

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised
 (Delegates Wilson and Crosby)

House Bill 1036
 Economic Matters

Education, Energy, and the Environment

Public Utilities - Generating Stations - Generation and Siting (Renewable Energy Certainty Act)

This bill establishes or modifies various provisions of law related to solar energy and energy storage, requires the Department of Natural Resources (DNR) to take specified actions to assist the State in meeting its solar energy commitments, and requires the Public Service Commission (PSC) to conduct two related studies and to report on the results of those studies by specified dates. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$0.4 million in FY 2026 and by at least \$0.2 million annually thereafter; special fund revenues increase correspondingly in FY 2026 and by at least \$0.7 million annually thereafter from assessments and fees, as discussed below. General/special fund expenditures for DNR increase by \$1.8 million in FY 2026 and by at least \$1.2 million annually thereafter. General fund expenditures for the Maryland Department of Labor (MD Labor) increase by \$0.2 million annually beginning in FY 2026. General fund revenues increase beginning in FY 2027 from licensing fees.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	\$0	-	-	-	-
SF Revenue	\$0.4	\$0.7	\$0.8	\$0.8	\$0.8
GF Expenditure	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
SF Expenditure	\$0.4	\$0.2	\$0.3	\$0.3	\$0.3
GF/SF Exp.	\$1.8	\$1.2	\$1.2	\$1.2	\$1.3
Net Effect	(\$2.0)	(\$0.9)	(\$0.9)	(\$0.9)	(\$1.0)

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

Local Effect: Local government finances and operations may be significantly affected, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: Broadly, the bill:

- alters the factors that PSC must consider before taking final action on a Certificate of Public Convenience and Necessity (CPCN);
- establishes requirements for the construction of certain energy storage devices and solar energy generating stations and imposes specified requirements and limitations on local jurisdictions with respect to their construction and development;
- creates a Distributed Generation Certificate of Public Convenience and Necessity (DGCPCN);
- modifies community solar requirements;
- establishes requirements related to residential rooftop solar energy generating systems and mandates the creation of a new license for their installation and maintenance;
- modifies the definition of agrivoltaics;
- requires DNR to take specified actions to assist the State in meeting its solar energy commitments;
- requires PSC to conduct two studies and report on the results of those studies by specified dates;
- specifies the application of the bill to specified solar energy generating systems; and
- specifies that a presently existing obligation or contract right may not be impaired in any way by the bill.

Solar Energy Generating Stations – § 7-218 of the Public Utilities Article

Application and Approval Process: In general, a person may not begin construction of a solar energy generating station larger than 1 megawatt unless:

- PSC or, as applicable, a local jurisdiction, verifies that the proposed construction meets specified siting requirements;
- the construction has received approval for all local permits required under § 7-207(h) of the Public Utilities Article; and
- for a generating station larger than 2 megawatts: (1) a CPCN is issued under § 7-207 of the Public Utilities Article; (2) PSC approves the construction pursuant to § 7-207.1 of the Public Utilities Article (*i.e.*, the CPCN exemption process); or (3) for a distributed solar energy generating system only, a DGCPCN is issued under § 7-207.4 of the Public Utilities Article.

The above referenced siting requirements only apply to a solar energy generating station that (1) has the capacity to produce more than 1 megawatt of electricity as measured by the alternating current rating of the station's inverter; (2) is designed to produce electricity for sale on the wholesale market, is a community solar energy generating system under § 7-306.2 of the Public Utilities Article, or is part of aggregate net metering under § 7-306.3 of the Public Utilities Article; and (3) is not located on a rooftop, carport, or brownfields site, or behind the meter of a retail electric customer.

When a person submits an application for approval of the construction of a solar energy generating station that has the capacity to produce more than 2 megawatts of electricity, the person must include written documentation or other evidence showing that the proposed construction meets specified siting requirements. Similarly, when a person submits a site development plan to a local jurisdiction to construct a solar energy generating station with an electricity generating capacity of 2 megawatts or less, the person must include written documentation or other evidence showing that the proposed construction meets those same siting requirements.

When verifying whether the documentation provided by a person meets the specified siting requirements, PSC or a local jurisdiction must require the person constructing the solar energy generating station, if the proposed location of the generating station is in an area considered to be overburdened and underserved (as defined in § 1-701 of the Environment Article), to hold at least two public meetings in the community where it is to be located to collect community feedback and provide opportunities to address that feedback. The meetings must be held in the county in which the proposed generating station is to be located and within 10 miles of the proposed location of the generating station, except as otherwise specified.

Applicable Requirements for Owners: An owner of a proposed solar energy generating station must comply with various land use requirements, which include, among other things:

- providing a boundary of 150 feet between the generating station and the nearest wall of a residential dwelling;
- providing a boundary of 100 feet between the generating station and all property lines (not including property lines that bisect the interior of a project area);
- providing nonbarbed wire fencing, as specified, only on the interior of a landscape buffer or immediately adjacent to a generating station;
- providing for landscaping buffers or vegetative screening, as specified;
- mitigating the visual impact of the generating station in specified areas;
- minimizing grading at the site to the maximum extent possible;

- not removing topsoil from the parcel and planting vegetation, as specified, to maintain the site's soil integrity;
- limiting mowing and other unnecessary landscaping;
- not using herbicides except to control invasive species (in compliance with the Maryland Department of Agriculture's (MDA) weed control program);
- posting, for the first five years of the life of the generating station, a landscaping bond equal to 100% of the total landscaping cost with the county in which the generating station is located, subject to specified requirements;
- ensuring that the generating station does not emit visible light during dawn to dusk operations, except as required by law, or for safety or emergency; and
- ensuring that the generating station and any accessory structures associated with it have an average height that does not exceed 15 feet, except as specified.

