

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1525 (Delegate Wivell, *et al.*)
 Environment and Transportation

Regional Greenhouse Gas Initiative, EmPOWER Energy Efficiency Programs,
 and Community Solar Energy Generating Systems

This bill requires the Governor to withdraw the State from participation in the Regional Greenhouse Gas Initiative (RGGI), and allows the State to rejoin under specified circumstances. The bill repeals the authorization for electric and gas companies to include a surcharge on customer bills to recover specified costs associated with energy efficiency and conservation programs required by the Public Service Commission (PSC) under the EmPOWER Maryland Program. Additionally, a community solar energy generating system tariff may not require an electric company to purchase, or provide a bill credit for, electricity from a system at a rate that exceeds the generation cost of electricity provided through standard offer service.

Fiscal Summary

State Effect: State finances are significantly affected. Partially quantified effects (due to the withdrawal from RGGI) are summarized in the table below and addressed in detail in the Analysis section. Unquantified, significant effects (due to the repeal of the EmPOWER surcharge) are not reflected in the table below but are discussed in the Analysis section.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	(\$138.3)	(\$276.6)	(\$276.6)	(\$276.6)	(\$276.6)
GF Expenditure	-	-	-	-	-
SF Expenditure	(\$138.3)	(\$276.6)	(\$276.6)	(\$276.6)	(\$276.6)
Net Effect	(-)	(-)	(-)	(-)	(-)

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

Local Effect: Local government finances are affected, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Regional Greenhouse Gas Initiative Withdrawal

By January 1, 2027, the Governor must withdraw the State as a full participant in RGGI. The State may rejoin as a full participant in RGGI if (1) all other states served by PJM Interconnection become full members of RGGI or (2) the State becomes and remains a net exporter of electricity. The Governor must notify the Department of Legislative Services (DLS) (1) within five days after withdrawing from RGGI and (2) if the State rejoins RGGI, within five days after the State rejoins.

EmPOWER Surcharge – Repeal

The bill repeals the requirement that PSC adopt rate-making policies allowing utilities to recover specified EmPOWER Maryland Program costs through a surcharge on customer bills. Accordingly, it eliminates the statutory authority for utilities to continue levying the EmPOWER surcharge. The bill makes a related conforming change, repealing a provision that PSC must require utilities participating in the EmPOWER Maryland Program to disclose to customers (1) that the surcharge includes the cost of paying down unpaid costs and unamortized costs that were accrued over time by programs and services required by PSC dating back to 2008 and (2) the period of time that the surcharge will include excess charges to pay down those costs.

Community Solar – Purchase of, or Bill Credits for, Electricity

Under provisions governing the Community Solar Energy Generating Systems Program, the bill requires that a community solar energy generating system tariff approved by PSC may not require an electric company to purchase, or provide a bill credit to a subscriber or subscriber organization for, electricity from a community solar energy generating system at a rate that exceeds the generation cost of electricity provided by the electric company through standard offer service.

Current Law:

Regional Greenhouse Gas Initiative

In General

Chapters 23 and 301 of 2006 (Healthy Air Act) required the Governor to include the State as a full participant in RGGI by June 30, 2007. Statute authorizes the State's withdrawal

from RGGI – as provided in a December 2005 RGGI memorandum – at any time after January 1, 2009, if the General Assembly enacts a law to approve the withdrawal.

If RGGI expires and there is a successor organization with the same purposes and goals, the Governor is encouraged to join the State in the successor organization.

If the State’s participation in RGGI ceases for any reason, the Governor must report to the General Assembly regarding (1) why participation ceased and (2) a plan to reduce carbon dioxide emissions from power plants in the State that considers the use of Maryland grown, native, warm season grasses as a possible method of reducing carbon emissions.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. Chapters 127 and 128 require all of the proceeds from the sale of Maryland allowances under RGGI to be deposited in SEIF. SEIF’s other revenue sources include (1) alternative compliance payment revenues generated under Maryland’s renewable energy portfolio standard and (2) pursuant to Chapter 411 of 2024, a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

Subject to certain exceptions (where RGGI proceeds are allocated to certain purposes before the below percentages are applied to the remainder of the proceeds – discussed under the State Fiscal Effect), RGGI proceeds received by SEIF are allocated as follows:

- at least 50% to an energy assistance account to be used for the Electric Universal Service Program (EUSP) and other electricity assistance programs in the Department of Human Services (DHS);
- at least 20% to a low- and moderate-income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs (at least one-half of which must be used for low- and moderate-income programs);
- at least 20% to a renewable and clean energy programs account for (1) renewable and clean energy programs and initiatives; (2) energy-related public education and outreach; and (3) climate change and resiliency programs; and
- up to 10% but no more than \$7.5 million to an administrative expense account for costs related to the administration of the fund.

