

Chapter 563

(Senate Bill 570)

AN ACT concerning

**Public Utilities – Thermal Energy Network Systems – Authorization and
Establishment
(Working for Accessible Renewable Maryland Thermal Heat (WARMTH) Act)**

FOR the purpose of requiring ~~each certain~~ gas ~~company~~ companies and authorizing certain gas companies to develop a plan for a pilot thermal energy network system or systems on or before a certain date; requiring ~~each certain~~ gas ~~company~~ companies to submit a certain proposal or proposals to the Public Service Commission for approval on or before a certain date; authorizing a municipal corporation, county, or community organization to submit neighborhoods to gas companies for consideration as part of a pilot system; establishing requirements and authorizations for the development and implementation of a proposal and thermal energy network system; ~~requiring~~ authorizing the Commission to approve, approve with modifications, or reject each proposal on or before a certain date; requiring the Commission, in consultation with the Maryland Energy Administration ~~and~~, the Office of People's Counsel, a certain company, a certain certified representative, and certain customers, to make a determination on whether to make a pilot system permanent after the completion of the pilot system's pilot period; establishing funding requirements for the Administration to ~~cover~~ assist certain companies in covering certain costs; providing for the payment and recovery of certain costs; requiring the Administration to coordinate with the Department of Housing and Community Development to provide certain services or funding; requiring ~~the Maryland Environmental Service to issue certain procurements for certain projects~~ a gas company to be responsible for certain costs associated with certain behind-the-meter projects; establishing certain employment and wage requirements for certain projects; and generally relating to thermal energy network systems.

BY repealing and reenacting, without amendments,
Article – Public Utilities
Section 7–703(f)(1)
Annotated Code of Maryland
(2020 Replacement Volume and 2023 Supplement)

BY adding to
Article – Public Utilities
Section 7–1001 through 7–1006 to be under the new subtitle “Subtitle 10. Thermal
Energy Network Systems”
Annotated Code of Maryland
(2020 Replacement Volume and 2023 Supplement)

BY repealing and reenacting, without amendments,

Article – ~~Environment~~ Environment

Section 1–701(a)(1), (7), and (8)

Annotated Code of Maryland

(2013 Replacement Volume and 2023 Supplement)

BY repealing and reenacting, without amendments,

Article – Housing and Community Development

Section 4–1801(a) and (c)

Annotated Code of Maryland

(2019 Replacement Volume and 2023 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Public Utilities

7–703.

(f) (1) (i) In this subsection the following words have the meanings indicated.

(ii) “Area median income” has the meaning stated in § 4–1801 of the Housing and Community Development Article.

(iii) “Low or moderate income housing” means housing that is affordable for a household with an aggregate annual income that is below 120% of the area median income.

SUBTITLE 10. THERMAL ENERGY NETWORK SYSTEMS.

7–1001.

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “ADMINISTRATION” MEANS THE MARYLAND ENERGY ADMINISTRATION.

(C) “BEHIND-THE-METER PROJECT” MEANS A PROJECT THAT INVOLVES A PHYSICAL, OPERATIONAL, OR BEHAVIORAL MODIFICATION ON THE CUSTOMER SIDE OF A UTILITY METER, INCLUDING REPLACEMENT OF APPLIANCES, RETROFITS, AND PANEL UPGRADES.

(D) “COMMUNITY BENEFIT AGREEMENT” MEANS AN AGREEMENT APPLICABLE TO THE CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM AND ANY ACCOMPANYING RESIDENTIAL ELECTRIFICATION THAT:

(1) PROMOTES INCREASED OPPORTUNITIES FOR LOCAL BUSINESSES AND SMALL, MINORITY, WOMEN–OWNED, AND VETERAN–OWNED BUSINESSES IN THE CLEAN ENERGY INDUSTRY;

(2) ENSURES THE TIMELY, SAFE, AND EFFICIENT COMPLETION OF THE PROJECT BY:

(I) FACILITATING A STEADY SUPPLY OF HIGHLY SKILLED CRAFT WORKERS WHO SHALL BE PAID NOT LESS THAN THE PREVAILING WAGE RATE DETERMINED BY THE COMMISSIONER OF LABOR AND INDUSTRY UNDER TITLE 17, SUBTITLE 2 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; AND

(II) GUARANTEEING THAT THE CONSTRUCTION WORK PERFORMED IN CONNECTION WITH THE PROJECT WILL BE SUBJECT TO AN AGREEMENT THAT:

1. ESTABLISHES THE TERMS AND CONDITIONS OF EMPLOYMENT AT THE CONSTRUCTION SITE OF THE PROJECT OR A PORTION OF THE PROJECT;

2. GUARANTEES AGAINST STRIKES, LOCKOUTS, AND SIMILAR DISRUPTIONS;

3. ENSURES THAT ALL WORK ON THE PROJECT FULLY CONFORMS TO ALL RELEVANT STATE AND FEDERAL LAWS, RULES, AND REGULATIONS, INCLUDING ALL REQUIRED TRAINING FOR EMPLOYEES;

4. CREATES MUTUALLY BINDING PROCEDURES FOR RESOLVING LABOR DISPUTES ARISING DURING THE TERM OF THE PROJECT;

5. SETS FORTH OTHER MECHANISMS FOR LABOR–MANAGEMENT COOPERATION ON MATTERS OF MUTUAL INTEREST AND CONCERN, INCLUDING PRODUCTIVITY, QUALITY OF WORK, SAFETY, AND HEALTH; AND

