

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 909 (Senator Hester)
 Education, Energy, and the Environment

Energy Resource Adequacy and Planning Act

This bill establishes the Integrated Resource Planning Office in the Public Service Commission (PSC). PSC must provide the office with sufficient staff and resources to perform the functions required under the bill. The office must develop and report on a 25-year Comprehensive Energy Forecast, as specified. The bill establishes multiple study and reporting requirements for the office and other related units of State government. Additionally, by December 1, 2025, PSC, in consultation with the office, must adopt regulations requiring each electric company to develop an integrated resource plan, as specified. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$8.6 million to \$9.0 million annually from FY 2026 through 2030. Special fund expenditures for the Office of People’s Counsel (OPC) may increase beginning in FY 2026. Special fund revenues for PSC and OPC increase correspondingly. General/special fund expenditures for the Department of Natural Resources (DNR), special fund expenditures for the Maryland Energy Administration (MEA), and Transportation Trust Fund (TTF) expenditures for the Maryland Department of Transportation (MDOT) also increase, primarily in FY 2026.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$8.6	\$8.6	\$8.7	\$8.9	\$9.0
SF Expenditure	\$9.1	\$8.6	\$8.7	\$8.9	\$9.0
GF/SF Exp.	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Net Effect	(\$0.7)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)

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:

Office Established in Public Service Commission

The Integrated Resource Planning Office is established in PSC, headed by a director, who is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. PSC must provide the office with sufficient staff and resources to perform its functions. In order to carry out its statutory requirements, the office must collaborate with MEA, PSC, the Power Plant Research Program (PPRP), the Maryland Clean Energy Center, and the Maryland Department of the Environment, and may, if necessary, hire a private consultant.

Comprehensive Energy Forecast and Interim Study

Generally

The office must develop a 25-year Comprehensive Energy Forecast to analyze energy scenarios and policy options for meeting the State's energy needs and greenhouse gas (GHG) emissions reduction goals while ensuring electric distribution system reliability and cost-effectiveness consistent with the long-term energy needs of the State. The office must also conduct an interim study to support the development of the forecast, and other units of State government have separate study requirements. The office must hire a private consultant to meet the requirements related to the forecast and the interim study.

Specific Forecast Requirements

The forecast must include:

- reasonable projections for electricity load and demand from 2025 through 2050 that include statewide demand elements and demand elements for specific electric service territories;
- scenarios for meeting (1) State energy needs and GHG emissions reduction goals and (2) load forecasts in the PJM region; and
- a strategy to meet the scenario that the office determines best meets State energy needs that includes recommendations, cost estimates, ratepayer impacts, and State financing options, among other topics, as detailed below.

More specifically, the strategy to meet the scenario that the office determines best meets State energy needs must include:

- information on the scenario's impact on energy reliability and GHG emissions reductions;

- the financial impact of the scenario on the State and ratepayers;
- short- and long-term recommendations, along with recommendations for legislative implementation, for the generation, distribution, transmission, and storage of electricity, supported by analyses that balance affordability, reliability, and GHG emissions reductions;
- locational value estimations, including priority generation and transmission zones attractive for resource development;
- a summary of relevant regulatory and administrative procedures that could be streamlined or modernized for greater efficiency;
- the use of all best available technologies and technologies that may become available in the future;
- sensitivities related to various levels of electrification and the adoption of load flexibility and distributed energy resources;
- methods for achieving 60%, 80%, and 100% of the State’s energy needs through in-state generation;
- an independent ratepayer impact analysis;
- related investments in electricity and gas infrastructure, including any interplay between the two;
- economic development and workforce opportunities;
- State financing options, including State procurement and multistate procurement;
- utility business models, tariffs, and cost recovery;
- supportive market studies;
- plans for leveraging available federal funds; and
- key findings from an interim study, described below.

