March 23, 2026

Education, Energy, and the Environment Committee
Annapolis, Maryland

Written Testimony
HB1532: Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act

Position: Favorable with Amendments

Thank you for the opportunity to submit testimony on House Bill 1532, the Utility RELIEF Act, before the Education, Energy, and Environment Committee.

New Columbia Solar is a commercial rooftop solar developer with offices in Prince George's County, Maryland, and DC. We have been in business for 10 years, and specialize in installing solar on commercial, multi-family residential, industrial, and institutional building rooftops and parking structures. The non-residential rooftop market encompasses both behind-the-meter net-metered and virtual net-metered community solar, and we install both types. Most commercial building owners, however, are unable to install behind-the-meter systems under existing tenant metering rules, so we find that roughly 80% of commercial rooftop installations are rooftop community solar.

Amony many other things, this bill directs the Public Service Commission to implement a successor to Maryland's existing net-metering policy. We support extending the net-metering policy in Maryland beyond this cap, as net-metering is the policy that establishes value of production of solar energy produced by projects on the distribution grid (*i.e.*, rooftop and smaller groundmount systems, as opposed to very large groundmount systems on the transmission grid). Without a net-metering policy in place, the value that utilities might pay for distribution-level solar generation is extremely uncertain, particularly as distribution utilities have a significant financial interest in suppressing energy production on the distribution grid as much as possible.

The reason for utilities' financial incentive to suppress distributed energy production is found in Maryland's rate-making policies. Like the rate-making policies of many other states, Maryland's was designed at a time during which the on-site production of clean electricity by a building owner or small landowner seemed a veritable impossibility. Under these policies, utilities are incentivized to invest in capital upgrades to the distribution grid through policies that a) provide full reimbursement for all capital expenditures and b) also guarantee a defined rate of return on equity (ROE or profit) percentage, which is multiplied across the value of their total capital asset base (so the larger they build the distribution grid, the more money they make each year). In Maryland, the PSC has defined our utilities' ROE rates as **9.5% to 11.3%**, depending on the utility. A recent study by the Rocky Mountain Institute[1] found that **regulatory return on equity profits make up 15-20% of most utility customers' bills**, and are likely unnecessarily high, incentivizing more and more unnecessary capital investment in the distribution grid.[2]

[1] Feb. 2025, available at https://rmi.org/rebalancing-return-on-equity-to-accelerate-an-affordable-clean-energy-future/

[2] The utility incentive to over-invest in ratepayer-funded capital upgrades to the grid is called the Averch-Johnson Effect, and has long been studied and documented.

Because utilities have such a strong profit incentive to invest in ratepayer-funded capital projects on the distribution system, they have an equally strong incentive to ***discourage*** investment by *private* persons or entities into capital projects on the distribution system, particularly if those investments could also reduce the need for or ability to justify utility ratepayer-funded expenditures in the future. Distributed generation, such as distributed solar, reduces load on the distribution grid, allowing it to be smaller and requiring less investment by the utility. This reduces utility profits.

Distributed energy generation reduces costs for all ratepayers, even under current NEM compensation policies, contrary to what you may hear from utilities who have a financial incentive to oppose it. Distributed energy does this by reducing the load on the electric grid, reducing transmission losses, and reducing the need for ratepayer-funded utility capital investment in the grid that would otherwise be necessary as load grows**.** This fact is even more true now, with capacity prices for PJM energy production climbing so high and planned data centers causing demand to skyrocket. Every kWh generated by a distributed solar system is one that avoids the purchase of a kWh from the increasingly strained and expensive PJM energy and capacity markets.

Distributed solar electricity generation deserves to be compensated and valued under a fair NEM policy because it is good for Maryland ratepayers. On top of that, policies compensating distributed solar energy generation allow the Maryland homeowner or business owner who installs the system to take control of their own energy costs, support Maryland solar businesses and electrical workers, and help displace dirty, carbon-intensive transmission grid energy with clean, carbon-free, local resources. It is vital that Maryland maintains a fair NEM compensation system beyond its 3 GW cap.