6. BINDS ALL CONTRACTORS AND SUBCONTRACTORS TO THE TERMS OF THE AGREEMENT THROUGH THE INCLUSION OF APPROPRIATE PROVISIONS IN ALL RELEVANT SOLICITATION AND CONTRACT DOCUMENTS;

(3) PROMOTES SAFE COMPLETION OF THE PROJECT BY ENSURING THAT AT LEAST 80% OF THE CRAFT WORKERS ON THE PROJECT HAVE COMPLETED AN OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION 10-HOUR COURSE;

(4) PROMOTES CAREER TRAINING OPPORTUNITIES IN THE MANUFACTURING, MAINTENANCE, AND CONSTRUCTION INDUSTRIES FOR LOCAL RESIDENTS, VETERANS, WOMEN, MINORITIES, AND FORMERLY INCARCERATED INDIVIDUALS;

(5) INCLUDES PROVISIONS FOR LOCAL HIRING AND THE HIRING OF HISTORICALLY DISADVANTAGED GROUPS;

~~(6) REFLECTS A 21ST-CENTURY LABOR-MANAGEMENT APPROACH BY DEVELOPERS AND SUPPLIERS BASED ON COOPERATION, HARMONY, AND PARTNERSHIP THAT PROACTIVELY SEEKS TO ENSURE THAT WORKERS CAN FREELY CHOOSE TO BOTH ORGANIZE AND COLLECTIVELY BARGAIN;~~

~~(7)~~ USES LOCALLY, SUSTAINABLY, AND DOMESTICALLY MANUFACTURED CONSTRUCTION MATERIALS AND COMPONENTS TO THE EXTENT PRACTICABLE;

~~(8)~~ (7) PROMOTES THE USE OF SKILLED LOCAL LABOR, PARTICULARLY WITH REGARD TO THE CONSTRUCTION AND MANUFACTURING COMPONENTS OF THE PROJECT, USING METHODS INCLUDING OUTREACH, HIRING, OR REFERRAL METHODS THAT ARE AFFILIATED WITH REGISTERED APPRENTICESHIP PROGRAMS UNDER TITLE 11, SUBTITLE 4 OF THE LABOR AND EMPLOYMENT ARTICLE; AND

~~(9)~~ (8) AUTHORIZES THE MARYLAND DEPARTMENT OF LABOR AND THE COMMISSION TO CONSIDER, REVIEW, AND ENFORCE A PUBLIC SERVICE COMPANY'S COMPLIANCE WITH ANY COMMUNITY BENEFIT AGREEMENT.

(E) "FINANCING PROGRAM" MEANS THE ENERGY INFRASTRUCTURE REINVESTMENT CATEGORY OF THE TITLE 17 CLEAN ENERGY FINANCING PROGRAM.

~~(F)~~ (F) "FRONT-OF-METER PROJECT" MEANS A PROJECT THAT IMPACTS THE UTILITY SIDE OF A METER.

~~(G)~~ (G) "GEOTHERMAL BOREHOLE" MEANS A GEOTHERMAL SHAFT DRILLED INTO THE EARTH FOR USE IN A SYSTEM THAT USES THE THERMAL PROPERTIES OF THE EARTH OR GROUNDWATER TO HEAT OR COOL BUILDINGS.

(H) “GREENHOUSE GAS REDUCTION FUND” MEANS THE GREENHOUSE GAS REDUCTION FUND UNDER THE FEDERAL INFLATION REDUCTION ACT OF 2022.

~~(G)~~ (I) “LEARNING FROM THE GROUND UP” MEANS THE LEARNING FROM THE GROUND UP RESEARCH TEAM FORMED BY THE HOME ENERGY EFFICIENCY TEAM.

~~(H)~~ (J) “LOW OR MODERATE INCOME HOUSING” HAS THE MEANING STATED IN § 7-703(F)(1)(III) OF THIS TITLE.

~~(I)~~ (K) “PILOT SYSTEM” MEANS A PILOT THERMAL ENERGY NETWORK SYSTEM DEVELOPED BY A GAS COMPANY TO REPLACE GAS INFRASTRUCTURE WITH A THERMAL ENERGY NETWORK SYSTEM.

~~(J)~~ (L) “PJM CAPACITY MARKET” MEANS THE CAPACITY MARKET OF PJM INTERCONNECTION, LLC OR ANY SUCCESSOR ORGANIZATION THAT SERVICES THE PJM REGION.

~~(K)~~ (M) “THERMAL ENERGY NETWORK SYSTEM” MEANS A SYSTEM:

(1) OF CLOSED LOOP UNDERGROUND PIPING INFRASTRUCTURE, INCLUDING GEOTHERMAL BOREHOLES, LEADING UP TO A UTILITY METER FOR THE CONVEYANCE OR STORAGE OF RENEWABLE, NONGREENHOUSE GAS-EMITTING THERMAL ENERGY; AND

(2) THAT CREATES A NETWORK OF CUSTOMERS WITH THERMAL ENERGY FOR HEATING AND COOLING THROUGH NONCOMBUSTING ELECTRIC HEAT PUMPS.

7-1002.

(A) (1) (I) ON OR BEFORE OCTOBER 1, 2024, EACH GAS COMPANY THAT SERVES AT LEAST 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY SHALL:

~~(H)~~ 1. BEGIN TO DEVELOP A PLAN FOR A PILOT SYSTEM OR SYSTEMS; AND

~~(H)~~ 2. FILE NOTICE WITH THE COMMISSION THAT THE COMPANY HAS BEGUN PLAN DEVELOPMENT.

