

SENATE BILL 850

C5, M5

6lr3261

By: **Senators Gallion, Hester, Watson, and Carozza**

Introduced and read first time: February 6, 2026

Assigned to: Education, Energy, and the Environment

A BILL ENTITLED

1 AN ACT concerning

2 **Electric and Gas Companies – Energy Efficiency, Conservation, and Demand**
3 **Response Programs – Alterations**
4 **(Utility Affordability and Ratepayer Protection Act of 2026)**

5 FOR the purpose of requiring that certain energy efficiency, conservation, and demand
6 response programs include bill savings to residential customers; altering the date by
7 which certain unpaid and unamortized costs must be eliminated; requiring the
8 Public Service Commission to establish, on or before a certain date, certain caps or
9 limit certain assessments; and generally relating to electric company and gas
10 company energy efficiency and demand response programs.

11 BY repealing and reenacting, with amendments,
12 Article – Public Utilities
13 Section 7–222 and 7–223(a)
14 Annotated Code of Maryland
15 (2025 Replacement Volume and 2025 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
17 That the Laws of Maryland read as follows:

18 **Article – Public Utilities**

19 7–222.

20 (a) **(1)** Subject to review and approval by the Commission, each electric
21 company, each gas company other than a gas company subject to § 4–207(a) of this article,
22 the Department, and, if required in accordance with subsection (c) of this section, each
23 midsize electric cooperative shall develop and implement programs and services in
24 accordance with §§ 7–223, 7–224, and 7–225 of this subtitle to encourage and promote the
25 efficient use and conservation of energy, demand response, and beneficial electrification by

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



consumers, electric companies, gas companies, and the Department in support of the greenhouse gas emissions reduction goals and targets required under Title 2, Subtitle 12 of the Environment Article.

(2) ANY PROGRAM OR SERVICE DEVELOPED BY AN ELECTRIC COMPANY OR A GAS COMPANY, OTHER THAN A GAS COMPANY SUBJECT TO § 4–207(A) OF THIS ARTICLE, AND APPROVED BY THE COMMISSION UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL INCLUDE DEMONSTRABLE BILL SAVINGS TO RESIDENTIAL CUSTOMERS.

(b) As directed by the Commission, each gas company subject to § 4–207(a) of this article, each municipal electric or gas utility, each small rural electric cooperative, and, if required in accordance with subsection (c) of this section, each midsize electric cooperative shall include energy efficiency and conservation, demand response, and beneficial electrification programs or services **THAT INCLUDE DEMONSTRABLE BILL SAVINGS TO RESIDENTIAL CUSTOMERS** as part of their service to their customers.

(c) (1) In accordance with this subsection, each midsize electric cooperative shall be subject to either subsection (a) or subsection (b) of this section.

(2) Each midsize electric cooperative shall offer programs and services to customers in accordance with:

(i) subsection (b) of this section through December 31, 2026; and

(ii) on or after January 1, 2027, and as the Commission directs, either subsection (a) or subsection (b) of this section.

(3) Not later than October 1, 2025, the Commission shall determine if it is in the public interest for a midsize electric cooperative to offer programs and services to customers in accordance with subsection (a) or subsection (b) of this section starting January 1, 2027, and for all subsequent years.

(4) Each midsize electric cooperative shall provide the following information to the Commission to assist in making a determination under paragraph (3) of this subsection:

(i) anticipated costs and bill impacts;

(ii) a description of the anticipated program offerings;

(iii) the anticipated cost–effectiveness of the residential, commercial, and industrial sector subportfolios based on the cost–effectiveness tests in § 7–225(d)(3)(i) of this subtitle;

(iv) the anticipated electricity savings and greenhouse gas emissions reductions; and

(v) any other information the Commission requires.

(5) The information provided to the Commission under paragraph (4) of this subsection shall be based on a plan to offer programs and services to customers that complies with the requirements of an electric company subject to subsection (a) of this section for the 3-year program cycle starting January 1, 2027.

(6) When making a public interest determination under paragraph (3) of this subsection the Commission, at a minimum, shall consider the requirements under § 7-225(d)(3) of this subtitle that are considered when approving a plan of an electric company that is subject to subsection (a) of this section.

