

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 1083 (Senator Hester)  
Education, Energy, and the Environment

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**Public Utilities - Electric Distribution System Planning - Regulations, Plans, and Fund**

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This bill extends the deadline – from July 1, 2025, to December 31, 2025 – by which the Public Service Commission (PSC) must adopt regulations or issue orders to implement specific policies for electric distribution system planning and improvements in order to meet specified climate and electrification goals. The bill also specifies what the regulations must include. Each electric company in the State must submit an electric distribution system expansion plan to PSC by January 1, 2026, and must provide annual progress reports on plan implementation beginning December 1, 2026; specified fines apply for failure to do so. The bill also establishes the Electric Distribution System Make-Ready Fund in the Maryland Energy Administration (MEA) to cover the costs of utility projects directly related to the buildout of the State’s electric distribution system in anticipation of increased vehicle and building electrification.

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**Fiscal Summary**

**State Effect:** PSC and MEA can handle the bill’s incremental requirements with existing budgeted resources. State expenditures increase, potentially significantly, beginning as early as FY 2025, to capitalize the Electric Distribution System Make-Ready Fund; based on the costs of infrastructure projects and the statewide scope, State expenditures could easily exceed \$1.0 million annually, as discussed below. Special fund revenues and expenditures for the fund increase correspondingly as the State funds are received and used for authorized purposes. The Office of People’s Counsel can handle any requirements related to reviewing electric company plans with existing budgeted resources. State finances are not otherwise materially affected. Other considerations are discussed below.

**Local Effect:** The bill’s planning and reporting requirements apply to municipal electric utilities, which are also potential recipients of any funding made available under the bill, as discussed below. **This bill may impose a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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## Analysis

### Bill Summary:

#### *Electrification Regulations*

The general regulations currently required to be adopted by PSC must include:

- requirements for vehicle and building electrification that align with State electrification mandates and decarbonization goals; and
- guidelines for the electricity load forecasts required by the bill (described below), including requirements that each forecast (1) be sufficiently granular to anticipate needed electric distribution system upgrades down to the local distribution level; and (2) consider specified factors related to the location and types of potential upgrades, the expansion of the transmission system, and gas system vulnerability.

The date by which PSC must adopt the regulations is extended from July 1, 2025, to December 31, 2025.

#### *One-time Electric Distribution Expansion Plans*

By January 1, 2026, each electric company in the State must submit an electric distribution system expansion plan that:

- incorporates load forecasts from the State's decarbonization policies and electric vehicle fleet data, calculated in accordance with the guidelines adopted by PSC in the regulations described above;
- considers what percentage of the anticipated new electricity load can be mitigated;
- accounts for growth in vehicle and building electrification on various timelines;
- works to coordinate or integrate with gas companies to ensure that new electric capacity is available ahead of anticipated increases in electricity demand;
- identifies optimal locations for the deployment of distributed energy resources based on specified factors; and
- includes protocols for data sharing that protect customers while facilitating a meaningful exchange of usable information.

### *Ongoing Progress Reporting*

By December 1, 2026, and each December 1 thereafter, each electric company must submit an annual progress report to PSC that informs the commission on the electric company's progress in implementing the electric distribution system expansion plans described above.

### *Application of Existing Fines for Failure to Submit a Plan or Progress Report*

An electric company is subject to a fine of \$100 for each day beyond 30 days after the deadline set by PSC that the electric company fails to submit a plan or progress report in accordance with the bill.

### *Electric Distribution System Make-Ready Fund*

The Electric Distribution System Make-Ready Fund is established as a special, nonlapsing fund in MEA to cover the costs of utility projects directly related to the buildout of the State's electric distribution system in anticipation of increased vehicle and building electrification. The fund may only be used for those utility projects. MEA must administer the fund. The fund consists of (1) federal funds applied for by PSC, in coordination with MEA and electric companies in the State and (2) any other money from any other source accepted for the benefit of the fund. By regulation, MEA must establish procedures for electric companies to apply for money from the fund to implement projects in furtherance of accepted electric distribution system expansion plans.

### **Current Law:**

#### *Climate Solutions Now Act*

The Climate Solutions Now Act (CSNA) made broad changes to the State's approach to reducing statewide greenhouse gas (GHG) emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

#### *Statement of Policy Goals*

CSNA established the goal of the State that the electric distribution system support, in a cost-effective manner, the State's policy goals with regard to (1) GHG reduction; (2) renewable energy; (3) decreasing dependence on electricity imported from other states; and (4) achieving energy distribution resiliency, efficiency, and reliability.