(II) ON OR BEFORE OCTOBER 1, 2024, A GAS COMPANY THAT SERVES FEWER THAN 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY MAY

DEVELOP A PLAN FOR A PILOT SYSTEM OR SYSTEMS IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION.

(2) IN DEVELOPING A PLAN FOR A PILOT SYSTEM, A GAS COMPANY SHALL COORDINATE WITH COMMUNITY GROUPS, LOCAL GOVERNMENTS, ANY CERTIFIED REPRESENTATIVES OF THE EMPLOYEES OF THE GAS COMPANY, THE COMMISSION, THE ADMINISTRATION, AND ANY OTHER GROUPS THE GAS COMPANY CONSIDERS NECESSARY TO ALLOW FOR DIVERSE DESIGN AMONG PILOT SYSTEMS.

(3) EACH GAS COMPANY SHALL INCLUDE IN THE NOTICE FILED UNDER PARAGRAPH (1) OF THIS SUBSECTION:

(I) DETAILS OF ANY COORDINATION WITH COMMUNITY GROUPS, LOCAL GOVERNMENTS, CERTIFIED REPRESENTATIVES OF THE EMPLOYEES OF THE GAS COMPANY, THE COMMISSION, THE ADMINISTRATION, AND ANY OTHER GROUPS THE GAS COMPANY CONSIDERS NECESSARY TO ALLOW FOR DIVERSE DESIGN AMONG PILOT SYSTEMS; AND

(II) ANY LETTERS OF SUPPORT FROM INTERESTED GROUPS.

(B) (1) (I) ON OR BEFORE JULY 1, 2025, EACH GAS COMPANY THAT SERVES AT LEAST 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY SHALL SUBMIT EITHER ONE OR TWO PROPOSALS FOR A PILOT SYSTEM TO THE COMMISSION FOR APPROVAL.

(II) A GAS COMPANY THAT SERVES FEWER THAN 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY MAY SUBMIT A PROPOSAL FOR A PILOT SYSTEM TO THE COMMISSION AFTER PROVIDING AT LEAST 60 DAYS' NOTICE TO THE COMMISSION OF THE COMPANY'S INTENT TO FILE A PROPOSAL.

(2) A PROPOSAL FOR A PILOT SYSTEM SHALL ENSURE THAT AT LEAST 80% OF ITS CUSTOMERS ARE FROM LOW OR MODERATE INCOME HOUSING.

(3) A CUSTOMER MAY CHOOSE TO OPT OUT OF A PILOT SYSTEM BEFORE THE PROPOSAL FOR THE PILOT SYSTEM IS SUBMITTED.

(4) EACH PROPOSAL FOR A PILOT SYSTEM SHALL DEMONSTRATE THAT THE GAS COMPANY HAS ~~SOUGHT ACCESS TO~~ OBTAINED, OR IS REASONABLY CERTAIN TO OBTAIN, ANY AVAILABLE FEDERAL FUNDING IN THE FORM OF A MATCH, GRANT, LOAN, OR TAX CREDIT, INCLUDING THOSE ESTABLISHED UNDER THE ENERGY INFRASTRUCTURE REINVESTMENT CATEGORY OF THE TITLE 17 CLEAN ENERGY FINANCING PROGRAM AND THE GREENHOUSE GAS REDUCTION FUND UNDER THE FEDERAL INFLATION REDUCTION ACT OF 2022.

(5) EACH GAS COMPANY IS RESPONSIBLE FOR ENSURING THAT EACH PROPOSAL SUBMITTED BY THE GAS COMPANY COMPLIES WITH ALL APPLICABLE FEDERAL STATUTES, REGULATIONS, AND GUIDANCE RELATING TO ANY FEDERAL FUNDING.

(6) EACH PROPOSAL SHALL ADDRESS:

(I) HOW THE PILOT SYSTEM WILL DEVELOP USEFUL INFORMATION FOR THE ADOPTION OF REGULATIONS GOVERNING THERMAL ENERGY NETWORK SYSTEMS;

(II) HOW THE PILOT SYSTEM FURTHERS GREENHOUSE GAS EMISSIONS REDUCTION GOALS;

(III) HOW THE PILOT SYSTEM ADVANCES FINANCIAL AND TECHNICAL APPROACHES TO EQUITABLE AND AFFORDABLE BUILDING ELECTRIFICATION;

(IV) HOW THE PILOT SYSTEM CREATES BENEFITS TO ITS CUSTOMERS, EMPLOYEES, AND SOCIETY AT LARGE, INCLUDING PUBLIC HEALTH BENEFITS, QUALITY JOB RETENTION OR CREATION, RELIABILITY, AND INCREASED AFFORDABILITY OF RENEWABLE THERMAL ENERGY OPTIONS;

(V) HOW THE PILOT SYSTEM CONTRIBUTES TO AVOIDING COSTS TO ELECTRIC DISTRIBUTION AND TRANSMISSION SYSTEMS THAT WOULD OTHERWISE BE REQUIRED FOR ELECTRIFICATION BY COMPARING THE PROPOSED SYSTEM TO THE COST OF ELECTRIFICATION USING THE MOST WIDELY COMMERCIALY AVAILABLE AIR-SOURCE HEAT PUMPS;

(VI) HOW THE PILOT SYSTEM CONTRIBUTES TO AVOIDING COSTS RELATED TO GAS PIPE REPLACEMENT;