Statute further elaborates on the types of programs and activities included under “energy efficiency and conservation programs” (under the second bullet above) and “renewable and clean energy programs and initiatives” and “energy-related public education and outreach” (under the third bullet above).

EUSP is established under § 7-512.1 of the Public Utilities Article. DHS, through the Office of Home Energy Programs, is responsible for administering the electricity bill assistance and arrearage retirement components of the program, which assists low-income electricity customers.

EmPOWER Maryland Program

In General

Program History

In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in *per capita* electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company’s 2016 sales. The Climate Solutions Now Act of 2022 (Chapter 38) further increased the goal to 2.25% per year in 2025 and 2026 and to 2.5% annually thereafter.

Chapter 539 of 2024 altered the EmPOWER Maryland Program by, among other things, explicitly requiring each electric company, each large gas company, and the Department of Housing and Community Development (DHCD) to develop and implement energy efficiency, conservation, demand response, and beneficial electrification programs to achieve specified greenhouse gas (GHG) emission reduction goals and targets, subject to review and PSC approval.

Program Requirements

Under the current program, PSC must encourage and promote the efficient use and conservation of energy in support of these goals and targets by requiring each electric company and gas company to establish any program or service that PSC determines to be appropriate and cost-effective. Additionally, PSC is required to adopt rate-making policies that, through a surcharge line item (the EmPOWER surcharge) on customer bills, provide:

- full cost recovery of reasonably incurred costs for the programs and services, including full recovery on a current basis by January 1, 2028;

- by December 31, 2032, the elimination of any unpaid costs and unamortized costs that (1) existed on December 31, 2024, or were incurred before January 1, 2028, and (2) were accrued for the purposes of achieving EmPOWER goals;
- compensation for any of these unpaid costs and unamortized costs at not more than each electric and gas company's average cost of outstanding debt; and
- reasonable financial performance incentives and penalties for investor-owned electric companies and gas companies, as appropriate.

PSC must, by regulation or order, require electric and gas companies currently participating in EmPOWER to disclose (1) that the surcharge includes the cost of paying down unpaid costs and unamortized costs that were accrued over time by programs and services required by PSC dating back to 2008 and (2) the period of time that the surcharge will include excess charges to pay down those costs. The disclosure must be in a form and format readily understandable to the average customer.

As directed by PSC, each municipal electric or gas utility, each small gas company exempt from the requirement above, each small rural electric cooperative, and, if required in accordance with a determination process established by Chapter 539, each midsize electric cooperative, must include energy efficiency and conservation, demand response, and beneficial electrification programs or services as part of their service to their customers. (This requirement distinguishes the State's large utilities from the smaller utilities for purposes of EmPOWER.)

Department of Housing and Community Development

As part of the EmPOWER Maryland Program, beginning January 1, 2025, and by January 1 every three years thereafter starting in 2027, DHCD must procure or provide to low-income individuals energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services that are on a trajectory to achieve GHG reductions of at least 0.9% of a 2016 baseline after 2027, determined as specified. The requirement applies to the 2025-2033 time period. The reductions count toward the overall GHG emissions reduction targets under the EmPOWER Maryland Program.

When calculating the achievement of GHG emissions reduction targets under the EmPOWER Maryland Program, DHCD may procure or provide savings that are achieved through all funding sources, to the extent that the savings from those funding sources are achieved (1) in a manner consistent with requirements of the U.S. Department of Energy or (2) in a manner otherwise consistent with the energy savings requirements applicable to those funding sources.

DHCD participates in the EmPOWER Maryland Program through two special fund programs: (1) the Low Income Energy Efficiency Program (LIEEP); and (2) the Multifamily Energy Efficiency and Housing Affordability (MEEHA) Program. LIEEP helps low-income households undertake energy conservation projects in their homes at no charge, while MEEHA promotes energy efficiency and affordability in the State's multifamily rental housing developments for low- and moderate-income households. Approved program costs are recovered by electric companies on customer bills.

