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BILL NO.: House Bill 1233 – Community Solar Energy Generating Systems – Subscription Eligibility

COMMITTEE: Economic Matters

HEARING DATE: February 21, 2025

SPONSOR: Delegates A. Johnson and S. Johnson

POSITION: Informational

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The Office of People's Counsel ("OPC") offers the following informational comments on House Bill 1233. HB 1233 would allow low-moderate income ("LMI") customers to subscribe to community solar energy generating systems ("CSEGS") located in different utility service territories than where the LMI customer resides. To achieve this goal, the bill directs the Public Service Commission ("PSC") to establish a process for the exchange of community solar bill credits between the utility in whose service territory the LMI customer resides ("home utility") and the utility in whose service area the CSEGS facility is located ("hosting utility"). OPC generally supports initiatives to increase LMI customers benefiting from Maryland's CSEGS program but recognizes and identifies below some of the challenges in implementing HB 1233.

Currently, a CSEGS facility generates electricity for customers of the hosting utility. Because both the CSEGS facility and customers are located in the same utility service territory, the utility uses CSEGS generation to offset its purchases from wholesale electricity suppliers. If a customer and CSEGS facility are located in different utility service areas, this direct offset will no longer be feasible. Instead, there will be a revenue mismatch between the home and hosting utilities. These mismatches would affect both the commodity costs and distribution costs that are reflected on customers' bills.

The commodity portion of a community solar customer's utility bill includes a credit for the kilowatt-hours ("kWh") purchased from the CSEGS facility. That credit reduces what the customer pays the utility. The customer, however, actually uses those kWhs, and because the kWhs are used, the customer's utility is billed for that electricity

by the regional wholesale electricity market. Where the CSEGS facility is in a different utility's service territory than where the customer resides, the customer's utility (the home utility) will receive lower revenue to pay for that electricity from the customer—who now will receive credits from the hosting utility to offset their home utility bill. The customer's home utility, however, will not receive the energy output from the CSEGS facility to offset this revenue deficit. Rather, the utility that hosts the CSEGS facility will receive revenue from the regional market for the output of the project. Put otherwise, the hosting utility will receive the benefit of the CSEGS while the home utility will incur the costs. To address this mismatch, the PSC would need to establish a method, workable for all utilities, that facilitates a transfer of funds from the CSEGS facility's hosting utility to the customer's home utility.

Additionally, the customer's home utility will not collect revenue for much of the distribution portion of the bill for a customer who is receiving credits from a hosting utility. That revenue is made up by the home utility's other customers. To more closely align costs and benefits between the customers of the home utility and the customers of the hosting utility, there would be an additional transfer of funds needed between the two utilities. The PSC would need to adopt regulations on how to calculate the amounts to be transferred, how the funds will be transferred, and how the amounts will be tracked in order to ensure that the process is fair for all customers involved.

HB 1233 does not address the transfer of funds between utilities, and the drafting of regulations to address the revenue transfer will require a substantial amount of time and resources. Ultimately, someone—whether participating LMI customers, all utility customers, or the participating CSEGS themselves—will have to pay for the increased costs associated with the administration of the complex system needed to track and transfer revenue between the utilities.

OPC appreciates the opportunity to provide comments on HB 1233.