(VII) THE EXTENT TO WHICH THE PROPOSAL GIVES PRIORITY TO UNDERSERVED OR OVERBURDENED COMMUNITIES AS DEFINED IN § 1-701(A) OF THE ENVIRONMENT ARTICLE;

(VIII) THE PILOT SYSTEM'S ABILITY TO BID DEMAND REDUCTION INTO THE PJM CAPACITY MARKET;

(IX) NEIGHBORHOODS AT THE END POINT OF A GAS SYSTEM WHERE A FULL TRANSITION FROM GAS SYSTEMS TO ELECTRIFICATION COULD BE FACILITATED WITHIN THE PILOT PERIOD OR WITHIN 5 YEARS AFTER THE PILOT PERIOD CONCLUDES;

- (X) SAFETY;
- (XI) RELIABILITY;
- (XII) ENVIRONMENTAL ACCEPTABILITY OF THE FLUID TECHNOLOGY EMPLOYED;
- (XIII) OPERATIONS;
- (XIV) MAINTENANCE;
- (XV) CUSTOMER COMPLAINT RESOLUTION;
- (XVI) EMERGENCY RESPONSE;
- (XVII) POINTS OF INTERCONNECTION BETWEEN THE GAS COMPANY AND HOMEOWNER FOR ANY FLUID TRANSFER;
- (XVIII) TECHNOLOGY TO BE USED TO SHUT OFF FLUID FLOW TO CUSTOMERS;
- (XIX) CUSTOMER SERVICE TERMINATION IN THE EVENT OF BILL NONPAYMENT;
- (XX) LIFE EXPECTANCY OF THE GEOTHERMAL SYSTEM; ~~AND~~
- (XXI) THE EXTENT TO WHICH THE PROPOSAL IS COST-EFFECTIVE FOR RATEPAYERS; AND
- ~~(XXI)~~ (XXII) ANY OTHER REQUIREMENTS AS DETERMINED BY THE COMMISSION.

(7) EACH PROPOSAL SHALL INCLUDE:

- (I) A PROPOSED RATE STRUCTURE FOR THE PILOT SYSTEM ~~THAT ENSURES~~ IS PROJECTED TO ENSURE THAT ANY CUSTOMER PARTICIPATING IN THE PILOT SYSTEM DOES NOT PAY MORE FOR UTILITIES THAN IF THE CUSTOMER HAD NOT PARTICIPATED; AND
- (II) A PROPOSED SET OF MEASUREMENTS OF ENERGY UNITS AND ACCOUNTING STANDARDS.

(8) (I) A MUNICIPAL CORPORATION, COUNTY, OR COMMUNITY ORGANIZATION MAY SUBMIT NEIGHBORHOODS TO GAS COMPANIES FOR CONSIDERATION AS PART OF A PILOT SYSTEM.

(II) A MUNICIPAL CORPORATION, COUNTY, OR COMMUNITY ORGANIZATION THAT SUBMITS A NEIGHBORHOOD TO A GAS COMPANY FOR CONSIDERATION AS PART OF A PILOT SYSTEM UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL SUBMIT A COPY OF ITS PROPOSAL TO THE COMMISSION.

(C) (1) ON OR BEFORE DECEMBER 31, 2025, THE COMMISSION MAY APPROVE, APPROVE WITH MODIFICATIONS, OR REJECT A PROPOSAL.

(2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, IF THE COMMISSION DETERMINES THAT A PROPOSAL IS IN THE PUBLIC INTEREST AND IS COST-EFFECTIVE, THE COMMISSION ~~SHALL~~ MAY APPROVE, APPROVE WITH MODIFICATIONS, OR REJECT THE PROPOSAL.

(3) (I) IN DETERMINING WHETHER TO APPROVE, APPROVE WITH MODIFICATIONS, OR REJECT A PROPOSAL, THE COMMISSION SHALL:

~~(H)~~ 1. CONSIDER THE PROJECTED COSTS AND BENEFITS OF THE PROJECTS PROPOSED FOR INCLUSION IN THE PILOT SYSTEM BY USING A TEST THAT INCLUDES:

~~1.~~ A. SOCIETAL COSTS AND BENEFITS; AND

~~2.~~ B. AVOIDED ENERGY AND INFRASTRUCTURE INVESTMENTS;

~~(H)~~ 2. DETERMINE WHETHER THE PILOT SYSTEM IS IN THE PUBLIC INTEREST AND IN THE INTEREST OF RATEPAYERS;

~~(H)~~ 3. DETERMINE HOW EACH PILOT SYSTEM'S PERFORMANCE WILL BE EVALUATED DURING THE PILOT SYSTEM'S DURATION; ~~AND~~

~~(IV)~~ 4. ENSURE THAT EACH PILOT SYSTEM:

~~1.~~ A. HAS A PROVISION FOR CUSTOMERS WHO MAY WISH TO OPT OUT DURING THE COURSE OF THE PILOT PERIOD; AND

~~2.~~ B. DETAILS RATEPAYER IMPACTS FOR PILOT SYSTEM PARTICIPANTS AND ALL CUSTOMERS IN THE GAS COMPANY'S SERVICE TERRITORY; AND

5. DETERMINE WHETHER THE PROPOSAL IS COST-EFFECTIVE IN ACCORDANCE WITH SUBPARAGRAPH (II) OF THIS PARAGRAPH.

(II) A PROPOSAL UNDER THIS SECTION IS COST-EFFECTIVE IF THE COMMISSION DETERMINES THAT:

1. THE PROJECTED BENEFITS ARE GREATER THAN THE PROJECTED COSTS FOR ALL RATEPAYERS IN THE GAS COMPANY'S SERVICE TERRITORY;

2. THE GAS COMPANY HAS OBTAINED, OR IS REASONABLY CERTAIN TO OBTAIN, FEDERAL FUNDING UNDER THE FINANCING PROGRAM OR THE GREENHOUSE GAS REDUCTION FUND TO SUPPORT THE COSTS OF A PILOT SYSTEM; AND

3. THE FEDERAL FUNDING THAT THE GAS COMPANY HAS OBTAINED, OR IS REASONABLY CERTAIN TO OBTAIN, TO SUPPORT THE COSTS OF A PILOT SYSTEM WOULD NOT BE MORE COST-EFFECTIVE IN MEETING OTHER GREENHOUSE GAS REDUCTION OR ELECTRIFICATION MEASURES IN THE STATE.