However, the owner of a proposed solar energy generating station and the applicable county may enter into a written siting agreement that provides less stringent restrictions than those specified above. Written documentation provided to PSC or the applicable local jurisdiction must be considered as meeting the requirements.

For applicable solar energy generating stations, PSC may not issue a CPCN without due consideration of whether the applicant complies with these requirements.

An owner of a solar energy generating station must also (1) enter into a decommissioning agreement with PSC; (2) post a surety bond with PSC for up to 125% of the estimated future cost of decommissioning the generating station and its related infrastructure, less any salvage value; and (3) execute a securitization bond true-up every five years.

The land use requirements specified above do not apply to agrivoltaics (agrivoltaics are discussed below).

Local Jurisdictions: Generally, a local jurisdiction may not adopt zoning laws (or other laws or regulations) that (1) prohibit the construction or operation of solar energy generating stations or (2) deny site development plans for these projects if they meet all applicable requirements. Furthermore, a local jurisdiction must expedite the review and approval of site development plans for solar energy generating stations if the plans have met all applicable requirements.

For solar energy generating stations of up to 5 megawatts, a local jurisdiction must process the site development plan application as a permitted use, subject to existing review standards. The bill also specifies additional limitations on the siting of generating stations with capacities of more than 5 megawatts – prohibiting their placement in specified growth/higher density areas and significantly limiting their placement in priority

preservation areas (PPAs). Specifically, within a PPA established before January 1, 2025, the total combined number of generating stations that may be approved for construction must be limited in area to 5% of the total acreage of the PPA. Once this 5% threshold has been reached for a PPA, the prohibition on local zoning actions specified above do not apply to the remaining 95% of the PPA.

In general, a local jurisdiction must hold any landscaping bond received as part of the land use requirements described above for five years. A local jurisdiction must release 50% of the bond if, on inspection, the vegetative protections meet a 90% survival threshold. The remaining 50% must be held for two additional years and, if that same survival threshold is still met, must be released.

Distributed Generation Certificates of Public Convenience and Necessity

A “DGPCPN” is a certificate issued by PSC that authorizes the construction and operation of a distributed solar energy generating system. It has the same force and effect as a CPCN. A “distributed solar energy generating system” means a community solar energy generating system, as defined, that (1) would be required to obtain a CPCN, if the system does not obtain a DGPCPN; (2) has a capacity to produce more than 2 megawatts but not more than 5 megawatts of alternating current (as measured by the alternating current rating of the system’s inverter) and (3) is not located within a municipality.

A person may not begin construction of a distributed solar energy generating system in the State unless the person first obtains a DGPCPN or CPCN from PSC. At least 30 days before submitting a DGPCPN application to PSC, the person must submit a copy of the application to the governing body of the county where the distributed solar energy generating system is proposed to be located. Furthermore, when a person submits a DGPCPN application to PSC, the person must also submit a copy of the application to the Power Plant Research Program (PPRP) within DNR.

Duties of the Power Plant Research Program: By July 1, 2026, after giving notice and opportunity for public comment, PPRP must develop and submit to PSC proposed “standard siting requirements and design requirements” and “standard licensing conditions” for the issuance of a DGPCPN. In developing these requirements and conditions, PPRP must consider:

- achievement of the State’s climate and renewable energy commitments;
- reasonable setbacks and landscape screening requirements;
- environmental preservation, including specified prohibitions on forest clearance;
- stormwater management, erosion and sediment control, and site stabilization, accounting for specified impacts of solar panels;

- minimization and mitigation of the effects of a distributed solar energy generating system on historic sites;
- public safety and industry best practices;
- ensuring the stability and reliability of the electric system by requiring the applicant to submit a signed interconnection agreement with the electric company before the start of construction;
- licensing conditions previously adopted by PSC for solar energy generating systems, including requirements related to decommissioning; and
- any other requirements it determines to be necessary.

PPRP must also ensure that the standard siting and design requirements it develops are consistent with the land use and siting requirements specified under § 7-218 of the Public Utilities Article (discussed above).

“Standard siting and design requirements” are the predetermined objective requirements adopted by PSC for the siting and design of a distributed solar energy generating system that has been issued a DGPCPN. “Standard licensing conditions” are the predetermined licensing conditions adopted by PSC for the construction and operation of a distributed solar energy generating system that has been issued a DGPCPN.

Within a specified timeframe (as established by PSC in regulation) after a DGPCPN application is filed with PSC, PPRP must (1) determine whether the distributed solar energy generating system satisfies the standard siting and design requirements for the DGPCPN and (2) notify PSC in writing as to the determination it has made, including how an application that is determined not to satisfy those requirements can cure the deficiency. In making its determination, PPRP must consider public comments received by PSC.

Duties of the Public Service Commission: By July 1, 2027, PSC must adopt regulations to (1) implement standard siting and design requirements and standard licensing conditions for a DGPCPN; (2) specify the application form and any application fee; (3) specify its procedure for processing a DGPCPN application; and (4) establish the time period within which PPRP must make its determination on a DGPCPN application. In adopting these regulations, PSC must consider the proposed standard siting requirements, design requirements, and licensing conditions developed by PPRP and ensure the regulations are consistent with § 7-218 of the Public Utilities Article.

