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STATE OF MARYLAND



PUBLIC SERVICE COMMISSION

Chair Marc Korman
Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, MD 21401

RE: HB 345 – Favorable with Amendments - Public Utilities – Solar Energy Generating Systems and Solar Renewable Energy Credits (Affordable Solar Act)

Dear Chair Korman and Committee Members:

The Public Service Commission (the “Commission”) appreciates the opportunity to provide this testimony for HB 345. We understand the bill’s sponsor is offering substantial amendments, and with those we offer our support for the legislation.

With the sponsor’s amendments, HB 345 offers stability for Maryland’s solar development landscape by having the Commission oversee the procurement of Solar Renewable Energy Credits (“SRECs” and SREC-IIs”). It provides a pathway for additional generation development and helps offset the costs of the new generation through utilization of the alternative compliance payments.

HB 345 fundamentally changes and expands the Commission’s and electric utilities’ roles with respect to solar development in the State. Currently, the Commission enforces compliance with the Solar Renewable Energy Portfolio Standard (Solar RPS) by monitoring and overseeing certain electric utilities and electric suppliers. Today, those utilities and suppliers purchase SRECs to comply with the State’s Solar RPS. Under HB 345, the Commission will be tasked to craft and implement two new procurement programs, under which electric utilities will purchase all solar renewable energy credits:

- The Distributed Solar Facilities Incentive program is designed to incentivize the development of new solar generation capacity of at least 2,000 MWs from qualifying distributed systems 5 MWs or smaller. The Commission is tasked to create “blocks” of megawatt capacity on a yearly basis, then solicit and facilitate the utilities’ purchase SREC-IIs from a variety of different types of distributed solar facilities. The amended bill will offer guidance to the Commission to ensure the costs of this program are below 5% of an average annual electric bill.

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- The Utility-Scale SREC-II program is designed to incentivize the development of at least 2,000 MWs from utility-scale systems larger than 5 MW. The Commission is tasked with creating a competitive solicitation process for these projects.
- The legislation retains the system currently in place for suppliers to purchase solar renewable energy credits for solar systems built prior to the new programs going into effect. It is unclear how this could interact with the new program and the Commission seeks amendments to clarify this. It is our understanding the Bill Sponsor is developing amendments to address this concern.

To facilitate the new purchasing programs, HB 345 establishes a new escrow account. Starting in October 2026, ACPs paid in lieu of required REC purchases under the State’s RPS will be paid into the new escrow account. ACPs will no longer be directed to the Strategic Energy Investment Fund (“SEIF”). Additionally, a portion of funds collected under the utility franchise tax and attributable to large users of energy will be directed to the escrow account. These funds will be used to purchase SREC-IIs when the Commission implements the new procurement programs. The escrow account will serve as the platform for the purchase of SREC-IIs under the new program.

HB 345 allows municipal electric companies and electric cooperatives to meet their solar RPS requirements by authorizing the purchase of SREC-IIs through a procurement process established by the Commission. However, these utilities will still have the option to purchase solar credits on their own.

HB 345 requires the Commission, in consultation with the Department of Labor, to develop and adopt regulations regarding labor requirements for utility-scale solar projects that participate in the new procurement program. The Commission currently does not have the labor enforcement or labor law expertise that would be necessary to enforce such regulations, and we look forward to continuing to discuss potential amendments with the bill sponsor and the Department of Labor.

Finally, HB 345 allows for the use of new technology called “portable solar.” This is exciting new technology that will enable far more Marylanders to use solar energy to power their homes and businesses.

House Bill 345 represents a fundamental restructuring of Maryland’s solar landscape. House Bill 345 requires the Commission to take on new duties and expand existing duties such as solar forecasting, procurement design and implementation for multiple purchasing schemes, development of new tracking and enforcement tools and processes, overseeing a new solar escrow account, coordination with the Comptroller, Department of Labor, and independent escrow administrator, and enforcement of labor, community benefit, and fraud provisions. Because of the scope and nature of new and expanded duties under the bill, the Commission will need to hire four

full-time personnel, and we will need to contract with at least two consultants to assist with procurement design and implementation.

The Public Service Commission appreciates the opportunity to provide testimony for your consideration for HB 345. We request a favorable report with support for the amendments offered by the sponsor. Please contact Niki Wiggins, Director of Legislative Affairs, at irene.wiggins3@maryland.gov if you have any questions related to this informational testimony.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kumar", with a stylized flourish underneath.

Kumar P. Barve
Chair, Maryland Public Service Commission