Community Solar Energy Generating Systems Program

In General

Statute requires PSC to establish and maintain a Community Solar Energy Systems Program. Chapter 652 of 2023 established the program as a permanent program, following a prior pilot program.

The provisions governing the program include a General Assembly finding that it is in the public interest that the State enable the development and deployment of energy generation from community solar energy generating systems in order to:

- allow renters and low-income and moderate-income retail electric customers to own an interest in a community solar energy generating system;
- facilitate market entry for all potential subscribers while giving priority to subscribers who are the most sensitive to market barriers; and
- encourage developers to promote participation by renters and low-income and moderate-income retail electric customers.

“Community solar energy generating system” means a solar energy system that, among other things:

- is connected to the electric distribution system serving the State;
- is located in the same electric service territory as its subscribers;
- is attached to the electric meter of a subscriber or is a separate facility with its own meter;
- 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;
- has a generating capacity that does not exceed 5 megawatts; and
- with respect to a community solar energy generating system constructed under the Community Solar Energy Generating Systems Program, serves at least 40% of its kilowatt-hour output to LMI subscribers unless the system is wholly owned by subscribers to the solar energy system.

“LMI subscriber” means a subscriber that (1) is low-income; (2) is moderate-income; or (3) resides in a census tract that is an overburdened community and an underserved community.

“Subscriber” means a retail customer of an electric company that (1) holds a subscription to a community solar energy generating system and (2) has identified one or more individual meters or accounts to which the subscription must be attributed.

“Subscription” means the portion of the electricity generated by a community solar energy generating system that is credited to a subscriber.

“Subscriber organization” means (1) a person that owns or operates a community solar energy generating system or (2) the collective group of subscribers of a community solar energy generating system. A subscriber organization also may contract with a third party for the third party to finance, build, own, or operate a community solar energy generating system.

“Subscription coordinator” means a person that:

- markets community solar energy generating systems or otherwise provides services related to community solar energy generating systems under its own brand name;
- performs any administrative action to allocate subscriptions, connect subscribers with community solar energy generating systems, or enroll customers in the Community Solar Energy Generating Systems Program; or
- manages interactions between a subscriber organization and an electric company or electricity supplier relating to subscribers.

Under the program, a subscriber organization or subscription coordinator acting on behalf of a subscriber organization must (1) determine how to allocate subscriptions to subscribers and (2) notify an electric company and, if applicable, a relevant electricity supplier about the allocation of subscriptions in accordance with PSC regulations.

A subscriber must (1) receive credit for virtual net excess generation and (2) accrue virtual net excess generation in the same manner as an eligible customer-generator under net energy metering (see “Net Energy Metering” below). “Virtual net excess generation” means the amount of electricity generated by a community solar energy generating system and attributed to a subscriber that would result in a negative kilowatt-hour reading at the end of the subscriber’s billing cycle if applied to the subscriber’s bill by the electric company as a reduction in metered kilowatt-hours.

A subscriber organization or subscription coordinator may elect for a subscriber or a community solar energy generating system represented by the subscriber organization or subscription coordinator to participate in consolidated billing. “Consolidated billing”

means a payment mechanism that requires an electric company to, at the request of a subscriber organization or subscription coordinator (1) include the monthly subscription charge of a subscriber organization or subscription coordinator on the monthly bills rendered by the electric company for electric service and supply to subscribers and (2) remit payment for those charges to the subscriber organization or subscription coordinator.

An electric company must use energy generated from a community solar energy generating system to offset purchases from wholesale electricity suppliers for standard offer service.

Tariff Structure, Bill Credits, Virtual Net Excess Generation, and Unsubscribed Energy

Statute

The provisions governing the Community Solar Energy Generating Systems Program:

- required PSC to adopt regulations, under the prior pilot program, that, among other things, established a tariff structure for an electric company to provide a subscriber with the kilowatt-hours or value of the subscriber's subscription;
- required PSC to adopt revisions to the regulations, under the permanent program, including revisions that, among other things, require all electric companies to use (1) bill credits applied as a reduction in metered kilowatt-hours or (2) monetary bill credits that provide not less than the value to the subscriber of the credit had it been applied to the subscriber's bill as a reduction in metered kilowatt-hours; and
- required PSC to approve electric company tariff modifications, under the permanent program, that are consistent with the revised regulations.