(4) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, EACH GAS COMPANY SHALL COMPLETE CONSTRUCTION OF A PILOT SYSTEM WITHIN 1 YEAR AFTER THE COMMISSION APPROVES THE SYSTEM.

(II) THE COMMISSION MAY EXTEND THE DEADLINE UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH FOR GOOD CAUSE SHOWN.

(5) IF THE COMMISSION APPROVES A PROPOSAL WITH MODIFICATIONS, THE COMMISSION SHALL GIVE THE GAS COMPANY A REASONABLE AMOUNT OF TIME TO MAKE THE NECESSARY MODIFICATIONS.

(6) ON COMPLETION OF A PILOT SYSTEM, THE GAS COMPANY SHALL FILE WITH THE COMMISSION FOR EVALUATION ANY INFORMATION RELEVANT TO THE CRITERIA ESTABLISHED UNDER PARAGRAPH (3) OF THIS SUBSECTION.

(D) (1) EACH PILOT SYSTEM SHALL MEET THE REQUIREMENTS FOR PILOT SYSTEMS UNDER THIS SUBTITLE FOR 2 YEARS AFTER THE PILOT SYSTEM IS INITIATED AND OPERATIONAL.

(2) (I) ONCE THE 2-YEAR PERIOD UNDER PARAGRAPH (1) OF THIS SUBSECTION HAS PASSED, THE COMMISSION, IN CONSULTATION WITH THE ADMINISTRATION, ~~AND~~ THE OFFICE OF PEOPLE'S COUNSEL, THE ELECTRIC, GAS, OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, A CERTIFIED

REPRESENTATIVE OF THE EMPLOYEES OF THE ELECTRIC COMPANY, GAS COMPANY, OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, AND PARTICIPATING CUSTOMERS, SHALL DETERMINE WHETHER TO MAKE THE PILOT SYSTEM PERMANENT.

(II) A PILOT SYSTEM MADE PERMANENT UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL CONTINUE TO MEET THE REQUIREMENTS PLACED ON PILOT SYSTEMS UNDER THIS SUBTITLE.

(III) IF A DETERMINATION IS MADE THAT A PILOT SYSTEM WILL NOT BE MADE PERMANENT UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COMMISSION MAY APPROVE RECOVERY OF ALL PRUDENTLY INCURRED COSTS NECESSARY FOR A GAS COMPANY TO COMPLY WITH THE DETERMINATION.

(3) THE COMMISSION SHALL ADOPT REGULATIONS ADDRESSING THE DECOMMISSIONING OR DISCONTINUANCE OF A PILOT SYSTEM, INCLUDING REGULATIONS ENSURING THAT THE CUSTOMERS WHO PARTICIPATED IN THE PILOT SYSTEM DO NOT INCUR ADDITIONAL EXPENSES FOR THE DECOMMISSIONING OR INSTALLATION OF AN APPLIANCE THAT IS USED IN THE PILOT SYSTEM AND IS DECOMMISSIONED BEFORE THE END OF ITS USEFUL LIFE.

(E) (1) EACH GAS COMPANY IMPLEMENTING A PILOT SYSTEM SHALL PARTICIPATE IN STANDARDIZED DATA COLLECTION COORDINATED BY THE COMMISSION.

(2) ANY STANDARDIZED DATA COLLECTED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL:

(I) BE FILED WITH THE COMMISSION BY THE APPROPRIATE GAS COMPANY; AND

(II) INCLUDE DATA FROM THE LEARNING FROM THE GROUND UP AND ANY OTHER NATIONAL RESEARCH PROJECT FOR THE DEVELOPMENT OF THERMAL ENERGY NETWORK SYSTEMS THAT THE COMMISSION CONSIDERS APPROPRIATE.

(F) (1) THE ADMINISTRATION SHALL PROVIDE FUNDING IN THE FORM OF GRANTS TO COMMUNITY-BASED ORGANIZATIONS THAT PERFORM OUTREACH IN NEIGHBORHOODS TO INCREASE PARTICIPATION IN A PILOT SYSTEM AND COORDINATE THE IMPLEMENTATION OF AN APPROVED PILOT SYSTEM.

(2) THE ADMINISTRATION MAY PROVIDE UP TO \$1,000,000 IN FUNDING TO A COMMUNITY-BASED ORGANIZATION UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(3) FUNDING UNDER THIS SUBSECTION MAY BE PROVIDED ONLY BEFORE OCTOBER 1, 2025.

(4) FUNDING UNDER THIS SUBSECTION MAY BE PROVIDED FROM THE STRATEGIC ENERGY INVESTMENT FUND ESTABLISHED UNDER § 9-20B-05 OF THE STATE GOVERNMENT ARTICLE OR ANY OTHER SOURCE OF STATE OR FEDERAL FUNDING.