(7) Starting October 1, 2025, if the Commission determines that it is in the public interest for a midsize electric cooperative to be subject to subsection (a) of this section, the midsize electric cooperative shall comply with all requirements of an electric company subject to subsection (a) of this section for program cycles starting on and after January 1, 2027.

(8) On or before March 1 each year, starting in 2026, each midsize electric cooperative directed by the Commission to include programs or services under subsection (b) of this section shall submit to the Commission a report quantifying the gains in energy efficiency and reductions in greenhouse gas emissions achieved during the previous year.

(d) The Commission shall encourage and promote the efficient use and conservation of energy in support of the greenhouse gas emissions reduction goals and targets required under Title 2, Subtitle 12 of the Environment Article, established by the Commission under § 7-223(b) of this subtitle, and specified in § 7-224(a)(2) of this subtitle by:

(1) requiring each electric company and gas company to establish any program or service that:

(I) the Commission determines to be appropriate and cost-effective;

(II) **DEMONSTRABLY REDUCES RESIDENTIAL CUSTOMER BILLS;**

AND

(III) **USES DEMAND REDUCTION OR OTHER COST CONTAINMENT MECHANISMS TO REDUCE ENERGY CONSUMPTION AND LOWER RESIDENTIAL CUSTOMER BILLS;**

(2) adopting rate-making policies that provide, through a surcharge line item on customer bills:

(i) full cost recovery of reasonably incurred costs for programs and services established under item (1) of this subsection, including full recovery on a current basis on or before January 1, 2028;

(ii) on or before December 31, ~~[2032]~~ **2040**, the elimination of any unpaid costs and unamortized costs that:

1. A. existed on December 31, 2024; or

B. were incurred before January 1, 2028; and

2. were accrued for the purpose of achieving statutory targets for annual incremental gross energy savings;

(iii) compensation for any unpaid costs and unamortized costs under item (ii) of this item at not more than each electric company's and each gas company's average cost of outstanding debt; and

(iv) reasonable financial performance incentives and penalties for investor-owned electric companies and gas companies, as appropriate; and

(3) ensuring that adoption of electric customer choice under Subtitle 5 of this title and gas customer choice under Subtitle 6 of this title does not adversely impact these goals and targets.

(e) The Commission shall, by regulation or order, require each electric company and each gas company subject to subsection (a) of this section that has submitted to the Commission, on or before July 1, 2024, a plan for achieving electricity or gas savings and demand reduction targets to disclose the following information in a form and format readily understandable to the average customer:

(1) that the surcharge imposed in accordance with subsection (d) of this section includes the cost of paying down the unpaid costs and unamortized costs that were accrued over time by programs and services required by the Commission dating back to 2008; and

(2) the period of time that the surcharge will include excess charges to pay down the unpaid costs and unamortized costs.

(F) ON OR BEFORE JULY 1, 2027, THE COMMISSION SHALL ESTABLISH, BY ORDER OR REGULATION, CAPS OR LIMIT ASSESSMENTS TO RESIDENTIAL CUSTOMERS UNDER THIS SECTION IN ORDER TO REDUCE COSTS TO RESIDENTIAL CUSTOMERS.

(a) On or before January 1, 2025, and on or before January 1 every 3 years, starting in 2027, the Commission shall, by regulation or order, require each electric company and each gas company subject to § 7-222(a) of this subtitle to develop and implement a plan that:

(1) covers appropriate ratepayer classes;

(2) starting in 2027, covers a 3-year program cycle; [and]

(3) achieves the greenhouse gas emissions reduction target established for the electric company or gas company under subsection (b) of this section through cost-effective energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services; **AND**

(4) ACHIEVES DEMONSTRABLE SAVINGS TO RESIDENTIAL CUSTOMERS.

SECTION 2. AND BE IT FURTHER ENACTED, That, on or before July 1, 2027, the Public Service Commission shall report to the Senate Education, Energy, and the Environment Committee and the House Environment and Transportation Committee, in accordance with § 2-1257 of the State Government Article, on the implementation of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2026.