Regulations

Under PSC regulations, a subscriber organization or subscription coordinator must provide the electric company with electronic data indicating the proportion of a community solar energy generating system's output that must be applied to each subscriber's bill (and an electric company may develop an alternative format for processing subscriber lists).

An electric company determines the amount of kilowatt-hours to be credited to each subscriber by multiplying the subscriber's most recent generation proportion provided by the subscriber organization or subscription coordinator by the output of the community solar energy generating system as measured by the electric company's meter. Consistent with the statutory requirement above, the regulations allow an electric company to choose to apply the appropriate kilowatt-hour credit to each subscriber's bill as either a reduction in metered kilowatt-hour use or a dollar amount credit (which must be not less than the

value to the subscriber of the credit had it been applied as a reduction in metered kilowatt-hours), unless otherwise directed by PSC.

As required by statute, a subscriber must receive credit for virtual net excess generation and accrue virtual net excess generation in the same manner as an eligible customer-generator under net energy metering. For a subscriber that has elected to accrue virtual net excess generation for a period not to exceed 12 months:

- An electric company must pay a subscriber a dollar amount of excess generation as reasonably adjusted to exclude the distribution, transmission, and noncommodity portion of the customer's bill unless the electric company records subscriber credits as kilowatt-hours.
- An electric company that serves electric retail choice customers must pay the subscriber for kilowatt-hours of excess generation at the lesser of the subscriber's retail supply rate or the standard offer service rate in effect at the time of payment.
- An electric company that does not provide standard offer service must pay a subscriber for kilowatt-hours of excess generation at the electric company's avoided cost of generation.

The regulations require an electric company to file a tariff to pay a subscriber organization for unsubscribed energy in accordance with statute (and statute allows for unsubscribed energy to eventually 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).

Electric Customer Choice and Competition Act of 1999

The Electric Customer Choice and Competition Act of 1999 facilitated the restructuring of the electric utility industry in Maryland. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or to continue receiving electricity under standard offer service. Default standard offer service is provided by a customer's electric company. Competitive electric supply is provided by competitive electricity suppliers. In either case, the electric company delivers the electricity and recovers the costs for delivery through distribution rates.

Net Energy Metering

In General

Provisions governing the State's net energy metering program include a General Assembly finding and declaration that a program to provide net energy metering for eligible-customer generators is a means to encourage private investment in renewable energy resources, HB 1525/ Page 9

stimulate in-state economic growth, enhance continued diversification of the State's energy resource mix, and reduce costs of interconnection and administration.

"Net energy metering" means measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by an eligible customer-generator and fed back to the electric grid over the eligible customer-generator's billing period.

"Eligible customer-generator" means a customer that owns and operates, leases and operates, or contracts with a third party that owns and operates a biomass, micro combined heat and power, solar, fuel cell, wind, or closed conduit hydro-electric generating facility that:

- is located on the customer's premises or contiguous property;
- is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and
- is intended primarily to offset all or part of the customer's own electricity requirements.

An electric company serving an eligible customer-generator must ensure that the meter installed for net energy metering is capable of measuring the flow of electricity in two directions.

Net Energy Metering Contract or Tariff – and – Statewide Capacity Limit

PSC must require electric utilities to develop a standard contract or tariff for net energy metering and make it available to eligible customer-generators on a first-come, first-served basis until the rated generating capacity owned and operated by eligible customer-generators in the State reaches 3,000 megawatts.

A net energy metering contract or tariff (1) must be identical in energy rates, rate structure, and monthly charges, to the contract or tariff that the customer would be assigned if the customer were not an eligible customer-generator and (2) may not include charges that would raise the eligible customer-generator's minimum monthly charge above that of customers of the rate class to which the eligible customer-generator would otherwise be assigned.