The office, in consultation with PSC and MEA, must complete energy modeling for the strategy and scenarios included in the forecast, and for any changes to the strategy in the forecast, as specified. Among the requirements, the modeling must (1) enable cost-benefit analyses of electricity prices by resource mix type and (2) have the ability to run policy scenarios annually in order to provide effective feedback to the General Assembly. The modeling may be updated annually based on strategies, policy decisions, and periodic reassessments of the State’s energy portfolio to remain up-to-date with the evolution of energy generation and transmission. The office must provide a 45-day period for public comment on any modeling.

Interim Study

By September 30, 2026, the office must conduct a study to support the development of the forecast. By December 31, 2026, the office must submit a report of its findings and any

recommendations to the General Assembly. The study must include the feasibility and efficacy of:

- broadening the State’s power purchase agreement authority;
- developing electricity procurement plans to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electricity service at the lowest total cost over time, taking into account any price stability benefits; and
- conducting competitive procurement processes to procure the resources identified in the procurement plans described above; and
- include and incorporate the results of required PSC, MEA, and PPRP studies, described below.

The study must also include an analysis, made in consultation with MDOT, of methods for reducing transmission-constrained areas through the use of existing rights-of-way.

Additionally, as part of the study:

- PSC must study (1) the viability of energy storage as a transmission asset; (2) the necessity of an independent distribution operator; and (3) in consultation with MEA, reconductoring opportunities in the State;
- MEA must study the feasibility of placing small modular reactors on former electricity generation sites; and
- PPRP must study State land suitable for solar energy development.

Ongoing Reporting

By September 1, 2027, and every two years thereafter, the office must submit to the Governor and the General Assembly a report on (1) the status of the forecast and any changes to the strategy in the forecast and (2) any specified energy modeling completed in the immediately preceding two-year period and related public comments.

Integrated Resource Plans

By December 1, 2025, PSC, in consultation with the office, must adopt regulations requiring each electric company to develop an integrated resource plan to:

- facilitate achieving the State’s GHG emissions reductions goals;
- fulfill the company’s obligation to charge just and reasonable rates;
- minimize or mitigate impacts on ratepayers in the State;

- ensure both short-term and long-term electric distribution system reliability, including meeting the resource adequacy needs of the State;
- strengthen the diversity, sustainability, and resilience of the electric transmission system;
- enhance the electric distribution system and demand-side management; and
- minimize localized air pollutants and other GHG emissions, with priority initially given to underserved communities or overburdened communities.

By July 1, 2026, each electric company must submit to PSC the required integrated resource plan. Each electric company must provide an update to PSC every five years thereafter.

Current Law/Background:

Public Service Commission

Generally

PSC must supervise and regulate public service companies, which includes electric companies, subject to its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the maintenance of fair and stable labor standards for affected workers, the conservation of natural resources, the preservation of environmental quality, the achievement of the State’s climate commitments for reducing GHG emissions, and the protection of a public service company’s infrastructure against cybersecurity threats. PSC must also enforce compliance with legal requirements by public service companies.

Energy Analysis and Planning Division

PSC’s Energy Analysis and Planning Division provides analysis of the short-term and long-term energy resources available to the State. Among other duties, the division manages and monitors (1) the State’s Renewable Energy Portfolio Standard Program; (2) the licensing of electric and natural gas suppliers and brokers; (3) various purchased power contracts, such as those resulting from standard offer service electricity procurements; and (4) emissions disclosure activities. The division also works with electric companies to develop cost-effective energy efficiency, conservation, demand reduction, and other related programs (*i.e.*, EmPOWER Maryland programs). The division also (1) monitors electricity issues in national and regional forums, such as the Federal Energy Regulatory Commission and PJM Interconnection, along with environmental matters

affecting generating facilities promulgated by the U.S. Environmental Protection Agency and (2) provides PSC with related summary reports.