PSC, in consultation with PPRP, may periodically solicit public comments regarding improvements to the standard siting and design requirements and standard licensing conditions for a DGPCPN. The process for soliciting public comments regarding these requirements and conditions must be the same as the process for soliciting public comment regarding the adoption of a regulation.

Before PPRP makes its determination on a DGPCPN application, PSC must provide an opportunity for public comment and hold a public hearing on the application in each county where any portion of the construction of the distributed solar energy generating system is proposed to be located. PSC may hold the public hearing virtually, rather than in person, if the commission provides a comparable opportunity for public comment and participation in the hearing.

Within 60 days after PPRP makes its determination on a DGPCPN application, PSC must schedule a hearing to consider the application. At the hearing, PSC must determine whether the proposed distributed solar energy generating system satisfies the standard siting and design requirements. In making this determination, PSC must consider any public comments it has received. If PSC determines that the proposed system satisfies the requirements, PSC must issue a DGPCPN to the applicant, subject to the standard licensing conditions. If, however, PSC determines that the proposed system does not satisfy each of the requirements, a DGPCPN may not be issued.

Application Fee: PSC and DNR may jointly set an application fee for a DGPCPN application at an amount that they determine may offset the administrative costs of the DGPCPN approval process that they each incur. The calculation of administrative costs must be based on an estimate of the number of DGPCPN applications that will be filed each year.

Requirements Applicable to DGPCPN Holders: A DGPCPN issued by PSC must require the person constructing the distributed solar energy generating system to obtain the following permits and approvals from the county, municipality, or soil conservation district in which the system is to be constructed (subject to existing provisions related to local approval applicable to the CPCN process): (1) site plan approval; (2) stormwater management plan approval; (3) erosion and sediment control plan approval; (4) all applicable building and electrical permits; and (5) any additional local permit required by the standard licensing conditions.

Energy Storage Devices

Application and Approval Process: A person may not begin construction of a front-of-the-meter “energy storage device” (as defined in current law) unless the construction has been approved by PSC in accordance with specified requirements.

Upon receiving an application to construct a front-of-the-meter energy storage device, PSC must provide immediate notice or require the applicant to provide immediate notice of the application to (1) the governing body of each county or municipality in which any portion of the energy storage device is proposed to be constructed or that is within one mile of the proposed location of the energy storage device; (2) each member of the General Assembly

that represents any part of a county in which any portion of the energy storage device is proposed to be constructed or that is within one mile of the proposed location of the energy storage device; and (3) affected communities that are within one mile of the proposed location of the energy storage device. This requirement may be waived by PSC for good cause.

When reviewing an application to construct a front-of-the-meter energy storage device, if the proposed location of the energy storage device is in an area considered to be overburdened and underserved (as defined in § 1-701 of the Environment Article), PSC must require the applicant to hold at least two public meetings in the community where the energy storage device is to be located. PSC must, however, exempt a front-of-the-meter energy storage device that is located within the boundaries of an existing electricity generating station from that requirement. This requirement may be waived by PSC for good cause.

Applicable Requirements for Owners: An owner of a proposed front-of-the meter energy storage device that will not be constructed at a commercial or industrial location must comply with several land use requirements, which include:

- providing nonbarbed wire fencing, as specified;
- providing for a landscaping buffer or vegetative screening if required by the local jurisdiction, as specified;
- minimizing grading at the site to the maximum extent possible;
- not removing topsoil from the parcel, as specified; and
- not using herbicides except to control invasive species (in compliance with MDA's weed control program).

These requirements may be waived by PSC for good cause.

Local Jurisdictions: Generally, local jurisdictions may not adopt zoning laws (or other laws or regulations) that (1) prohibit the construction or operation of front-of-the-meter energy storage devices or (2) deny site development plans for these projects if they meet all applicable requirements. Local jurisdictions must expedite the review and approval of site development plans for front-of-the-meter energy storage devices if the plans have met all applicable requirements. Additionally, local jurisdictions must adopt standard processes for the review and approval of site development plans for the construction of front-of-the-meter energy storage devices.

Community Solar Energy Generating Systems

The existing process related to payments for unsubscribed energy generated by a community solar generating system not owned by an electric company is modified to create

a banked bill credit process prior to direct purchase by the electric company. More specifically, any unsubscribed energy generated by a community solar energy generating system that is not owned by an electric company must create banked bill credits tracked by the electric company that, within one year after the date that a banked bill was created, may be allocated to one or more subscribers. The generation associated with a banked bill credit not allocated to a subscriber within one year after the date that the credit was created must be purchased under the electric company's process for purchasing the output from qualifying facilities at the amount it would have cost the electric company to procure the energy.

The bill also specifies that a community solar energy generating system is not a generating station if it is located on the rooftop of a building.

Residential Rooftop Solar Energy Generating Systems

A seller or lessor of residential rooftop solar energy generating systems must (1) provide to the buyer or lessee a five-year full warranty on the installation and component parts of the system; (2) include any manufacturer's warranties for any of the products or components of the system; (3) inform the buyer or lessee of the minimum level of weather-adjusted energy production the buyer or lessee may expect from the system; and (4) certify, in writing, that installation of the system is compliant with all federal, State, and local laws regarding workmanship and that the solar panels, inverters, racking systems, and all other components meet the minimum standards for product design. If a seller or lessor violates any of these requirements, the seller or lessor is subject to a fine of up to \$1,000 for each violation.