Effect on Billing – and – Net Excess Generation

If the electricity supplied by the grid exceeds the electricity generated by the eligible customer-generator during a month, the eligible customer-generator is billed for the net energy supplied. If the electricity generated by an eligible customer-generator exceeds the

electricity supplied by the grid, the eligible customer-generator is billed only the customer charges for that month. The amount of net excess generation supplied by the eligible customer-generator to the grid accrues and is applied to subsequent months when the eligible customer-generator's consumption may exceed their generation. The value of any remaining net excess generation is eventually paid to the eligible customer-generator at, or around, the end of April each year (unless an eligible customer-generator opts for specified alternatives) or when the account is closed.

The dollar value of the net excess generation is equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged by the electric company averaged over the previous 12-month period ending with the billing cycle that is complete immediately before the end of April, multiplied by the number of kilowatt-hours of net excess generation.

Ownership of and Title to Renewable Energy Attributes and Credits

An eligible customer-generator or the eligible customer-generator's assignee must own and have title to all renewable energy attributes or renewable energy credits associated with any electricity produced by its electric generating system.

Capacity Limit for Individual Systems

The generating capacity of an electric generating system used by an eligible customer-generator for net metering may not exceed 2 megawatts, with the exception of community solar energy generating systems and a net metered facility that is meter aggregated, both of which may not exceed 5 megawatts.

Meter-aggregated Systems

Under § 7-306.3 of the Public Utilities Article, an electric company must provide meter aggregation for an eligible customer-generator that submits a request and (1) uses electrical service for agriculture; (2) is a nonprofit organization; (3) is a municipal or county government, or an organization affiliated with the municipal or county government; (4) is a unit of State government; or (5) is a public senior higher education institution.

State Fiscal Effect:

Regional Greenhouse Gas Initiative Withdrawal

State finances are significantly affected by the State's withdrawal from RGGI, as shown in **Exhibit 1**. Under the assumptions identified in the exhibit's footnotes, special fund revenues and expenditures decrease by \$138.3 million in fiscal 2027 and by \$276.6 million

annually thereafter, and general fund expenditures increase by an indeterminate, but presumably significant amount, to fund programs or other initiatives that are not wholly eliminated or foregone as a result of the loss of RGGI funding. The extent to which general fund expenditures increase cannot be reliably estimated and largely depends on policy decisions of the Governor and the General Assembly regarding the use of general funds to support programs or initiatives no longer supported by RGGI funding.

The bill authorizes the State to rejoin as a full participant in RGGI if (1) all other states served by PJM Interconnection become full members of RGGI or (2) the State becomes and remains a net exporter of electricity. PJM Interconnection serves all or parts of 13 states and the District of Columbia, and 10 of the 13 states are not currently members of RGGI. In its *Ten-year Plan (2025-2034) of Electric Companies in Maryland* (December 2025), PSC indicates that Maryland continues to be a net importer of electricity, and 43 percent of the electricity consumed in the State in 2024 was imported from other states. This analysis assumes the State does not rejoin RGGI under the bill in the near future.

Exhibit 2, for context, summarizes the actual and budgeted spending of RGGI funding over the course of fiscal 2025 (actual), fiscal 2026 (appropriation), and fiscal 2027 (allowance), based on Appendix H of the Governor’s FY 2027 Budget Highlights. The funding is allocated to the agencies identified in the exhibit. The spending under fiscal 2026 and 2027 is noticeably higher than annual RGGI revenues, reflecting spending of fund balance in those years. The following may also be worth noting:

- A significant portion of the funding under the “Tax Credits, Transfers, RGGI Dues” category is funding that is allocated to certain purposes (including paying RGGI dues) before revenue is allocated according to the formula identified under Current Law (energy assistance – 50%; efficiency and conservation programs – 20%, etc.).
- The formula identified under Current Law applies to the RGGI revenues received by SEIF each year, not the budgeting/spending of those revenues each year. The RGGI revenues are directed to subaccounts within SEIF that correspond to the formula categories (see the table at the end of Appendix H of the Governor’s FY 2027 Budget Highlights showing subaccount end-of-year fund balances). Spending under those categories in a given fiscal year may be higher or lower than the revenue received in that year. Therefore, the spending shown in Exhibit 2 is not proportionate to the percentages in the formula.