(G) (1) A GAS COMPANY MAY REQUEST APPROVAL FROM THE COMMISSION TO TRACK THE COSTS OF DEVELOPING A PROPOSAL UNDER THIS SECTION.

(2) A REQUEST UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL INCLUDE A PROPOSED DEVELOPMENT PLAN AND BUDGET.

(3) THE COMMISSION SHALL APPROVE A REQUEST UNDER PARAGRAPH (1) OF THIS SUBSECTION ON FINDING THAT THE PROPOSED PLAN AND COSTS ARE NECESSARY TO MEET THE REQUIREMENTS UNDER THIS SECTION, REASONABLE, AND IN THE PUBLIC INTEREST.

(4) AT A GAS COMPANY'S NEXT RATE CASE PROCEEDING FOLLOWING THE APPROVAL OF A REQUEST UNDER THIS SUBSECTION, THE COMMISSION ~~SHALL~~ MAY AUTHORIZE RECOVERY OF PRUDENTLY INCURRED COSTS ASSOCIATED WITH DEVELOPING THE PROPOSAL AND ANY CARRYING COSTS THAT THE COMMISSION DETERMINES ARE APPROPRIATE.

7-1003.

(A) (1) (I) THE ADMINISTRATION SHALL COORDINATE FUNDING SOURCES, INCLUDING ALL AVAILABLE FEDERAL FUNDING, PHILANTHROPIC FUNDING, FUNDING AVAILABLE UNDER THE EMPOWER MARYLAND PROGRAM, AND STRATEGIC ENERGY INVESTMENT FUND FUNDING ALLOCATED TO ENERGY EFFICIENCY, TO ~~COVER~~ ASSIST AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY IN COVERING THE COSTS FOR ALL BEHIND-THE-METER PROJECTS, INCLUDING FULL ELECTRIFICATION ~~AND WEATHERIZATION,~~ ASSOCIATED WITH A THERMAL ENERGY NETWORK SYSTEM SO THAT ANY AFFECTED RESIDENTIAL CUSTOMERS ARE NOT REQUIRED TO PAY FOR CONNECTION TO THE THERMAL ENERGY NETWORK SYSTEM OR ANY APPLIANCE REPLACEMENTS REQUIRED FOR ELECTRIFICATION.

(II) FUNDS FROM THE FEDERAL INFLATION REDUCTION ACT MAY NOT EXCEED:

1. \$14,000 PER RESIDENTIAL UNIT; AND

2. \$9,000,000 IN TOTAL.

(2) (I) UNLESS PRECLUDED BY FEDERAL LAW, REGULATION, OR PROGRAM REQUIREMENT GUIDELINES, THE ADMINISTRATION SHALL RESERVE ~~\$12,000,000~~ \$9,000,000 OF FEDERAL FUNDING FROM THE U.S. DEPARTMENT OF ENERGY TO ENSURE ADEQUATE FUNDING FOR ANY APPLIANCES INSTALLED IN CONNECTION WITH A PILOT SYSTEM.

(II) FUNDS RESERVED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE ALLOCATED NOT LATER THAN JUNE 30, 2028, AND SPENT NOT LATER THAN JUNE 30, 2030.

(3) THE ADMINISTRATION SHALL COORDINATE WITH THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO PROVIDE SERVICES OR FUNDING FOR WEATHERIZATION FOR ALL LOW OR MODERATE INCOME HOUSING WITHIN THE PILOT SYSTEM'S AREA.

(4) IN PROVIDING FUNDING MADE AVAILABLE UNDER THE FEDERAL INFLATION REDUCTION ACT OF 2022 FOR BEHIND-THE-METER PROJECTS, THE ADMINISTRATION SHALL GIVE PRIORITY TO LOW AND MODERATE INCOME HOUSING.

(B) ~~THE MARYLAND ENVIRONMENTAL SERVICE~~ A GAS COMPANY IMPLEMENTING A PILOT SYSTEM SHALL:

(1) ~~SHALL ISSUE PROCUREMENTS~~ BE RESPONSIBLE FOR CONSTRUCTION, INCLUDING ANY NECESSARY RENOVATIONS, FOR BEHIND-THE-METER PROJECTS RELATING TO ANY APPLIANCE OR PANEL REPLACEMENTS OR UPGRADES NECESSARY TO CONNECT TO A THERMAL ENERGY NETWORK SYSTEM AND OPERATE WITHOUT GAS;

(2) PURSUE ALL TAX CREDITS AND FEDERAL FUNDING AVAILABLE FOR FRONT-OF-THE-METER AND BEHIND-THE-METER PROJECTS; AND

(3) COORDINATE WITH THE ADMINISTRATION TO ACCESS FUNDS AVAILABLE UNDER THE FEDERAL INFLATION REDUCTION ACT, REBATES AND CREDITS AVAILABLE UNDER THE EMPOWER MARYLAND PROGRAM, AND ANY OTHER AVAILABLE FUNDS.

(C) (1) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY THAT OWNS AND MANAGES A PILOT SYSTEM SHALL PAY FOR ANY COST NOT COVERED

BY THE FUNDS AND TAX CREDITS SPECIFIED IN SUBSECTIONS (A) AND (B) OF THIS SECTION.