### *Electric Distribution System Planning and Improvements*

By December 1, 2024, and each year thereafter, PSC must submit a report to the General Assembly with information regarding the current status of electric distribution system evolution, including information on electric distribution system planning processes and implementation that promote, as specific goals, the following:

- measures to decrease GHG emissions incident to electric distribution, including high levels of distributed energy resources and electric vehicles;
- giving priority to vulnerable communities in the development of distributed energy resources and electric vehicle infrastructure;
- energy efficiency;
- meeting anticipated increases in load;
- incorporation of energy storage technology to support the electric distribution system, as specified;
- efficient management of load variability;
- electric distribution system resiliency and reliability;
- bidirectional power flows;
- demand response and other nonwire and noncapital alternatives;
- increased use of distributed energy resources, including electric vehicles;
- transparent stakeholder participation in ongoing electric distribution system planning processes; and
- any other issues PSC considers appropriate.

By July 1, 2025, PSC must adopt regulations or issue orders to implement specific policies for electric distribution system planning and improvements in order to promote the policy goals described above. (These are the regulations modified by the bill.)

CSNA also required PSC to conduct a one-time study to assess the capacity of the distribution systems of the larger electric and gas companies to successfully serve customers under a managed transition to a highly electrified building sector, which can be viewed on the PSC [website](#).

### *Use of Federal Funds*

CSNA states that the General Assembly strongly encourages the State's electric companies to pursue diligently federal funds to meet the State's policy goals for the electric distribution system, including funds made available under specified provisions of the federal Infrastructure Investment and Jobs Act.

PSC and MEA must provide assistance and support to electric companies for applying for and obtaining access to federal and other available funds to meet the State's policy goals for the electric distribution system. MEA must identify funding sources that may be available to electric companies to implement the State's policy goals, including funding for (1) increasing the efficiency of electric distribution systems, including through installation and integration of energy storage devices and operational changes and upgrades; (2) grid-hardening activities to reduce the occurrence of or consequences of events that disrupt operations of the electric distribution system due to extreme weather or natural disasters; (3) other distribution system-related upgrade activities available for funding under specified provisions of the federal Infrastructure Investment and Jobs Act; and (4) other specific activities that PSC identifies.

As needed to promote the State's goals for the electric distribution system, PSC must require each electric company to report to PSC and MEA on (1) the funding for which the electric company has applied; (2) the purposes for which the funding is intended to be used; (3) the status of the funding applications; and (4) conditions that must be met to obtain the funding. PSC may also adopt regulations or issue orders that require electric companies to apply for federal and other available funds in a timely manner.

**State Fiscal Effect:** PSC advises that the bill's requirements are marginally incremental to existing efforts to improve electric utility distribution system planning and regulations in Case No. [9665](#) and can be handled with existing resources. Additional requirements under the bill include developing regulations that include consideration of transmission expansion plans and coordination with gas planning.

PSC advises that, with respect to the federal funding, there are few, if any, federal grant or loan opportunities for electric distribution for which State agencies are eligible to apply, although MEA was recently successful in acquiring funds from the U.S. Department of Energy's [Grid Resilience and Innovation Partnerships Program](#). MEA indicates that it intends to deploy about \$10 million in grant funds awarded from that program in fiscal 2025 – the funds are for electrification, resilience, and reliability, which are interrelated. Maryland is the prime recipient of the federal funds and electric companies can be sub-awardees. MEA advises that the bill's Electric Distribution System Make-Ready Fund could contradict federal guidelines on administering these grid resilience grant funds.

MEA advises that, generally, it must keep federal funds separate from State funds, per federal guidelines. For this reason, and the potential for jeopardizing existing federal funds, this analysis assumes no federal funds are provided to the Electric Distribution System Make-Ready Fund. The fund may also accept any other money from any other source accepted for the benefit of the fund.

Accordingly, State expenditures increase, potentially significantly, beginning as early as fiscal 2025, to provide funding to the Electric Distribution System Make-Ready Fund. Based on the costs of infrastructure projects and the statewide scope, State expenditures to capitalize the fund could easily exceed \$1.0 million annually. Special fund revenues and expenditures for the fund increase correspondingly as the funds are received and used for authorized purposes. Potential funding options include the Strategic Energy Investment Fund, which is a special fund administered by MEA, or general funds.

Fine revenues may increase minimally to the extent any fines are imposed under the bill.

**Local Fiscal Effect:** There are five municipal electric utilities in the State: Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County). Each municipal electric utility must comply with the bill's one-time and ongoing reporting requirements, which at a minimum have an operational effect and may also increase overall expenditures. The effect on any particular local government is unknown, but potentially significant. For context, PSC generally advises that "electric utilities will likely need to add resources to achieve the bill's objectives." Municipal electric utilities may also benefit from any funding received from the Electric Distribution System Make-Ready Fund under the bill.

**Small Business Effect:** Small businesses may benefit from funds received (either directly or indirectly) through the Electric Distribution System Make-Ready Fund.

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### Additional Information

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

**Designated Cross File:** None.

**Information Source(s):** Public Service Commission; Maryland Energy Administration; Office of People's Counsel; Maryland Department of the Environment; Department of General Services; U.S. Department of Energy; Department of Legislative Services

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