Electricity Division

PSC's Electricity Division participates in PSC rate and merger cases. Among other duties, the division conducts economic analyses of market structure and competition; energy choice implementation and ratemaking; and statistical, economic, and financial studies. The division also makes evidentiary presentations regarding electric and gas customer choice and utility merger policy, rate design, class and jurisdictional cost of service allocations, cost of capital, and other issues related to regulatory economics.

Annual Creation of 10-year Electric System Plan

Each year, the PSC chair must forward to the Secretary of Natural Resources a 10-year plan listing possible and proposed sites, including the associated transmission routes, for the construction of electric plants within the State, subject to specified requirements.

Each annual [10-year-plan](#) provides a forward-looking analysis of the composition of Maryland's electricity and generation profile and covers topics relevant to Maryland, including load growth forecasts, and the status of the State's generation resources and electric transmission system.

Climate Solutions Now Act

The 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.

Other Recent Reports

CSNA 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. The [report](#) can be viewed on the PSC website.

The University of Maryland's Center for Global Sustainability also released a [report](#) pursuant to CSNA in November 2024 that discusses the State's energy generation facilities in the context of a transition to renewable energy.

Among other actions, Executive Order 01.01.2024.19 directed MEA to establish a framework for a clean energy standard to achieve 100% clean electricity in Maryland by 2035 and determine if all or part of the proposed clean energy standard can be implemented through existing authority. MEA published the resulting [report](#) in January 2025.

State Fiscal Effect: Significant individual effects of the bill are discussed separately below. Generally, the bill creates new costs to establish the Integrated Resource Planning Office in PSC, new general costs for PSC, and technical assistance-related costs for MEA, PPRP, and MDOT. Costs may also increase for OPC. Any effects on agencies not

mentioned below are assumed to be generally minimal and absorbable within existing budgeted resources.

Public Service Commission

The bill specifies that the Integrated Resource Planning Office is established *in PSC* and that PSC must provide the office with sufficient staff and resources to perform its functions. Therefore, this estimate assumes the office is established as a unit within PSC. Direct cost estimates for the office and other costs for PSC associated with the bill are discussed separately below. In total, special fund expenditures for PSC are estimated to increase by \$8.6 million in fiscal 2026, escalating to \$9.0 million in fiscal 2030. Cost estimates for the office should be considered preliminary.

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

Integrated Resource Planning Office

PSC advises that the office requires (1) staff experienced in energy modeling, regulatory policy, economics, engineering, and environmental policy; (2) economic forecasting and modeling hardware, software and data sources; and (3) the services of outside consultants and experts. More specifically, PSC estimates that the office requires 20 full-time staff and estimates annual consultant costs of \$2.0 million and annual energy modeling costs of \$3.3 million, along with other relatively minor administrative costs. The estimate is based in part on the [budget](#) for OPC and reflects the following staff structure:

- 1 director, 2 deputy directors, and 1 lead counsel;
- 4 program managers; 2 staff attorneys, 2 climate policy and impact analysts, 4 engineers, and 2 regulatory economists; and
- 2 administrative staff.

If the office were established as a separate entity, PSC advises that the office would require an additional two operational staff and two information technology staff (and PSC – separate from the office (discussed below) – would require three fewer staff).

Accordingly, special fund expenditures for PSC to establish the office increase by \$7.2 million in fiscal 2026, which reflects a 90-day startup delay. This estimate reflects the cost of hiring the 20 staff as detailed above to establish the Integrated Resource Planning Office in PSC. It includes salaries, fringe benefits, one-time start-up costs, ongoing

operating expenses, \$2.0 million in consultant costs and \$3.3 million in energy modeling costs.

Positions	20.0
Salaries and Fringe Benefits	\$1,685,085
Consultants	2,000,000
Energy Modeling	3,300,000
Other Operating Expenses	<u>207,375</u>
FY 2026 Planning Office Expenditures	\$7,192,460

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses, plus \$2.0 million annually in consultant costs and \$3.3 million annually in energy modeling costs.

