

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1225 (Delegate Qi, *et al.*)
 Economic Matters

Public Utilities - Electric Distribution System Plans - Establishment (Affordable Grid Act)

This bill requires the Public Service Commission (PSC) to adopt regulations or issue orders related to electric system planning by December 31, 2025. The bill further modifies and expands a requirement originally established by the Climate Solutions Now Act (CSNA) of 2022.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$465,400 in FY 2026. Future years reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. The Maryland Energy Administration (MEA) and the Office of People’s Counsel can generally handle the bill’s operational requirements with existing budgeted resources.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$465,400	\$557,500	\$581,700	\$607,000	\$632,500
SF Expenditure	\$465,400	\$557,500	\$581,700	\$607,000	\$632,500
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: The bill’s requirements affect municipal electric utilities, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary: By December 31, 2025, PSC must adopt regulations or issue orders to:

- implement specific policies and improvements in order to achieve the State’s targets for the expansion of solar energy, building electrification, electric vehicles, energy storage capacity, and reduction of greenhouse gas (GHG) emissions;
- require each electric company, every three years, to submit to PSC for approval an electric distribution system plan that includes specified information and complies with specified requirements, as described further below;
- adopt and update as needed metrics to be used to monitor an electric company’s progress toward implementing its electric distribution system plan, including various specified categories;
- require each gas company that operates within any portion of an electric company’s service area to participate in the electric company’s distribution planning process, as specified; and
- adopt an information sharing framework for the broad exchange of data between electric companies, gas companies, electricity suppliers, and the public that meets specified requirements, as described further below.

These are in addition to existing requirements and specifications under current law. Additionally, all requirements, existing and new, must attempt to ensure uniformity in electric distribution system planning.

Electric Distribution System Plans

General Requirements

The bill specifies what an electric distribution system plan submitted by an electric company to PSC every three years under the bill must contain, including:

- a distributed energy resource forecast and a load forecast, as specified, for at least the short-term, mid-term, and long-term, as defined;
- at least two forecast scenario analyses reflecting possible future outcomes to serve as a reference in the development and evaluation of the electric distribution plan, with various requirements, as specified;
- various other analyses and descriptions related to distributed energy resources hosting capacity, load-serving capacity, locations, and deployment constraints, plus possible solutions, as specified;

- a description of plans for the incorporation of innovations and technologies to increase the reliability and resilience of, and the ability to expand, manage, and modernize, the electric distribution system, as specified;
- various descriptions related to collaboration and coordination between the electric company and other stakeholders, including with gas companies;
- a description of plans and actions taken to minimize the cost to ratepayers through the effective use of federal, State, and local resources and incentives, along with any other actions taken to minimize the cost to ratepayers;
- a description of how the electric distribution system plan accounts for and contributes to achieving the State's clean energy and climate goals, as specified;
- an analysis applying each of the performance metrics adopted by PSC; and
- a compilation of any official comments received throughout the drafting and review process, as specified.

Before submitting an electric distribution system plan to PSC, an electric company must provide specific opportunities for public and stakeholder participation throughout the drafting process, as specified.

By December 1, 2026, and each December 1 thereafter, PSC must require each electric company to provide a progress report on the company's progress toward implementing the company's approved electric distribution plan, as specified.

Plan Review and Approval

PSC must review each electric company's electric distribution system plan submitted for approval. PSC may not approve a plan unless PSC finds that:

- the electric company satisfied all of the public and stakeholder engagement requirements specified in the bill;
- the projected distribution activities and corresponding budgets affordably and strategically benefit or advance the policy goals and targets specified in the bill;
- the plan will cost-effectively advance applicable State policy to the greatest extent possible;
- the plan has adequately incorporated non-wires solutions and other noncapital investments; and
- the plan incorporates stakeholder and public comments received during the drafting process or provides a sufficient, evidence-based justification for why the electric company did not incorporate the public comments.

PSC may reject an electric distribution plan if PSC finds that the plan fails to (1) cost-effectively advance each applicable State policy to the greatest extent possible or (2) prioritize passing on the lowest cost to ratepayers while ensuring future electric distribution system capacity and reliability.

PSC may stagger the review and approval of different electric distribution system plans to be completed in different years, provided each company's plan is reviewed at least once every three years.

Information Sharing Framework

Generally, the information sharing framework required to be adopted under the bill must ensure accuracy in electric distribution system forecasting and assessing electric distribution system capacity. The framework must include secure methods of communicating the geographic position and other descriptive information of specified gas and electric equipment. The framework must also adhere to all industry-recommended cybersecurity guidelines.

Current Law:

Climate Solutions Now Act

CSNA made broad changes to the State's approach to reducing statewide 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.

Chapter 540 of 2024 made changes to provisions in CSNA related to electric distribution system planning, generally to broaden the scope to beyond the distribution system, broaden references to federal funds, and to delay and modify a related requirement for PSC to adopt regulations.

Statement of Policy Goals for the State Electric System

It is the goal of the State that the electric 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 projects designed to promote the above policy goals, including information on planning processes and implementation that promote specified goals, including (1) measures to decrease GHG emissions incident to electric distribution, including high levels of distributed energy resources and electric vehicles and (2) electric system resiliency and reliability.

By December 31, 2025, PSC must adopt regulations or issue orders to (1) implement specific policies for electric system planning; (2) require consideration of investment in, or procurement of, cost-effective demand-side methods and technology to improve reliability and efficiency, including virtual power plants; and (3) implement specific policies for improvements in order to promote the State's policy goals for the electric system. The regulations and orders must be developed with consideration given to the inherent differences, individual circumstances, and available resources among different types of electric companies and, if determined necessary by PSC, establish separate requirements for each type. (These are the regulations modified and added to 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

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 system. 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 system. MEA must identify funding sources that may be available to electric companies to implement the State's policy goals, as specified.

State Fiscal Effect: PSC advises that the bill adds significant new and ongoing requirements that cannot be handled with existing resources. Some of the requirements are duplicative of existing efforts to improve electric utility distribution system planning and regulations in Case No. 9665. PSC advises that it requires five staff – a combination of technical and legal – to implement the various requirements.

Accordingly, special fund expenditures for PSC increase by \$465,351 in fiscal 2026, which reflects the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one engineer, one assistant general counsel, one public utility law judge, and two staff

attorneys to implement the various ongoing regulatory requirements. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	5.0
Salaries and Fringe Benefits	\$417,257
Operating Expenses	48,094
Total FY 2026 PSC Expenditures	\$465,351

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

Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

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). Generally, each municipal electric utility must comply with the bill's requirements to achieve various State policy targets, complete an extensive electric distribution system plan every three years, monitor progress, and participate in an information sharing framework. It is possible PSC adopts different requirements for municipal electric utilities that mitigate some of associated costs, but the overall general requirements apply to all electric companies. The requirements at a minimum have an operational effect and likely increase overall expenditures. The effect on any particular local government is unknown, but potentially significant.

Additional Information

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

Designated Cross File: SB 908 (Senator Hester) - Education, Energy, and the Environment.

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

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510