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Energy Legislation Wrap-up

The 428th session of the Maryland General Assembly ended Monday night and once again the Maryland Energy Administration led Governor O'Malley's ambitious energy agenda with successful passage of six different administration energy bills. Another seven MEA-supported energy measures were also enacted. While we will have to try again next session to advance our offshore wind bill and several other important measures, our efforts have secured Maryland's reputation as a national clean energy leader.

MEA BUDGET: Governor O'Malley introduced a significantly reduced budget for each agency, including MEA. As introduced, MEA's budget was reduced by almost 70 percent to reflect the end of federal Recovery Act funds and declining revenues from the Regional Greenhouse Gas Initiative. To prevent even deeper reductions, the Governor proposed a reallocation of the Regional Greenhouse Gas Initiative funds to provide a greater percentage for energy efficiency and renewable energy investments. Since FY2009, MEA has not received any general funds. The General Assembly understood the state's commitment to clean energy development in Maryland and approved Governor O'Malley's FY 2012 budget without any significant changes.

The Governor's legislative package included seven energy proposals, most of which were presented to the Governor by MEA. Six bills passed. Below is a summary of those bills and other bills of interest that were supported by MEA:

MEA Administration Bills

HB 163: Tax Credit for Electric Vehicle Recharging Equipment:

This bill creates a tax credit for 20% of the cost of qualifying electric vehicle (EV) recharging equipment. The value of the credit may not exceed the lesser of \$400 or the State income tax imposed in the tax year. MEA has already established 65 EV charging stations throughout Central Maryland and passage of this legislation will help place accelerate adoption of electric vehicles throughout the state.

HB 164/SB 179: Electric Companies - Pilot Program for Charging

Electric Vehicles: This bill authorizes the Public Service Commission (PSC) to establish a pilot program for Marylanders to recharge electric vehicles during off-peak hours. The pilot program must include incentives for residential, commercial, and governmental customers to recharge electric vehicles. The incentives should increase the efficiency and reliability of the electric distribution system and lower electricity uses at times of high demand. The incentives may include time-of-day pricing; credits on distribution charges; rebates on the cost of charging systems; demand response programs; or other incentives approved by PSC. Authorizing the PSC to establish time-of use pricing or some other mechanism designed to encourage off-peak charging will help guarantee that the Maryland grid will not be overburdened by the expected influx of electric vehicles over the coming years and will merge this effort with the utilities' existing Smart Grid program.

HB 167/SB 176: Maryland Electric Vehicle Infrastructure Council:

This bill creates a Maryland Electric Vehicle Infrastructure Council to promote the use of electric vehicles (EVs) in the State. The Maryland Department of Transportation (MDOT) must provide staff support to the council with the assistance of the Maryland Energy Administration (MEA) and the Maryland Public Service Commission (PSC).

HB 860/SB 380: Net Metering: This bill requires an electric company to pay a customer who generates electricity for credits from excess electricity generated. Payment for excess generation credits must be at the same retail electric rate the customer-generator pays for the consumption of electricity. The bill also changes the accrual of credits from a customer from a dollar basis to a kilowatt-hour (kWh) basis. This bill fixes unintended errors in last year's net metering law and will allow more generating customers to receive financial benefits for their excess generation.

HB 933/SB 717: Renewable Energy Portfolio Standard - Renewable

Energy Credits - Solar Water Heating Systems: This bill establishes solar water heating systems as a Tier 1 renewable source eligible to meet the Tier 1 solar portion of Maryland's renewable energy portfolio standard (RPS). An owner of a solar water heating system installed after June 1, 2011, may receive solar renewable energy credits (SRECs) equal to the amount of electricity saved by using a solar water heating system. Those credits may then be sold to meet Maryland's RPS goal of 20% renewable generation by 2022 with in-state solar water heating credits.

HB 391/SB 692: Maryland Electricity Service Quality and Reliability Act - Safety Violations: This emergency bill requires the Public Service Commission (PSC) to adopt regulations implementing service quality and reliability standards for the delivery of electricity to retail customers by electric companies. Each electric company must provide high levels of service quality and reliability in a cost-effective manner and that each electric company is to be held accountable if it fails to deliver reliable service. The bill requires PSC to convene a stakeholder workgroup to provide recommendations regarding the regulations. Electric companies must submit annual performance reports, and PSC must evaluate compliance. The bill requires PSC to take corrective action against noncompliant electric companies and increases the maximum civil penalty that may be imposed on a public service company for safety violations. The maximum civil penalty that may be imposed for safety violations is increased from \$500 to \$10,000 for each violation for each day that the violation persists.

HB 1054/SB 861: Maryland Offshore Wind Energy Act: This legislation would have required the PSC to order the four investor-owned utilities in Maryland to enter into long-term (20 years or more) contracts for the provision of offshore wind energy in leasehold blocks authorized to Maryland by the federal government. A 500 MW project would provide enough electricity to power 79% of the Eastern Shore and create an estimated 2,000 jobs. The bill would have directed the PSC to approve such a contract only if it projected that the impact on the averageresidential household would be less than \$2 per month and less than 2.5% per month for commercial and industrial customers. Both the House and Senate chose further study this issue over the interim.

Other Bills of Interest

HB 597/SB 244: PSC – Customer Education on Customer Choice:

This bill requires the Public Service Commission (PSC) to increase awareness about competitive electric supply options. PSC must host and regularly update a customer choice education page on its website and must work with local media outlets to develop and air public service announcements publicizing customer choice. The PSC may recover associated costs through the annual assessment on public service companies.

HB 502/SB 398: Sales and Use Tax - Sale of Electricity Generated by Solar Energy and Residential Wind Energy Equipment – Exemption: This bill exempts the sale of electricity generated by solar energy equipment or residential wind energy equipment for use in residential property owned by an eligible customer-generator from the State sales and use tax. The bill creates a new mechanism by which residential customers may receive the benefits of renewable generation without the upfront costs of purchasing a system.

HB 1121/SB 690: Renewable Energy Portfolio – Waste-to-Energy: This bill alters the renewable energy portfolio standards (RPS) to include energy from waste-to-energy as a Tier 1 renewable source, instead of a Tier 2 renewable source. The bill also allows a facility that creates refuse-derived fuel to be eligible for Tier 1. A waste-to-energy facility must be connected with the electric distribution grid serving Maryland to be eligible for inclusion in meeting Tier 1 RPS. This legislation will assist the State in achieving the RPS of 20% renewable generation by 2022.

HB 590/SB 691: Public Service Commission - Certificate of Public Convenience and Necessity - Renewable Source Generator Lead Line: This emergency bill requires an individual to obtain a certificate of public convenience and necessity (CPCN) from the Public Service Commission (PSC) to construct a qualified generator lead line. A “qualified generator lead line” is an overhead transmission line that is designed to carry a voltage in excess of 69,000 volts and would allow an out-of-state Tier 1 or Tier 2 renewable source to interconnect with a portion of the electric system in Maryland that is owned by an electric company. Recently, an out of state wind energy generator wanted to make its first grid interconnection in Maryland although the generator unit itself was in Pennsylvania. The existing law limited the Commission’s authority to electric companies. This bill will fix that issue.

In addition, 3 bills passed that expand biofuels in Maryland: **SB 958**

allows all biofuels to be eligible for the state's production tax credit: **SB 959** provides an income tax credit for bioheating oil; and **SB 961** allows all biofuels to be used in State vehicle fleets.

Thanks to every one for their tremendous efforts this session and we look forward to working with you to promote reliable, affordable and clean energy during the coming year.

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