Exhibit 1
Fiscal Impact of the Bill
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<i>RGGI Auction Revenues (Under Current Law)¹</i>	\$276.6	\$276.6	\$276.6	\$276.6	\$276.6
<i>RGGI Auction Revenues (Under the Bill)²</i>	138.3	0.0	0.0	0.0	0.0
Impact on the State Budget:					
Special Fund Revenues	(138.3)	(276.6)	(276.6)	(276.6)	(276.6)
Special Fund Expenditures ³	(\$138.3)	(\$276.6)	(\$276.6)	(\$276.6)	(\$276.6)
General Fund Expenditures ⁴	-	-	-	-	-
Net Impact	(-)	(-)	(-)	(-)	(-)

-: indeterminate increase

(-): indeterminate decrease

RGGI: Regional Greenhouse Gas Initiative

¹ Assumes, for the purposes of this analysis, that revenues remain at a level similar to revenues estimated for fiscal 2027 in Appendix H of the Governor’s FY 2027 Budget Highlights. However, the Maryland Energy Administration notes, in its [January 2026 report](#) (Vol I, page 58) on the Strategic Energy Investment Fund, that forecasting RGGI revenues is difficult because the RGGI auction price is market-based and thus dynamic, similar to a stock price.

² Assumes the Governor withdraws the State from RGGI by January 1, 2027 (as required by the bill), resulting in the State receiving half of the RGGI revenues it otherwise would in fiscal 2027.

³ Assumes special fund expenditures decrease correspondingly with special fund revenues.

⁴ Assumes general fund expenditures are needed to replace at least some portion of the RGGI funding to continue to fund programs or initiatives that are not wholly eliminated or foregone as a result of the State’s withdrawal from RGGI.

Source: Department of Legislative Services

Exhibit 2
For Context: Spending of RGGI Funding Under Current Law
Fiscal 2025-2027
(\$ in Millions)

<u>Category</u>	<u>Agencies</u>	<u>FY 2025</u> <u>(Actual)</u>	<u>FY 2026</u> <u>(Appr.)</u>	<u>FY 2027</u> <u>(Allow.)</u>
Tax Credits, Transfers, RGGI Dues	Maryland Energy Administration; Maryland Department of the Environment; Department of Natural Resources (Power Plant Research Program); University of Maryland, College Park (Maryland Energy Innovation Institute); Maryland Department of Transportation	\$69.1	\$30.6	\$68.9
Energy Assistance	Department of Human Services	96.6	160.1	160.0
Low- and Moderate-Income Energy Efficiency	Maryland Energy Administration; Department of Housing and Community Development	13.6	17.2	45.0
Energy Efficiency in All Sectors	Maryland Energy Administration; Department of General Services; Higher Education Institutions	16.3	72.8	64.4
Renewable Energy, Climate Change	Maryland Energy Administration; Maryland Clean Energy Center; Department of Budget and Management; Department of General Services; and Others	61.6	65.6	120.7
Administration	Maryland Energy Administration	8.5	9.2	9.6
Total		\$265.8	\$355.6	\$468.5

Allow.: Allowance

Appr.: Appropriation

RGGI: Regional Greenhouse Gas Initiative

Source: Governor's FY 2027 Budget Highlights, Appendix H; Department of Legislative Services

EmPOWER Surcharge – Repeal

Although the bill repeals the EmPOWER surcharge, it does not repeal the EmPOWER Maryland Program itself. PSC remains statutorily obligated to (1) encourage and promote the efficient use and conservation of energy in support of specified GHG emission reduction targets and (2) require utilities to establish any program or service that it determines to be appropriate and cost effective. The bill also does not alter DHCD's statutory mandate to procure or provide specified programs and services to low-income individuals to achieve its GHG emission reduction targets. As a result, although the bill repeals the funding source for the EmPOWER Maryland Program, this analysis assumes the program continues and that an alternative funding source is established. A discussion of the resulting effects by agency is included below.

Public Service Commission

Consistent with its general rate-setting authority, PSC anticipates replacing the EmPOWER surcharge through either an increase in base rates or an alternative funding mechanism, which could include a new surcharge. PSC advises that it can implement the repeal of the EmPOWER surcharge and establish an alternative funding mechanism for the program using existing resources.

Department of Housing and Community Development

As noted above, DHCD participates in the EmPOWER Maryland Program through the LIEEP and MEEHA programs. Because the bill does not alter DHCD's statutory mandate as it relates to the EmPOWER Maryland Program, this analysis assumes that DHCD continues to administer the LIEEP and MEEHA programs and that overall DHCD expenditures are unchanged by the bill. However, as noted above, the bill eliminates the current funding source for these programs (the EmPOWER surcharge).