(2) SUBJECT TO SUBSECTION (D) OF THIS SECTION, ANY COSTS INCURRED BY AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY AFTER ALL FUNDS AND TAX CREDITS SPECIFIED UNDER SUBSECTIONS (A) AND (B) OF THIS SECTION HAVE BEEN APPLIED MAY BE RECOVERED WITHIN 1 YEAR OF INCURRING THE COSTS THROUGH RATE ADJUSTMENTS OR ANOTHER MECHANISM APPROVED BY THE COMMISSION.

(D) IF AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY IS REQUIRED TO OWN BEHIND-THE-METER INFRASTRUCTURE FOR A SPECIFIED PERIOD OF TIME TO QUALIFY FOR A FUNDING SOURCE SPECIFIED UNDER SUBSECTION (A)(1)(I) OF THIS SECTION:

(1) THE COST ASSOCIATED WITH THE BEHIND-THE-METER INFRASTRUCTURE SHALL BE RECOVERED WITHIN THE SPECIFIED OWNERSHIP PERIOD REQUIRED FOR THE FUNDING;

(2) THE ELECTRIC COMPANY, GAS COMPANY, OR WATER COMPANY SHALL MAINTAIN THE BEHIND-THE-METER INFRASTRUCTURE DURING THE SPECIFIED OWNERSHIP PERIOD REQUIRED FOR THE FUNDING; AND

(3) OWNERSHIP OF THE BEHIND-THE-METER INFRASTRUCTURE SHALL TRANSFER TO THE ELECTRIC, GAS, OR WATER CUSTOMER WHO THE INFRASTRUCTURE WAS INSTALLED TO BENEFIT WHEN THE SPECIFIED OWNERSHIP PERIOD REQUIRED FOR THE FUNDING LAPSES.

(E) NOTHING IN THIS SECTION MAY BE CONSTRUED TO AUTHORIZE OR PROHIBIT AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY FROM RECOVERING COSTS OF BEHIND-THE-METER INFRASTRUCTURE THAT DOES NOT MEET THE REQUIREMENTS OF THIS SUBTITLE.

~~(2) SHALL PROVIDE A PROCUREMENT SUBMISSION WINDOW OF NOT LESS THAN 90 DAYS;~~

~~(3) SHALL AWARD CONTRACTS IN A TIMELY MANNER; AND~~

~~(4) MAY ENTER INTO A CONTRACT OR CONTRACTS FOR THE PROCUREMENT.~~

~~(C) THE ADMINISTRATION AND THE MARYLAND ENVIRONMENTAL SERVICE SHALL COORDINATE WITH GAS COMPANIES TO ENSURE THAT~~

~~BEHIND THE METER PROJECTS CONNECT TO THERMAL ENERGY NETWORK SYSTEMS THAT SERVE CUSTOMERS.~~

7-1004.

(A) FOR ANY FRONT-OF-METER OR BEHIND-THE-METER PROJECTS RELATED TO THE CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM UNDER THIS SUBTITLE, AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY SHALL:

(1) WORK WITH EMPLOYEES ALREADY UNDER CONTRACT WITH THE COMPANY; OR

(2) USE QUALIFIED CONTRACTORS THAT ABIDE BY A COMMUNITY BENEFIT AGREEMENT.

(B) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY SHALL GIVE ITS EMPLOYEE BARGAINING UNIT AN OPPORTUNITY TO WORK ON ANY FRONT-OF-METER OR BEHIND-THE-METER PROJECTS RELATED TO THE CONSTRUCTION OF ANY THERMAL ENERGY NETWORK SYSTEM.

~~(C) ANY RESIDENTIAL ELECTRIFICATION OR EFFICIENCY CONTRACTS PROCURED BY THE MARYLAND ENVIRONMENTAL SERVICE SHALL BE SUBJECT TO A COMMUNITY BENEFIT AGREEMENT.~~

~~(D)~~ (1) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY OPERATING A THERMAL ENERGY NETWORK SYSTEM SHALL PROVIDE ITS EMPLOYEE BARGAINING UNIT AN OPPORTUNITY TO PROVIDE MAINTENANCE AND OPERATIONS FOR ANY THERMAL ENERGY NETWORK SYSTEM.

(2) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY MAY CONTRACT ANY WORK UNDER THIS SUBTITLE NOT CONDUCTED BY THE COMPANY'S EMPLOYEE BARGAINING UNIT TO A QUALIFIED CONTRACTOR.

(II) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY SHALL REQUIRE A CONTRACTOR OR SUBCONTRACTOR ON A PROJECT UNDER THIS SUBTITLE TO:

1. PAY THE AREA PREVAILING WAGE RATE DETERMINED BY THE COMMISSIONER OF LABOR AND INDUSTRY, INCLUDING WAGES AND FRINGE BENEFITS;

2. OFFER HEALTH CARE AND RETIREMENT BENEFITS TO THE EMPLOYEES WORKING ON THE PROJECT;

3. PARTICIPATE IN AN APPRENTICESHIP PROGRAM REGISTERED WITH THE STATE OR THE U.S. DEPARTMENT OF LABOR;

4. ESTABLISH AND EXECUTE A PLAN FOR OUTREACH, RECRUITMENT, AND RETENTION OF STATE RESIDENTS TO PERFORM WORK ON THE PROJECT, WITH AN ASPIRATIONAL GOAL OF 25% OF TOTAL WORK HOURS PERFORMED BY MARYLAND RESIDENTS, INCLUDING RESIDENTS WHO ARE:

A. RETURNING CITIZENS;

B. WOMEN;

C. MINORITY INDIVIDUALS; OR

D. VETERANS;

5. HAVE BEEN IN COMPLIANCE WITH FEDERAL, STATE, AND LOCAL WAGE AND HOUR LAWS FOR THE PREVIOUS 3 YEARS;

6. BE SUBJECT TO ALL STATE REPORTING AND COMPLIANCE REQUIREMENTS; ~~AND~~

7. MAINTAIN ALL APPROPRIATE LICENSES IN GOOD STANDING; AND

8. ESTABLISH AND EXECUTE A PLAN TO MEET OR EXCEED THE MINORITY BUSINESS ENTERPRISE PARTICIPATION GOALS ESTABLISHED UNDER SUBSECTION (D)(3) OF THIS SECTION.