MD Labor must develop a special solar contractor license for the installation and maintenance of residential rooftop solar energy generating systems and establish minimum qualifications for individuals installing and maintaining these systems.

Modifications to the Definition of "Agrivoltaics"

Existing law defines "agrivoltaics" as the simultaneous use of areas of land for both solar power generation and specified agricultural activities. The bill alters the definition by specifying that agrivoltaics (1) must be maintained in agricultural use in accordance with COMAR 18.02.03 or the Maryland Procedures Manual and (2) do not include the simultaneous use of areas of land for both solar power generation and apiaries or pollinator habitat.

Assistance with Meeting the State's Solar Energy Commitments

To assist the State in meeting its solar energy commitments under Title 7, Subtitle 7 of the Public Utilities Article, DNR, in consultation with the Maryland Energy Administration (MEA), the Maryland Department of Transportation, and the Maryland Department of Planning (MDP), must (1) update the publicly available SmartDG+ tool to include State-owned land suitable for solar energy development and (2) complete an analysis of land owned by the State to identify land suitable for solar energy development. The SmartDG+ tool must be updated by December 1, 2025, and the analysis must be completed by December 1, 2026.

Required Studies by the Public Service Commission

Study on Establishing Procurement Models for Electricity Generation Projects: PSC must conduct a study to establish a process by which the commission may establish power purchase agreements, partnerships between electric companies and electricity suppliers, or other procurement models for electricity generation projects. The process must conform to specified requirements that generally expedite the review, approval, and interconnection of the generation projects and prioritize procurement models that have little or no impact on customer rates. By December 1, 2026, PSC must report to the Governor and the General Assembly on the results of the study.

Study on Establishing a Community Solar Automatic Enrollment Program: PSC must conduct a study on the feasibility of and technical barriers to establishing a community solar automatic enrollment program for local jurisdictions. In conducting the study, PSC must consider (1) how low- to moderate-income subscribers would be subscribed under the program; (2) whether automatically enrolled subscribers should receive a bill credit; (3) how to ensure that local jurisdictions comply with all program parameters; and (4) any necessary notification requirements and consumer protections that the program should have. By July 1, 2026, PSC must report to the Governor and the General Assembly on the results of the study.

No Effect on Specified Solar Energy Generating Systems

The bill may not be applied or interpreted to have any effect on an application for the construction or modification of any solar energy generating system that is submitted for a CPCN or a required permit from a local government before July 1, 2025. A similar provision is established for specified notification and public hearing actions taken by a person responsible for a proposed solar energy generating system on or before June 30, 2025.

Additionally, the bill’s provisions relating to DGPCNs may not be applied or interpreted to have any effect on the construction or modification of any solar energy generating system for which a CPCN or other required approval was obtained before the effective date of the DGPCN regulations adopted by PSC.

Current Law:

Certificate of Public Convenience and Necessity Process

Generally, a person may not begin construction in the State of a generating station, overhead transmission line, or a qualified generator lead line unless a CPCN is first obtained from PSC. The application process involves notifying specified stakeholders, public hearings, the consideration of recommendations by State and local government entities, and the project’s effect on various aspects of the State infrastructure, economy, and environment.

PSC must take final action on a CPCN application only after due consideration of the recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; the effect of the project on various aspects of the State infrastructure, economy, and environment; the effect of climate change on the project; and, for a generating station only, other specified information.

Chapter 515 of 2023 specified that a county or municipality has the authority to approve or deny any local permit required under a CPCN issued by the PSC. A county or municipality must approve or deny such a permit within a reasonable time and in accordance with local laws, to the extent that local laws are not preempted by State law. A county or municipality is prohibited from conditioning the approval of a local permit required under a CPCN on receipt of a conditional use approval, a special exception approval, or a floating zone approval for any aspect of a generating station, an overhead transmission line, or a qualified lead line proposed to be constructed under the CPCN.

For additional information on the CPCN process, please see the **Appendix – Certificate of Public Convenience and Necessity**.

Community Solar Energy Generating Systems

A community solar energy generating system is a system that, in addition to other requirements:

- has a generating capacity that does not exceed 5 megawatts as measured by the alternating current rating of the system’s inverter;
- has at least two subscribers, but no limit to the maximum number of subscribers;

- serves at least 40% of its energy output to “LMI subscribers” unless the system is wholly owned by the subscribers to the system; and
- credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering.

Subscribers must be in the same electric service territory as the system. Investor-owned electric companies must participate in the program; large electric cooperatives and municipal utilities may choose to participate. Community solar is a form of net metering, which is subject to an overall statewide cap of 3,000 megawatts.

For a general overview of net metering and other notable State incentives for solar, see the **Appendix – Incentives for Solar Energy Generating Systems**.

Maryland Energy Storage Program

Chapter 570 of 2023 required PSC to establish the Maryland Energy Storage Program and establish targets for the cost-effective deployment of new energy storage devices in the State with a goal of achieving at least a cumulative total of 750 megawatts by the end of the 2027 PJM Interconnection, LLC (PJM) delivery year, 1,500 megawatts by the end of the 2030 PJM delivery year, and 3,000 megawatts by the end of the 2033 PJM delivery year. If a target cannot be met cost effectively, the target must be reduced to the maximum cost-effective amount for the relevant delivery year. The program must be implemented by July 1, 2025, as specified.