Other PSC Costs

In addition to the costs discussed above, PSC advises that it requires (1) additional staff and ongoing consultant services to handle responsibilities of analyzing and testifying on work submitted by the Integrated Resource Planning Office; (2) additional staff to provide administrative support to the office; and (3) a one-time expense for its part of the interim study required by the bill. More specifically, PSC estimates that it requires nine full-time staff (six to handle PSC’s responsibilities related to the work produced by the office and three to provide administrative support to the office), \$100,000 annually for ongoing consultant assistance and \$500,000 in fiscal 2026 for consultant assistance with the interim study.

Accordingly, additional special fund expenditures for PSC increase by \$1.4 million in fiscal 2026, which reflects a 90-day startup delay. This estimate reflects the cost of hiring one program manager, two attorneys, one engineer, one regulatory economist, and one administrative staff for PSC’s direct needs plus one fiscal administrator, one information technology programmer, and one administrative staff to provide operational support to the office. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and \$600,000 in consultant costs.

Positions	9.0
Salaries and Fringe Benefits	\$688,195
Consultants	600,000
Other Operating Expenses	<u>86,569</u>
Additional FY 2026 PSC Expenditures	\$1,374,764

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses, the elimination of one-time costs, and \$100,000 annually in ongoing consultant costs.

Office of People's Counsel

Special fund expenditures for OPC may increase for additional staff and/or consultants to review the work of the Integrated Resource Planning Office and the integrated resource plans required of each electric company under the bill. OPC advises that the need depends on the number of other matters requiring OPC's resources when the proceedings take place. OPC is also funded through assessments on public service companies; thus, any additional special fund expenditures are funded through a corresponding increase in special fund revenues from assessments imposed on public service companies.

Maryland Energy Administration

MEA advises that it requires the assistance of consultants with its responsibilities under the bill related to the siting of small modular reactors and reconditioning opportunities, at one-time costs of \$250,000 and \$150,000 in fiscal 2026, respectively. Costs for MEA further increase if MEA is required to assist the Integrated Resource Planning Office with developing data inputs or other related energy modeling tasks. Although MEA advises that federal funds *may* be available to assist with the small modular reactor study, this analysis assumes all MEA costs are paid for using the Strategic Energy Investment Fund (SEIF).

Accordingly, special fund expenditures for MEA (specifically, SEIF) increase by at least \$400,000 in fiscal 2026 and may increase in future years to the extent MEA provides further assistance to the office. For context, MEA estimates additional potential costs of \$150,000 in fiscal 2026 and \$100,000 in fiscal 2027 for data development.

Department of Natural Resources

DNR advises that its PPRP requires the assistance of technical support contractors with its responsibilities under the bill at an estimated annual cost of \$100,000. PPRP otherwise intends to dedicate the time of existing staff to collaborate with the Integrated Resource Planning Office. In general, special funds from the Environmental Trust Fund are used to fund PPRP's operations. However, general funds may be required to cover part or all of the expenses that PPRP incurs under the bill because the department anticipates a special fund revenue shortfall.

Accordingly, general/special fund expenditures for DNR increase by \$100,000 annually beginning in fiscal 2026.

Maryland Department of Transportation

In the execution of its duties, MDOT often engages expert consultants to handle research, evaluations, studies, and staffing duties, and MDOT anticipates engaging a consultant to complete the analysis required by the bill. Accordingly, TTF expenditures increase by an estimated \$150,000 in fiscal 2026 for consultant services.

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 develop and periodically updated an integrated resource plan, in addition to existing requirements for electric distribution system planning. The requirements, at a minimum, have an operational effect and potentially 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: HB 1037 (Delegate Crosby) - Economic Matters.

Information Source(s): Public Service Commission; Department of Natural Resources; Maryland Energy Administration; Office of People's Counsel; Department of Commerce; Maryland Department of the Environment; Maryland Department of Labor; Maryland Clean Energy Center; University System of Maryland; Department of Legislative Services

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