HB 723

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 723 (Delegate Qi, *et al.*)

Environment and Transportation

Electric Companies - Cost Containment Plans - Requirement (Securing Affordable, Valuable Investments in Next Generation Grid Solutions (SAVINGS) Act)

This bill requires each electric company to submit a cost containment plan to the Public Service Commission (PSC) by January 1, 2027, and every three years thereafter, except as specified. Among other requirements, the plan must combine to reduce the utility's peak electric system load by at least 20% from 2025 levels by 2030. PSC must (1) approve, conditionally approve, or deny each electric company's plan based on specified factors and (2) require an electric company to cure any deficiencies in the plan. The bill establishes related reporting requirements and authorizes PSC to impose specified penalties if an electric company fails to meet the peak load reduction goal established by the bill.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by $1.7 million in FY 2027; future years reflect annualization, inflation, and ongoing costs; special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. General/special fund expenditures for the Department of Natural Resources (DNR) increase by approximately $50,000 annually beginning in FY 2027. General fund revenues may increase beginning in FY 2030 from the bill's penalty provisions. The potential effect on electricity prices is discussed in the Additional Comments below.

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	$0	$0	$0	-	-
SF Revenue	$1.70	$1.83	$1.87	$1.91	$1.95
SF Expenditure	$1.70	$1.83	$1.87	$1.91	$1.95
GF/SF Exp.	$0.05	$0.05	$0.05	$0.05	$0.05
Net Effect	($0.05)	($0.05)	($0.05)	($0.05)	($0.05)

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

Local Effect: Local government finances for municipal electric utilities may be significantly affected, as discussed below. The potential effect on electricity prices is discussed in the Additional Comments below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful, as discussed in the Additional Comments below.

Analysis

Bill Summary:

Definitions

The bill establishes definitions for various types of technologies and processes for improving the reliability, resilience, and capacity of the electric transmission or distribution system, including the following:

- "advanced transmission technologies" means infrastructure, hardware, or software that increases the capacity, efficiency, reliability, or resilience of a new or existing transmission line facility, including (1) grid-enhancing technologies; (2) high-performance conductors; and (3) storage used as transmission;
- "demand flexibility" means the ability to shift energy demand to meet bulk power system or local distribution system needs in response to changing electric system conditions and prices in order to (1) integrate increased renewable energy supply; (2) improve reliability and energy system efficiency; (3) lower costs; and (4) reduce environmental impacts by decreasing net system peak demand or distribution system peak demand; and
- "nonwires solution" means a project or other solution that uses one or more distributed energy resources or leads to the introduction of new or modifications of existing energy management practices, standards, or protocols that address a system constraint or provide other electric gird services to the electric system.

Cost Containment Plan Submission Deadlines

Generally, by January 1, 2027, and every three years thereafter, each electric company must submit a cost containment plan to PSC. However, PSC may (1) allow electric companies to submit their respective plans on a staggered schedule and (2) adjust the submission plan deadline if PSC requires or allows an electric company to submit its cost containment plan as part of (1) a multiyear rate plan application; (2) a rate case filing; or (3) an electric system plan.

Content of Cost Containment Plans

The cost containment plan must combine to reduce the utility's peak electric system load by at least 20% from 2025 levels by 2030. In addition, the cost containment plan must include descriptions of:

- electric system constraint solutions in the utility's most recent electric system plan that avoid or minimize capital expenditures, including all nonwires solutions and distributed energy resource integration that is included in the electric system plan;
- programs, offerings, or investments from other PSC filings that avoid or minimize capital expenditures on the electric distribution or transmission system while improving system reliability, resilience, and capacity that achieves operational and planning optimization, including (1) advanced transmission technologies; (2) automated load management; (3) demand flexibility; (4) flexible interconnection; (5) grid-enhancing technologies; (6) grid flexibility; (7) grid flexibility-enabled building electrification and efficiency; and (8) virtual power plants;
- how the electric company is coordinating electric distribution system investments with electric transmission system planning in the PJM region in a manner that is most cost-effective to ratepayers; and
- how the electric company is increasing its investments in regional transmission planning processes relative to its investment in local and supplemental transmission projects.

Plan Review and Approval

PSC must approve, conditionally approve, or deny each electric company's cost containment plan based on whether the plan (1) adequately incorporates the required elements as described above; (2) meets or exceeds the peak-load reduction goal established by the bill; and (3) is projected to produce demonstrable and significant cost savings individually or in the aggregate, according to PSC's unified benefit-cost analysis framework.

PSC must require an electric company to cure any deficiency identified during its review of the cost containment plan.

Progress Reports

Each electric company must submit a progress report to PSC on its progress toward implementing an approved cost containment plan. The progress report must be submitted at the same time the electric company submits its electric system plan pursuant to current law. The progress report must include (1) a description of all ongoing and planned actions, initiatives, or projects included in the cost containment plan and (2) an analysis documenting the decision-making process for the selected actions, initiatives, or projects included in the plan and any rejected alternatives.

Penalties for Failing to Meet Peak Load Reduction Goal

If an electric company fails to meet the peak load reduction goal established by the bill, PSC may, by order, (1) impose one or more fines; (2) reduce the electric company's return on equity; and (3) fully or partially deny the electric company's cost recovery for implementing the approved cost containment plan.

Current Law: 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. With limited exceptions, a public service company must file an annual report with PSC for the preceding calendar year, along with special reports, information, contracts, records, and copies as required by PSC.