Priority Preservation Areas

The Agricultural Stewardship Act of 2006 authorized counties to include a PPA element in their local comprehensive plans and, since fiscal 2009, has required inclusion of a PPA element in a county’s comprehensive plan as a condition of certification of an effective county agricultural land preservation program under § 5-408 of the State Finance and Procurement Article. PPAs must contain productive agricultural or forest soils or be capable of supporting profitable agricultural and forestry enterprises where productive soils are lacking. PPAs must be governed by local policies, ordinances, regulations, and procedures that stabilize the agricultural and forest land base so that development does not convert or compromise agricultural or forest resources and support the ability of working farms in PPAs to engage in normal agricultural activities. In addition, PPAs must be large enough to support normal agricultural and forestry activities in conjunction with the amount of development permitted by a county therein.

MDP and the Maryland Agricultural Land Preservation Foundation (MALPF) must jointly certify a PPA. Additionally, MDP and MALPF must review any update to a county’s comprehensive plan or any other change that may affect a PPA.

Stormwater Management Plans

Stormwater management is implemented at the local level, and the Maryland Department of the Environment (MDE) is responsible for providing oversight and assistance to local programs. A person may generally not develop any land for residential, commercial, industrial, or institutional use without submitting a stormwater management plan to the county or municipality that has jurisdiction and obtaining plan approval. Further, a grading or building permit may not be issued for a property unless a stormwater management plan has been approved that is consistent with the Stormwater Management Act. Developers must certify that all land clearing, construction, development, and drainage is conducted according to the plan.

Sediment Control Plans

In general, a county or municipality is authorized to issue grading and building permits, but these permits may only be issued to a developer who has submitted a grading and sediment control plan approved by the appropriate approval authority and has certified that all land clearing, construction, and development will be done in accordance with the plan. Typically, the appropriate approval authority is (1) the appropriate soil conservation district; (2) a municipality in Montgomery County that is designated by a soil conservation district, as specified; (3) any municipality not within a soil conservation district; or (4) MDE, for construction projects undertaken by the State or a federal unit, specified abandoned mine reclamation projects conducted by MDE, and for large redevelopment sites.

Agrivoltaics

“Agrivoltaics” means the simultaneous use of areas of land for both solar power generation and the following agricultural uses:

- raising grains, fruits, herbs, melons, mushrooms, seeds, tobacco, or vegetables;
- raising poultry, including chickens and turkeys, for meat or egg production;
- dairy production and raising livestock;
- horse boarding, breeding, or training;
- turf farming and raising ornamental shrubs, plants, or flowers;
- aquaculture or silviculture; or
- any other activity recognized by MDA as an agricultural activity.

Maryland Home Improvement Commission

The Maryland Home Improvement Commission (MHIC) in MD Labor licenses and regulates home improvement contractors and salespersons, subject to specified requirements for licensure and ongoing licensee behavior. MHIC also administers a guaranty fund for the purpose of reimbursing homeowners for actual losses due to the errors and omissions of licensed contractors and their subcontractors, salespersons, and employees.

“Home improvement” includes (1) construction, improvement, or replacement, on land adjacent to the building, of a driveway, fall-out shelter, fence, garage, landscaping, deck, pier, porch, or swimming pool; (2) a shore erosion control project for a residential property; (3) connection, installation, or replacement, in the building or structure, of a dishwasher, disposal, or refrigerator with an icemaker to existing exposed household plumbing lines; (4) installation, in the building or structure, of an awning, fire alarm, or storm window; and (5) work done on individual condominium units.

Under current practice, MHIC requires a contractor license for the installation of residential solar power system equipment.

State Fiscal Effect:

Public Service Commission

Under the bill, PSC must develop new regulations pertaining to DGPCNs and adopt them by July 1, 2027. PSC advises that existing commission staff can handle the development and implementation of these new regulations. However, because PSC anticipates that the bill will result in an increase in the number of applications for solar projects – and given the bill’s requirements for an expanded analysis and review of proposed solar energy generating stations and energy storage devices – PSC cannot absorb the anticipated increase in workload with existing budgeted resources. Additional funds are also required, in fiscal 2026 only, for consulting expenses associated with the completion of the electricity generation procurement study. The study on a community solar automatic enrollment program can be completed with existing resources.

Accordingly, special fund expenditures for PSC increase by \$403,385 in fiscal 2026, which accounts for a 90-day start-up delay. This estimate reflects the cost of (1) hiring one Public Utility Law Judge and one assistant general counsel to handle PSC’s increased workload and (2) engaging consultants to assist with the electricity generation procurement study. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and a one-time \$200,000 consulting expense.

Positions	2.0
Salaries and Fringe Benefits	\$188,647
Consultant Costs	200,000
Other Operating Expenses	<u>14,738</u>
Total FY 2026 PSC Expenditures	\$403,385

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the elimination of one-time consulting costs.

Generally, PSC is funded through an assessment on the public service companies that it regulates. However, the bill authorizes PSC and DNR to jointly set a DGPCPN application fee that offsets the administrative costs of the DGPCPN approval process that they each incur. For purposes of this analysis, it is assumed that a DGPCPN application fee is established, PSC collects the application fees from DGPCPN applicants, and PSC distributes the fee revenue between itself and DNR in accordance with the administrative costs that each entity incurs related to the DGPCPN approval process. Based on the bill's implementation timelines for the establishment of DGPCPNs, this analysis further assumes that PSC does not begin collecting such fee revenues until fiscal 2027.

