

SENATE BILL 570

M5, C5, P2

4lr0763
CF HB 397

By: **Senator Hester**

Introduced and read first time: January 25, 2024

Assigned to: Education, Energy, and the Environment

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 15, 2024

CHAPTER _____

1 AN ACT concerning

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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.

1 **7-1001.**

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

4 **(B) “ADMINISTRATION” MEANS THE MARYLAND ENERGY**
5 **ADMINISTRATION.**

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

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

13 **(1) PROMOTES INCREASED OPPORTUNITIES FOR LOCAL BUSINESSES**
14 **AND SMALL, MINORITY, WOMEN-OWNED, AND VETERAN-OWNED BUSINESSES IN THE**
15 **CLEAN ENERGY INDUSTRY;**

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

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

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

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

28 **2. GUARANTEES AGAINST STRIKES, LOCKOUTS, AND**
29 **SIMILAR DISRUPTIONS;**

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

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

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

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

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

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

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

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

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

26 ~~(8)~~ (7) PROMOTES THE USE OF SKILLED LOCAL LABOR,
27 PARTICULARLY WITH REGARD TO THE CONSTRUCTION AND MANUFACTURING
28 COMPONENTS OF THE PROJECT, USING METHODS INCLUDING OUTREACH, HIRING,
29 OR REFERRAL METHODS THAT ARE AFFILIATED WITH REGISTERED
30 APPRENTICESHIP PROGRAMS UNDER TITLE 11, SUBTITLE 4 OF THE LABOR AND
31 EMPLOYMENT ARTICLE; AND

32 ~~(9)~~ (8) AUTHORIZES THE MARYLAND DEPARTMENT OF LABOR AND
33 THE COMMISSION TO CONSIDER, REVIEW, AND ENFORCE A PUBLIC SERVICE
34 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.

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

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

~~(K)~~ (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.

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

~~(M)~~ (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

1 SHALL:

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

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

6 (II) ON OR BEFORE OCTOBER 1, 2024, A GAS COMPANY THAT
7 SERVES FEWER THAN 75,000 CUSTOMERS IN ITS DISTRIBUTION TERRITORY MAY
8 DEVELOP A PLAN FOR A PILOT SYSTEM OR SYSTEMS IN ACCORDANCE WITH THE
9 REQUIREMENTS OF THIS SECTION.

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

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

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

22 (II) ANY LETTERS OF SUPPORT FROM INTERESTED GROUPS.

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

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

31 (2) A PROPOSAL FOR A PILOT SYSTEM SHALL ENSURE THAT AT LEAST
32 80% OF ITS CUSTOMERS ARE FROM LOW OR MODERATE INCOME HOUSING.

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

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

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

14 (6) EACH PROPOSAL SHALL ADDRESS:

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

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

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

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

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

32 (VI) HOW THE PILOT SYSTEM CONTRIBUTES TO AVOIDING COSTS
33 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:

1 (I) A PROPOSED RATE STRUCTURE FOR THE PILOT SYSTEM
2 ~~THAT ENSURES~~ IS PROJECTED TO ENSURE THAT ANY CUSTOMER PARTICIPATING IN
3 THE PILOT SYSTEM DOES NOT PAY MORE FOR UTILITIES THAN IF THE CUSTOMER
4 HAD NOT PARTICIPATED; AND

5 (II) A PROPOSED SET OF MEASUREMENTS OF ENERGY UNITS
6 AND ACCOUNTING STANDARDS.

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

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

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

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

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

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

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

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

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

30 ~~(III)~~ 3. DETERMINE HOW EACH PILOT SYSTEM'S
31 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.

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

4 (2) (I) ONCE THE 2-YEAR PERIOD UNDER PARAGRAPH (1) OF THIS
5 SUBSECTION HAS PASSED, THE COMMISSION, IN CONSULTATION WITH THE
6 ADMINISTRATION, ~~AND~~ THE OFFICE OF PEOPLE'S COUNSEL, THE ELECTRIC, GAS,
7 OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, A CERTIFIED
8 REPRESENTATIVE OF THE EMPLOYEES OF THE ELECTRIC COMPANY, GAS COMPANY,
9 OR WATER COMPANY THAT OWNS AND MANAGES THE PILOT SYSTEM, AND
10 PARTICIPATING CUSTOMERS, SHALL DETERMINE WHETHER TO MAKE THE PILOT
11 SYSTEM PERMANENT.

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

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

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

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

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

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

32 (II) INCLUDE DATA FROM THE LEARNING FROM THE GROUND
33 UP AND ANY OTHER NATIONAL RESEARCH PROJECT FOR THE DEVELOPMENT OF
34 THERMAL ENERGY NETWORK SYSTEMS THAT THE COMMISSION CONSIDERS
35 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,~~

1 ASSOCIATED WITH A THERMAL ENERGY NETWORK SYSTEM SO THAT ANY AFFECTED
2 RESIDENTIAL CUSTOMERS ARE NOT REQUIRED TO PAY FOR CONNECTION TO THE
3 THERMAL ENERGY NETWORK SYSTEM OR ANY APPLIANCE REPLACEMENTS
4 REQUIRED FOR ELECTRIFICATION.

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

7 1. \$14,000 PER RESIDENTIAL UNIT; AND

8 2. \$9,000,000 IN TOTAL.

9 (2) (I) UNLESS PRECLUDED BY FEDERAL LAW, REGULATION, OR
10 PROGRAM REQUIREMENT GUIDELINES, THE ADMINISTRATION SHALL RESERVE
11 ~~\$12,000,000~~ \$9,000,000 OF FEDERAL FUNDING FROM THE U.S. DEPARTMENT OF
12 ENERGY TO ENSURE ADEQUATE FUNDING FOR ANY APPLIANCES INSTALLED IN
13 CONNECTION WITH A PILOT SYSTEM.

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

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

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

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

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

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

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

5 (C) (1) AN ELECTRIC COMPANY, A GAS COMPANY, OR A WATER COMPANY
6 THAT OWNS AND MANAGES A PILOT SYSTEM SHALL PAY FOR ANY COST NOT COVERED
7 BY THE FUNDS AND TAX CREDITS SPECIFIED IN SUBSECTIONS (A) AND (B) OF THIS
8 SECTION.

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

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

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

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

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

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

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

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

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

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

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

12 A. RETURNING CITIZENS;

13 B. WOMEN;

14 C. MINORITY INDIVIDUALS; OR

15 D. VETERANS;

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

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

20 7. MAINTAIN ALL APPROPRIATE LICENSES IN GOOD
21 STANDING; AND

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

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

29 (2) TO THE EXTENT PRACTICABLE AND AUTHORIZED BY THE U. S.
30 CONSTITUTION, AN APPROVED PILOT SYSTEM APPLICANT AND THE MARYLAND

1 ENVIRONMENTAL SERVICE SHALL COMPLY WITH THE STATE'S MINORITY BUSINESS
2 ENTERPRISE PROGRAM.

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

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

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

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

21 7-1005.

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

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

28 7-1006.

29 THE COMMISSION MAY RETAIN INDEPENDENT CONSULTANTS AND EXPERTS
30 TO:

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

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

Article – Environment

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:

Governor.

President of the Senate.

Speaker of the House of Delegates.