchases from their local utility. Since all electric customers pay .062 cents in a tax for each kilowatt hour delivered, any proposals that increase on-site generation will decrease revenues to the general fund. Additionally, nonresidential electricity customers also pay a sales tax of 5% on their purchases of electricity. To the extent that this legislation increases on-site generation for commercial and industrial customers, sales tax receipts will decrease.

**Small Business Effect:** The bill would create additional incentives for a company to build on-site electricity generation and becoming a customer-generator.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Energy Administration, Public Service Commission,  
Office of People's Counsel, Department of Legislative Services

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