Accordingly, in fiscal 2026, special fund revenues for PSC increase in a corresponding amount to its special fund expenditures (from assessments imposed on public service companies). In fiscal 2027 and future years, special fund revenues for PSC increase from (1) assessments imposed on public service companies and (2) application fees collected from DGPCPN applicants. Thus, in fiscal 2027 and future years, PSC special fund revenues increase in a corresponding amount to PSC special fund expenditures, plus the DGPCPN application fee revenue it collects on behalf of DNR. Based on an estimate of administrative expenses for DNR, the additional amount collected is estimated to be approximately \$0.5 million annually.

Department of Natural Resources

According to DNR, the bill has significant fiscal and operational impacts on PPRP. Among other things, PPRP must (1) develop proposed standard siting requirements, design requirements, and licensing conditions for DGPCPNs by July 1, 2026; (2) develop energy storage guidelines and recommended license conditions for energy storage devices and establish a decommissioning template for PSC to use; (3) update the Smart DG+ tool; and (4) complete an assessment of land owned by the State to identify land suitable for solar energy development. Moreover, DNR expects the bill to significantly increase the number of solar and energy storage projects that PPRP must review, while also increasing the complexity of the review process for solar projects. As a result, PPRP requires additional staff and the assistance of consultants to manage its increased workload under the bill.

DNR anticipates annual consultant expenses of approximately \$600,000 to provide ongoing technical expertise related to solar project applications (including DGPCPN applications) and energy storage device applications. In addition to those ongoing costs, DNR anticipates incurring the following one-time consultant costs: (1) \$500,000, in fiscal 2026 to develop proposed standard siting requirements, design requirements, and licensing conditions for DGPCPNs; (2) \$30,000, in fiscal 2026 to update the Smart DG+ tool; and (3) \$100,000, assumed to be split evenly between fiscal 2026 and 2027, to complete an assessment of State-owned land to identify land suitable for solar energy development.

In general, special funds from the Environmental Trust Fund are used to fund PPRP’s operations. However, as mentioned previously, the bill authorizes PSC and DNR to jointly set a DGPCPN application fee that offsets the administrative costs of the DGPCPN approval process. For purposes of this analysis, it is assumed that PSC establishes a DGPCPN application fee, PSC collects the application fee revenues, and PSC distributes a *pro rata* share of those revenues to DNR in accordance with the administrative costs that DNR incurs from the DGPCPN approval process. This analysis further assumes that the DGPCPN application fee revenues (about \$0.5 million annually beginning in fiscal 2027, based on initial estimates) for DNR are treated as special fund revenues.

Notwithstanding this funding mechanism for administrative expenditures related to the DGPCPN approval process, general funds may still be required to cover part or all of the other expenses that PPRP incurs under the bill because DNR anticipates a special fund revenue shortfall in fiscal 2026 and beyond.

Therefore, general/special fund expenditures for DNR increase by \$1,816,564 in fiscal 2026, which accounts for the bill’s July 1, 2025 effective date. This estimate reflects the cost of (1) hiring four full-time site assessors, one half-time site assessor, and one half-time attorney; (2) using consultants on an ongoing basis, at a cost of \$600,000 annually, to assist with reviewing additional project applications; and (3) one-time consultant costs of \$580,000. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and a total of \$1,180,000 in consultant costs.

Positions	5.0
Salaries and Fringe Benefits	\$591,799
Consultant Costs	1,180,000
Other Operating Expenses	<u>44,765</u>
Total FY 2026 DNR Expenditures	\$1,816,564

Future year expenditures reflect (1) salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; (3) ongoing consultant costs of

\$600,000 annually; and (4) additional one-time consultant costs of \$50,000 in fiscal 2027 only.

Maryland Department of Labor

MD Labor advises that it requires additional staff to develop and implement the new special solar contractor license as required by the bill. Among other things, these personnel are expected to assist with (1) establishing minimum qualification standards for licensure; (2) implementing the licensing and registration program; (3) processing and reviewing applications; and (4) developing investigatory procedures and conducting investigations. The bill does not specify a dedicated funding source; this analysis assumes general funds are used.

Therefore, general fund expenditures for MD Labor increase by \$187,270 in fiscal 2026, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one administrator, one investigator, and one part-time assistant Attorney General to handle MD Labor’s development and administration of the special solar contractor license. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.5
Salaries and Fringe Benefits	\$165,578
Other Operating Expenses	<u>21,692</u>
Total FY 2026 MD Labor Expenditures	\$187,270

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

The bill does not specify when MD Labor must begin issuing special solar contractor licenses; however, MD Labor advises that it intends to move expeditiously to develop a licensing regime and begin issuing these licenses. For purposes of this analysis, it is assumed that MD Labor does not begin issuing any special solar contractor licenses until fiscal 2027.

According to MD Labor, its Division of Occupational and Professional Licensing intends to establish a fee structure for these licenses to cover its administrative costs. MD Labor advises that the collection of any fees associated with the issuance of special solar contractor licenses is unlikely to begin until at least fiscal 2027.

Therefore, general fund revenues from license fees increase by an unknown amount beginning in fiscal 2027; amounts are likely to approximate the department’s administrative costs – about \$215,000 to \$250,000 annually.

Maryland Department of the Environment

According to MDE, the bill may increase the volume of permit applications it must review and the number of site inspections it must conduct. To the extent that the bill results in a significant increase in applications to develop solar projects, MDE advises that it may need to hire additional staff to adequately handle these responsibilities. MDE further advises that, under the bill, it may generate additional revenue through permitting fees, compliance inspections, and environmental impact assessments. Any such impact cannot be reliably estimated at this time and has not been accounted for in this analysis.