Assuming PSC implements an alternative funding mechanism for the EmPOWER Maryland Program that generates revenues commensurate to the revenues currently generated from the EmPOWER surcharge, special fund revenues for DHCD are unchanged. Until such a mechanism is established, however, special fund revenues for DHCD may decrease significantly, as discussed below.

DLS notes that it will likely take time for PSC to identify and establish a new revenue source for the program. As a result, special fund revenues for DHCD may decrease temporarily. The duration of any such decrease depends on how quickly PSC reaches a determination regarding a new funding mechanism and how long it takes until revenues from the new funding mechanism begin to accrue. For example, if PSC determines that adjusting base rates is the appropriate approach, a significant lag may occur before

special fund revenues from an increase in base rates begin to accrue. (Rate cases are formal proceedings that require substantial time to adjudicate and, under State law, may take up to 210 days to complete.) Accordingly, special fund revenues for DHCD may decrease significantly, by up to tens of millions of dollars in fiscal 2027. For purposes of this analysis, it is assumed that special fund revenues for DHCD normalize by fiscal 2028 at the latest; this analysis assumes that an alternative funding mechanism is in place by then.

Any temporary decrease in special fund revenues for DHCD results in a corresponding decrease in special fund expenditures. Because it is assumed that DHCD continues to administer the LIEEP and MEEHA programs, general funds are needed to backfill for the loss of special funds until a new funding mechanism is in place. Accordingly, general fund expenditures for DHCD increase correspondingly to the decrease in EmPOWER surcharge revenues (until that new funding mechanism is in place).

Office of People's Counsel

The Office of People's Counsel (OPC) advises that its costs may increase if PSC pursues replacement of EmPOWER surcharge revenues through base rate proceedings. Under current law, OPC staff evaluate the efficacy and costs of the EmPOWER Maryland Program on an ongoing basis, through stakeholder groups and regularly scheduled proceedings. However, if OPC's program review must instead occur within base rate cases, its evaluations must be completed within the timelines governing those proceedings. OPC advises that additional resources, including technical experts, may be required to perform such work, although the office cannot reliably estimate the associated costs at this time.

Accordingly, special fund expenditures for OPC may increase, likely beginning in fiscal 2027. As OPC is funded through assessments on public service companies, any increase in special fund expenditures is funded through a corresponding increase in special fund revenues from assessments imposed on public service companies.

Community Solar – Bill Credits

See the Additional Comments section regarding the potential effect – of the bill's provision governing the value of bill credits for community solar energy generating systems – on State agencies/entities as electricity ratepayers.

To the extent any State agencies/entities participate in the Community Solar Energy Generating Systems Program, now or in the future, as subscribers or subscriber organizations, they are affected in a similar manner as described below, for small businesses, under the Small Business Effect.

Local Fiscal Effect:

Regional Greenhouse Gas Initiative Withdrawal

Local governments are affected, as recipients of funding under RGGI-supported programs. The Maryland Energy Administration indicates that (1) its programs support local government investments in clean energy, energy efficiency, and energy resilience and (2) to the extent those programs are funded in a given fiscal year through RGGI revenues, they are no longer available to local governments under the bill.

EmPOWER Surcharge – Repeal

DHCD directs a portion of its funding under the EmPOWER Maryland Program to local governments for energy efficiency and electrification upgrades. Because this analysis assumes that DHCD expenditures are unchanged under the bill, local government finances and operations are not anticipated to be materially affected.

Community Solar – Bill Credits

See the Additional Comments section regarding the potential effect – of the bill’s provision governing the value of bill credits for community solar energy generating systems – on local governments as electricity ratepayers.

To the extent any local governments participate in the Community Solar Energy Generating Systems Program, now or in the future, as subscribers or subscriber organizations, they are affected in a similar manner as described below, for small businesses, under the Small Business Effect.

Small Business Effect:

Regional Greenhouse Gas Initiative Withdrawal

Similar to local governments, small businesses are affected as eligible recipients of funding for investments in clean energy, energy efficiency, and energy resilience. Small businesses providing goods or services for clean energy, energy efficiency, and energy resilience projects are presumably also meaningfully affected by the loss of RGGI revenue.