Transitioning to a Successor System

As you consider how best to transition from one net-metering policy to another in Maryland, we urge caution and care. As drafted, this bill would cancel the current net-metering compensation program by a date certain, potentially even for existing projects, *without a new compensation program being in place*. It is hard to overstate how destabilizing this would be. Caution is necessary to avoid widespread contract cancellations or re-negotiations with the many thousands of Maryland customers who have signed long-term solar agreements over the past 15 years (the terms of these agreements are often up to 35 years, the life of the solar system). Such market destabilization would also sharply reduce distributed solar installation in the state to a level that will take many years to recover from even after the successor program is established.

Caution is particularly important at this time--when the solar industry is *already* experiencing market shocks from an abrupt change in federal tax credit policy and trying to figure out what the market looks like in Maryland without it. Solar market shocks are a real risk in abrupt changes to net-metering policies such as the one proposed in this bill, as has been seen in other states. A sharp decline in distributed solar installation will ultimately be determinantal to Maryland ratepayers, as well, resulting in higher utility rates than ratepayers would otherwise have seen.

To avoid this, we recommend that the bill be amended to do the following:

- **Grandfather Existing and Under-Development Solar Projects Under Existing NEM Policy Through Decommissioning, in accordance with current, long-standing law/regulation**: Projects currently in development are racing to meet the abrupt construction deadlines set by H.R 1, the One Big Beautiful Bill. These and all other operating projects were financed and

contracted with Maryland customers under the assumption of current compensation policies until the 3 GW cap was met. Under existing regulation/law, net-metering is available until the system is decommissioned.
    - If existing projects are not protected in implementation of a new policy, force majeure or change-of-law provisions may be invoked to renegotiate long-standing Maryland customer contracts. Maryland customers may also see their project operators go out of business. This will cause widespread disruption in the market.
    - If under-development projects are not protected in implementation of a new policy, contracts for customer projects in early development will be cancelled, as it is unknown if their economics will be viable without a NEM 2.0 compensation policy in place. This will also cause widespread disruption.
    - Generally, the destabilization caused by this retroactive change in law applying to existing contracts will cause Maryland to be viewed as an unstable market for many years going forward. New solar project contracts will thereafter be priced with a political risk premium, increasing their financing cost and reducing installation rates and customer benefits.
- Ensure A Smooth Transition Without Gaps: Similarly, it is important to ensure that current net metering policy remains available for solar projects until a successor program is implemented. The bill's structure must not allow a time period during which solar installers and customers do not know the value of a kWh of new solar electricity in Maryland because the existing policy has been phased out but a new one has not yet been established. During such a gap, all new project development would come to an abrupt halt, and Maryland would see a resulting gap in new solar investment and later installations. This gap would be disastrous for solar developers who work hard to maintain a stable pipeline of projects to support their business's employees and operating expenses. If they go out of business as a result, or leave the state due to its unstable policies, Maryland will see a prolonged dip in distributed solar installation from which it could take years to recover.
    - We recommend a transition date of January 1, 2028, provided the 3 GW cap has not been met by that date, allowing projects that have submitted interconnection applications or are in the CSEG queue by that date to move forward under existing net-metering compensation policies.
    - We also recommend the PSC be required to announce final successor program compensation rates at least 6 months prior to any transition date.
- Achievable Transition Milestones: Define criteria for the transition based on what project developers can control, such as submitting completed interconnection applications or constructing the project to mechanical completion of the system. Milestones that require utilities' timely actions, such as commercial operation date or the calculation/invoicing of interconnection deposits, may be gamed by utilities to reduce the number of solar systems that qualify, as many steps in the utility permitting process do not have regulatory deadlines for the utility to act, and even the few steps that do have deadlines are often not consistently met.
- PSC-Led Valuation Process: Direct a Public Service Commission (PSC) led process to fairly account for the value of distributed solar and storage, and provide in the bill that the value will be at least a minimum amount—the value of generation/transmission avoided from PJM. This ensures that during any resulting implementation gap, solar installers have some value to model to for new systems that is more than 0 cents per kilowatt hour.

By adopting these amendments, Maryland can effectively make distributed solar a central tool in lowering consumer and utility energy costs, without unintentionally causing a policy transition that destabilizes the industry that can add new generation capacity and reduce ratepayers' bills fastest in Maryland.

With these important amendments, New Columbia Solar would urge a favorable report.

Sincerely,

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