Local Fiscal Effect: PSC advises that the bill overrides local authority on the siting of certain solar energy generating systems and on energy storage devices, thus limiting the ability of local governments to deny or restrict the development of certain projects. The bill also establishes various review and approval requirements for local governments related to those devices and systems, including expedited review and approval in certain circumstances, plus ongoing requirements related to decommissioning bonds. To the extent that additional solar energy generating systems or energy storage devices are planned and/or built in the State due to the bill, local government operations and finances are further affected, both from additional administrative requirements, such as project reviews, permitting, etc., and from various associated revenues, such as permit fees and property taxes.

The overall effect on the finances and operations of any particular local government is unknown at this time but could be significant.

Small Business Effect: To the extent that the bill results in increased development of solar energy generating systems and energy storage devices, small businesses that provide construction or consulting services for such projects likely benefit. With respect to distributed solar energy generating systems specifically, small businesses engaged in their development benefit from the bill's expedited review process for DGCPCN applications relative to the current CPCN process. Additionally, the bill's requirements pertaining to the sale, leasing, and installation of residential rooftop solar energy generating systems, including contractor licensure, may have a meaningful effect on small businesses that operate in the residential solar market.

Additional Comments: SmartDG+ is a free, online, interactive map-based screening tool sponsored by PPRP, with support from MEA and the Department of Commerce. It is intended to help developers and officials identify promising areas for the location of new wind and solar projects in the State. SmartDG+ focuses on screening factors of relevance to projects with an electricity generating capacity of 2 megawatts or greater.

Additional Information

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

Designated Cross File: SB 931 (Senator Feldman) - Education, Energy, and the Environment.

Information Source(s): Anne Arundel, Baltimore, Cecil, Frederick, and Montgomery counties; City of Frederick; Judiciary (Administrative Office of the Courts); Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Planning; Maryland Energy Administration; Office of People’s Counsel; Public Service Commission; State Department of Assessments and Taxation; Maryland Department of Labor; Department of Legislative Services

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Appendix – Certificate of Public Convenience and Necessity

General Overview

The Public Service Commission (PSC) is the lead agency for licensing the siting, construction, and operation of power plants and related facilities in the State through Certificates of Public Convenience and Necessity (CPCN). The CPCN process is comprehensive and involves several other State agencies, including the Department of Natural Resources (and its Power Plant Research Program), and the Maryland Department of the Environment. Subject to limited exemptions described below, a person may not begin construction in the State of a generating station, overhead transmission line, or qualified generator lead line unless a CPCN is first obtained from PSC.

State law provides that a “generating station” excludes:

- a facility used for electricity production with a capacity of up to 2 megawatts that is installed with equipment that prevents the flow of electricity to the electric grid during time periods when the grid is out of service;
- a combination of two or more co-located or adjacent facilities used for electricity production from solar photovoltaic systems or specified eligible customer-generators that have a maximum cumulative capacity of 14 megawatts, including maximum individual capacities of 2 megawatts (subject to satisfying other requirements); and
- a facility, or a combination of two or more facilities, used for electricity production for the purpose of onsite emergency backup for critical infrastructure when service from the electric company is interrupted and conducting necessary test and maintenance operations (subject to satisfying other requirements).

The CPCN process, detailed further below, involves the notification of specified stakeholders, the holding of public hearings, the consideration of recommendations by State and local government entities, and the consideration of the project’s effects on various aspects of the State infrastructure, economy, and environment.

In December 2020, PSC initiated a rulemaking (RM 72) to revise regulations governing CPCNs for generating stations. Updated regulations became effective in September 2021. Among other changes, the regulations contain additional information requirements – to assist in project evaluation – and allow for electronic submission and distribution of application materials.

Notification Process

Upon receipt of a CPCN application, PSC – or the CPCN applicant, if required by PSC – must immediately provide notice to specified recipients, including the executive and governing body of affected local governments, affected members of the General Assembly, and other interested persons. When providing the notice, PSC must also forward the CPCN application to each appropriate unit of State and local government for review, evaluation, and comment and to each member of the General Assembly who requests a copy.

Public Hearing and Comment

PSC must provide an opportunity for public comment and hold a public hearing on a CPCN application in each county and municipality in which any portion of the construction of a generating station, overhead transmission line, or qualified generator lead line is proposed to be located. PSC must hold the hearing jointly with the governing body of the county or municipality and must provide weekly notice during the four weeks prior to the hearing, both in a newspaper and online, and must further coordinate with each local government to identify additional hearing notification options. PSC must ensure presentation and recommendations from each interested State unit and must allow representatives of each State unit to sit during the hearing of all parties. PSC must then allow each State unit 15 days after the conclusion of the hearing to modify the unit's initial recommendations.

Public Service Commission Considerations

PSC must take final action on a CPCN application only after due consideration of (1) recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; (2) various aspects of the State infrastructure, economy, and environment; and (3) the effect of climate change on the project. For example, PSC must consider the effect of the project on the stability and reliability of the electric system and, when applicable, air and water pollution. There are additional considerations specifically for a generating station or an overhead transmission line. For example, PSC must consider the impact of a generating station on the quantity of annual and long-term statewide greenhouse gas emissions and must consider alternative routes and related costs for the construction of a new overhead transmission line.