Electric System Planning – Generally

The Climate Solutions Now Act of 2022 (Chapter 38), as altered by Chapter 540 of 2024, established the goal of the State that the electric system support, in a cost-effective manner, the State's policy goals with regard to greenhouse gas reduction, renewable energy, decreasing dependence on electricity imported from other states, and achieving energy system resiliency, efficiency, and reliability.

PSC must submit an annual report to the General Assembly with information regarding the current status of projects designed to promote several specified goals, including information on planning processes and implementation. By December 31, 2025, PSC was required to 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 those goals.

Regulatory Requirements for Electric System Plans

Under current regulations, an electric system plan must promote the State policy goals and other applicable goals and targets as directed by PSC. An electric system plan must include a minimum of two scenarios (a baseline scenario and a goal scenario) to provide a range of outcomes to inform planning analysis and the determination of the scale and pace of grid needs. Among other requirements, an electric company must:

- develop separate forecasts for each relevant distributed energy resource type, as specified, as well as a load forecast, as specified;
- conduct specified assessments, including a hosting capacity assessment, a grid needs assessment, and a locational value assessment;
- identify possible solutions for identified grid needs, including nonwires solutions;
- include the criteria used to evaluate possible solutions, including cost-effectiveness considerations; and
- choose a solution or solutions for each scenario and publish a plan for each planning cycle.

Electric companies must publish a preliminary electric system plan and the electric system plan on their websites and file the plans with PSC, as specified. An electric company must file an annual electric system plan update during the years in which a complete electric system plan is not filed.

An electric company must include the following planning metrics in its preliminary electric system plan and its annual update: (1) State goals and targets; (2) reliability; (3) resilience; (4) distributed energy resource integration, by category; (5) load and demand management; (6) hosting capacity; (7) system constraint resolution, as specified; (8) nonwires solution incorporation; and (9) stakeholder and other person engagement.

Public Service Company Rates - Generally

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. A "just and reasonable rate" means a rate that:

- does not violate any provision of the Public Utilities Article;
- fully considers and is consistent with the public good; and
- except for rates of a common carrier, will result in an operating income to the public service company that yields, after reasonable deduction for depreciation and other necessary and proper expenses and reserves, a reasonable return on the fair value of the public service company's property used and useful in providing service to the public.

Penalties for Violations

Generally, PSC may impose a civil penalty of up to $25,000 for a violation of specified provisions of the Public Utilities Article or an effective and outstanding direction, ruling, order, rule, or regulation of PSC. Except in limited circumstances, civil penalties accrue to the general fund.

State Fiscal Effect:

Public Service Commission

PSC advises that the bill creates significant new and incremental requirements on its planning, analytical, and enforcement resources that cannot be absorbed within existing resources. Accordingly, special fund expenditures for PSC increase by $1,699,796 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of hiring three public utility engineers, two economists, one staff attorney, and one public utility law judge to (1) oversee the cost containment plan review process established by the bill; (2) formulate and apply new analytical methodologies for peak load assessment, cost-benefit analyses, and portfolio evaluation; (3) review progress reports; and (4) monitor compliance and conduct enforcement. The estimate also includes $1.0 million in costs to hire external consultants to develop peak load measurement and verification protocols, provide technical expertise, and support regulatory proceedings and hearings.

Positions	7.0
Salaries and Fringe Benefits	$620,218
Consultant Costs	1,000,000
Other Operating Expenses	79,578
Total FY 2027 PSC Expenditures	**$1,699,796**

Future year expenditures reflect (1) full salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) ongoing consultant costs of $1.0 million annually.

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

General fund revenues may increase beginning in fiscal 2030 to the extent PSC imposes any fines as authorized by the bill.

Department of Natural Resources

General/special fund expenditures for DNR's Power Plant Research Program (PPRP) increase by approximately $50,000 annually beginning in fiscal 2027 to hire a consultant to assist with the review of cost containment plans. This estimate assumes that PSC requests PPRP's assistance with the review of plans under the bill.

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 DNR anticipates a special fund revenue shortfall.

Office of People's Counsel

The Office of People's Counsel (OPC) advises that it is required to review all – and participate in most – matters before PSC. To the extent that the bill creates additional proceedings at PSC related to cost containment plans, OPC workloads increase. Depending on its overall caseload at the time, OPC may be able to absorb any increase in workload with existing resources. To the extent that it cannot, OPC may need to hire a consultant, resulting in an increase in expenditures. 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.

Local Fiscal Effect: The State's five municipal electric utilities are generally not exempt from any provisions in the bill and are, therefore, affected like any other electric company (*i.e.*, developing and submitting cost containment plans and progress reports, meeting the bill's peak load reduction goal, and being subject to specified PSC penalties for failure to meet that goal). Although a reliable estimate of the bill's impact on municipal electric utilities cannot be made at this time, the bill may have a significant impact on the finances of affected municipalities.

The five municipal electric utilities are located in Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County).

Additional Comments: Electric utility rates may decrease – or future rate increases may be minimized – as a result of the establishment and implementation of the cost containment plans by electric companies. The extent to which the bill results in a decrease in rates cannot be reliably estimated at this time. In any event, electric utility customers, including the State, local governments, and small businesses, benefit from any decrease in rates that may result from the bill's changes.

Additional Information

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

Designated Cross File: SB 598 (Senator Hester) - Education, Energy, and the Environment.

Information Source(s): Public Service Commission; Department of Natural Resources; Office of People's Counsel; Department of Legislative Services

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