EmPOWER Surcharge – Repeal

DHCD contracts extensively with small businesses to perform energy upgrade work in the homes of LIEEP participants. Because this analysis assumes that DHCD expenditures are unchanged under the bill, this provision is not anticipated to have a meaningful impact on small businesses.

Community Solar – Bill Credits

Small business subscribers or subscriber organizations appear to be meaningfully affected by the bill's prohibition against a community solar energy generating system tariff requiring an electric company to purchase, or provide a bill credit for, electricity from a system at a rate exceeding the generation cost of electricity under standard offer service. This appears to reduce the value of bill credits and, as a result, the incentive for community solar energy generating systems and subscriptions. The effect on small business subscribers or subscriber organizations is proportional to the extent of the reduction in value provided by electric companies to subscribers or subscriber organizations through bill credits (and, consequently, the value of community solar energy generating systems and subscriptions) that results from the bill's prohibition. The extent, and timing, of the reduction in value of community solar energy generating systems and subscriptions cannot be reliably determined at this time.

It appears an electric company's purchase of unsubscribed energy from a community solar energy generating system, and the electric company's payments to subscribers for virtual net excess generation, are already limited to the commodity value of the energy generated and therefore not significantly affected by the bill.

To the extent the bill results in fewer community solar energy generating system projects being undertaken because of a reduction in value of the systems, small businesses contributing to such projects – through development, construction, operations, or otherwise – presumably are also meaningfully affected.

See the Additional Comments section regarding the potential effect on small businesses as electricity ratepayers.

Additional Comments:

Regional Greenhouse Gas Initiative Withdrawal

PSC notes that withdrawing from RGGI may reduce the cost to operate some power plants in the State, potentially reducing energy prices; however, the commission indicates that whether such a reduction occurs, and the extent of any reduction, is unknown. An evaluation of the effect of withdrawing from RGGI on energy costs for Maryland consumers should also take into account the loss of the use of RGGI revenues for (1) energy bill assistance for low-income Maryland residents and (2) programs that fund efforts to reduce residents' energy consumption (and lower their energy bills as a result).

EmPOWER Surcharge – Repeal

Repealing the EmPOWER surcharge is not anticipated to have a material effect on ratepayers. As discussed above, PSC has signaled its intent to replace the EmPOWER surcharge with an alternative funding mechanism. Whether this is accomplished through base rate proceedings, a new surcharge, or another funding mechanism, the overall effect on electricity and gas prices is anticipated to be minimal.

PSC advises that the bill may have a minor impact on ratepayers due to repealing provisions requiring investor-owned utilities, through the EmPOWER surcharge, to be compensated for specified unpaid and unamortized costs at no more than their average cost of outstanding debt. Prior to the enactment of these provisions under Chapter 539, PSC authorized recovery of such costs using a weighted average cost of capital (WACC), which included returns on both equity and debt, in base rate cases. If PSC authorizes utilities to again recover outstanding costs using WACC in future base rate proceedings, electricity rates may increase minimally.

Community Solar – Bill Credits

PSC has indicated that net energy metering (including under community solar energy generating systems) affects all ratepayers, who fund the cost of credits paid to net-metered and community solar customers. To the extent the bill results in a reduction in the value of bill credits an electric company provides to community solar energy generating system subscribers and subscriber organizations, presumably electricity rates (including those paid by the State, local governments, and small businesses) are reduced; however, the extent of the effect of such a reduction in the value of bill credits, on electricity rates, cannot be reliably determined at this time.

For context, PSC indicated, in its November 2025 annual report on net energy metering (“Net Energy Metering in the State of Maryland”), that electric company estimates of the monthly bill impacts for an average residential customer as a result of community solar, for the 12 months ending June 30, 2025, were between \$0.60 and \$2.59 per month, and, if all pending projects at the time were operational, the estimated monthly bill impact for an average residential customer would have been between \$2.28 and \$29.15.

Additional Information

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

Designated Cross File: SB 801 (Senator McKay) - Education, Energy, and the Environment.

Information Source(s): Governor's Office; Maryland Department of the Environment; Department of Housing and Community Development; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Department of Legislative Services

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