Generating Station Exemptions

There are three general conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement:

- the facility is designed to provide onsite generated electricity, the capacity is up to 70 megawatts, and the excess electricity can be sold only on the wholesale market pursuant to a specified agreement with the local electric company;
- at least 10% of the electricity generated is consumed onsite, the capacity is up to 25 megawatts, and the excess electricity is sold on the wholesale market pursuant to a specified agreement with the local electric company; or
- the facility is wind-powered and land-based, the capacity is up to 70 megawatts, and the facility is no closer than a PSC-determined distance from the Patuxent River Naval Air Station, among other requirements.

However, PSC must require a person who is exempted from the CPCN requirement to obtain approval from the commission before the person may construct a generating station as described above. The application must contain specified information that PSC requires, including proof of compliance with all applicable requirements of the independent system operator.

Appendix – Incentives for Solar Energy Generating Systems

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. The following is an overview of notable State incentives, which may be combined, depending on the specifics of a particular solar energy generating system.

Production Incentives

Net Metering

Under § 7-306 of the Public Utilities Article, the Public Service Commission (PSC) must require electric companies to develop and make net metering tariffs available to eligible customer-generators. Net metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by the customer and fed back to the grid over the customer's billing period. Under net metering, the customer pays only for energy used, netted against energy generated, plus the fixed monthly customer charge. In the event that more energy is generated than used, the electric company must pay the customer the value of the difference, subject to specified requirements. Generally, net excess generation payments are made annually, although certain customers may instead choose to accrue net excess generation indefinitely.

Generally, the generating capacity of an eligible customer-generator for net metering may be up to 2 megawatts, although there are exceptions allowing for larger capacities, including for community solar. Community solar systems are those that meet specified requirements, have multiple subscribers, and engage in virtual net metering.

There are multiple eligible energy sources for net metering, although most of the installed capacity is solar. The statewide capacity limit is 3,000 megawatts.

Renewable Energy Portfolio Standard

Under Title 7, Subtitle 7 of the Public Utilities Article, which establishes the State Renewable Energy Portfolio Standard (RPS), utilities and other competitive energy suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, an REC is a tradable commodity equal to 1 megawatt-hour of electricity generated or obtained from a renewable energy generation source. In program compliance year 2025, RPS percentage requirements include 7.0% from solar, which must be connected to the electric distribution grid serving Maryland.

Under § 7-709.1 of the Public Utilities Article, PSC must establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar RECs, which have an RPS compliance value of 150%, for 15 years. In addition to other requirements, an eligible system must be placed in service between July 1, 2024, and January 1, 2028, inclusive.

Grant and Loan Incentives

Under § 9-20B-05 of the State Government Article, the Maryland Energy Administration (MEA) must administer SEIF. Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and ACP revenues through the State RPS. RGGI-sourced funding is allocated through a statutory formula that provides significant annual funding for clean energy programs and initiatives, in addition to other purposes. In practice, MEA offers a variety of residential and commercial grants and rebates for different types of solar installations. Solar ACP revenues must be used make grants and loans to support the creation of new solar energy sources in the State that are owned by or directly benefit low-to-moderate income communities, overburdened or underserved communities, or households with low- to-moderate income.

Tax Incentives

Solar Energy Property Generally Not Subject to State or Local Real Property Tax

Under § 7-242 of the Tax-Property Article, solar energy property is generally not subject to State or local real property tax. “Solar energy property” means equipment that is installed to use solar energy or solar thermal electric energy to generate electricity to be used in a structure or supplied to the electric grid or provide hot water for use in a structure.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Community Solar Personal Property Tax Exemption

Under § 7-237 of the Tax-Property Article, a community solar energy generating system with up to 5 megawatts of capacity that meets specified requirements is exempt from the county and municipal personal property tax through the life cycle of the system. To be eligible, a system must (1) be placed in service after June 30, 2022, and be approved by PSC by December 31, 2030; (2) provide at least 50% of the energy produced to low- to moderate-income customers at reduced prices, as specified; and (3) be used for agrivoltaics or be installed on a rooftop, brownfield, parking facility canopy, landfill, or clean fill.

Community Solar Real Property Tax Credit

Under § 9-111 of the Tax-Property Article, the State and local governments must grant a 50% property tax credit for a brownfield, landfill, or clean fill on which a specified community solar energy generating system is installed.

Optional Local Property Tax Credit for Solar Energy Devices

Under § 9-203 of the Tax-Property Article, counties and municipalities are authorized to grant tax credits against county or municipal property taxes for the use of a solar energy, geothermal energy, or qualifying energy conservation device in a structure for the purposes of heating and cooling, electricity generation, or the provision of hot water. Local governments may establish related definitions in determining eligibility for the credit.

Optional Local Real Property Assessment Reduction for Certain Parking Canopies

Under § 7-250 of the Tax-Property Article, the governing body of a county or municipality may reduce or eliminate, by law, the percentage of the assessment of any real property that is subject to the county or municipal property tax if the real property includes a parking facility on which a solar energy generating system has been constructed on its canopy. These provisions apply only to real property that includes a parking facility on which a system has been approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024.

Sales and Use Tax Exemptions

Under § 11-230 of the Tax-General Article, the sales and use tax does not apply to the sale of solar energy equipment, which is defined as equipment that uses solar energy to heat or cool a structure, generate electricity to be used in a structure or supplied to the electric grid, or provide hot water for use in a structure.

Under § 11-207 of the Tax-General Article, the sales and use tax does not apply to the sale of electricity generated by solar energy equipment for use in residential property owned by an eligible customer-generator under the State's net metering law.