~~(E)~~ (D) (1) THE FINDINGS AND EVIDENCE RELIED ON BY THE GENERAL ASSEMBLY FOR THE CONTINUATION OF THE MINORITY BUSINESS ENTERPRISE PROGRAM UNDER TITLE 14, SUBTITLE 3 OF THE STATE FINANCE AND PROCUREMENT ARTICLE ARE INCORPORATED IN THIS SUBSECTION.

(2) TO THE EXTENT PRACTICABLE AND AUTHORIZED BY THE U. S. CONSTITUTION, AN APPROVED PILOT SYSTEM APPLICANT AND THE MARYLAND ENVIRONMENTAL SERVICE SHALL COMPLY WITH THE STATE'S MINORITY BUSINESS ENTERPRISE PROGRAM.

(3) (I) WITHIN 6 MONTHS AFTER THE APPROVAL OF A PILOT SYSTEM UNDER § 7-1002(C) OF THIS SUBTITLE, THE GOVERNOR'S OFFICE OF SMALL, MINORITY, AND WOMEN BUSINESS AFFAIRS, IN CONSULTATION WITH THE OFFICE OF THE ATTORNEY GENERAL AND THE GAS COMPANY OPERATING THE APPROVED PILOT SYSTEM, SHALL ESTABLISH A CLEAR PLAN FOR SETTING REASONABLE AND APPROPRIATE MINORITY BUSINESS ENTERPRISE PARTICIPATION GOALS AND PROCEDURES FOR THE PILOT SYSTEM.

(II) TO THE EXTENT PRACTICABLE, THE GOALS AND PROCEDURES SPECIFIED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE BASED ON THE REQUIREMENTS OF TITLE 14, SUBTITLE 7 OF THE STATE FINANCE AND PROCUREMENT ARTICLE AND THE REGULATIONS IMPLEMENTING THAT SUBTITLE.

(4) (I) A GAS COMPANY OPERATING A PILOT SYSTEM AND THE MARYLAND ENVIRONMENTAL SERVICE SHALL SUBMIT AN ANNUAL REPORT ON MINORITY ENTERPRISE PARTICIPATION TO THE COMMISSION.

(II) THE COMMISSION SHALL PROVIDE ANY REPORTS RECEIVED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE.

7-1005.

(A) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY MAY OWN, MANAGE, AND RECOVER COSTS ASSOCIATED WITH A THERMAL ENERGY NETWORK SYSTEM SUBJECT TO THE APPROVAL OF THE COMMISSION.

(B) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY MAY DRILL A GEOTHERMAL BOREHOLE IN A PUBLIC UTILITY RIGHT-OF-WAY WHERE FEASIBLE TO MEET THE REQUIREMENTS OF THIS SUBTITLE.

7-1006.

THE COMMISSION MAY RETAIN INDEPENDENT CONSULTANTS AND EXPERTS TO:

(1) ASSIST THE COMMISSION WITH ITS EVALUATION OF PILOT SYSTEM APPLICATIONS UNDER § 7-1002(C) OF THIS SUBTITLE; AND

(2) SUPPORT THE COMMISSION IN THE COMPLETION OF ANY REQUIREMENTS UNDER THIS SUBTITLE.

1–701.

(a) (1) In this section the following words have the meanings indicated.

(7) “Overburdened community” means any census tract for which three or more of the following environmental health indicators are above the 75th percentile statewide:

- (i) Particulate matter (PM) 2.5;
- (ii) Ozone;
- (iii) National Air Toxics Assessment (NATA) diesel PM;
- (iv) NATA cancer risk;
- (v) NATA respiratory hazard index;
- (vi) Traffic proximity;
- (vii) Lead paint indicator;
- (viii) National Priorities List Superfund site proximity;
- (ix) Risk Management Plan facility proximity;
- (x) Hazardous waste proximity;
- (xi) Wastewater discharge indicator;
- (xii) Proximity to a Concentrated Animal Feeding Operation (CAFO);
- (xiii) Percent of the population lacking broadband coverage;
- (xiv) Asthma emergency room discharges;
- (xv) Myocardial infarction discharges;
- (xvi) Low–birth–weight infants;
- (xvii) Proximity to emitting power plants;
- (xviii) Proximity to a Toxic Release Inventory (TRI) facility;
- (xix) Proximity to a brownfields site;

(xx) Proximity to mining operations; and

(xxi) Proximity to a hazardous waste landfill.

(8) “Underserved community” means any census tract in which, according to the most recent U.S. Census Bureau Survey:

(i) At least 25% of the residents qualify as low-income;

(ii) At least 50% of the residents identify as nonwhite; or

(iii) At least 15% of the residents have limited English proficiency.

Article – Housing and Community Development

4–1801.

(a) In this subtitle the following words have the meanings indicated.

(c) “Area median income” means the median household income for the area adjusted for household size as published and annually updated by the United States Department of Housing and Urban Development.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2024.

Approved by the Governor, May 9, 2024.