

# HOUSE BILL 514

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CF SB 184

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Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Energy Efficiency Programs – Calculation of Program Savings and**  
3 **Consideration of Cost–Effectiveness**

4 FOR the purpose of requiring the Public Service Commission to require each electric  
5 company to procure or provide certain energy efficiency and conservation programs  
6 and services to its electricity customers on a certain savings trajectory beginning  
7 with a certain program cycle; establishing a baseline for the savings trajectory;  
8 requiring the Commission to update certain gross retail sales for certain plans;  
9 requiring the Commission to use the total resource cost test and the societal cost test  
10 when considering the cost–effectiveness of an energy efficiency and conservation  
11 program or service; requiring each electric company, after consulting with the  
12 Maryland Energy Administration, to submit a certain plan to the Commission on a  
13 certain date and with a certain frequency; defining certain terms; and generally  
14 relating to energy efficiency programs.

15 BY repealing and reenacting, with amendments,  
16 Article – Public Utilities  
17 Section 7–211  
18 Annotated Code of Maryland  
19 (2010 Replacement Volume and 2016 Supplement)

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

22 **Article – Public Utilities**

23 7–211.

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2) “Affiliate” has the meaning stated in § 7–501 of this title.

2 (3) “Demand response program” means a program established by an  
3 electric company that promotes changes in electric usage by customers from their normal  
4 consumption patterns in response to:

5 (i) changes in the price of electricity over time; or

6 (ii) incentives designed to induce lower electricity use at times of  
7 high wholesale market prices or when system reliability is jeopardized.

8 (4) “Electricity consumption” and “electricity consumed” mean the sum of  
9 retail electricity sales to all customers and reported electricity losses within the electric  
10 distribution system.

11 (5) “Peak demand” means the highest level of electricity demand in the  
12 State measured in megawatts during the period from May 1 to September 30 on a  
13 weather-normalized basis.

14 (6) “Per capita electricity consumption” means the result calculated by  
15 dividing the total gigawatt-hours of electricity consumed by electricity customers in the  
16 State as of December 31 of a year, as determined by the Commission, by the population of  
17 the State as of December 31 of that year, as determined by the Department of Planning.

18 (7) “Plan” means an electricity savings and demand reduction plan and cost  
19 recovery proposal.

20 (8) “Provide heating, ventilation, air conditioning, or refrigeration services”  
21 has the meaning stated in § 9A–101 of the Business Regulation Article.

22 (b) The General Assembly finds and declares that:

23 (1) energy efficiency is among the least expensive ways to meet the growing  
24 electricity demands of the State; and

25 (2) to provide affordable, reliable, and clean energy for consumers of  
26 Maryland, it is the goal of the State to achieve the following energy efficiency, conservation,  
27 and demand response targets, based on 2007 electricity consumption:

28 (i) a 15% reduction in per capita electricity consumption by the end  
29 of 2015; and

30 (ii) a 15% reduction in per capita peak demand by the end of 2015.

31 (c) Beginning with the 2008 calendar year and each year thereafter, the  
32 Commission shall calculate:

1 (1) the per capita electricity consumption for that year; and

2 (2) the peak demand for that year.

3 (d) Subject to review and approval by the Commission, each gas company and  
4 electric company shall develop and implement programs and services to encourage and  
5 promote the efficient use and conservation of energy by consumers, gas companies, and  
6 electric companies.

7 (e) As directed by the Commission, each municipal electric utility and each  
8 electric cooperative that serves a population of less than 250,000 in its distribution territory  
9 shall include energy efficiency and conservation programs or services as part of their  
10 service to their customers.

11 (f) The Commission shall:

12 (1) require each gas company and electric company to establish any  
13 program or service that the Commission deems appropriate and cost effective to encourage  
14 and promote the efficient use and conservation of energy;

15 (2) adopt rate-making policies that provide cost recovery and, in  
16 appropriate circumstances, reasonable financial incentives for gas companies and electric  
17 companies to establish programs and services that encourage and promote the efficient use  
18 and conservation of energy; and

19 (3) ensure that adoption of electric customer choice under Subtitle 5 of this  
20 title does not adversely impact the continuation of cost-effective energy efficiency and  
21 conservation programs.

22 (g) **(1)** Except as provided in subsection (e) of this section, on or before  
23 December 31, 2008, by regulation or order, the Commission shall:

24 **[(1)] (I)** to the extent that the Commission determines that cost-effective  
25 energy efficiency and conservation programs and services are available, for each affected  
26 class, require each electric company to procure or provide for its electricity customers  
27 cost-effective energy efficiency and conservation programs and services with projected and  
28 verifiable electricity savings that are designed to achieve a targeted reduction of at least  
29 5% by the end of 2011 and 10% by the end of 2015 of per capita electricity consumed in the  
30 electric company's service territory during 2007; and

31 **[(2)] (II)** require each electric company to implement a cost-effective  
32 demand response program in the electric company's service territory that is designed to  
33 achieve a targeted reduction of at least 5% by the end of 2011, 10% by the end of 2013, and  
34 15% by the end of 2015, in per capita peak demand of electricity consumed in the electric  
35 company's service territory during 2007.

1           **(2) (I) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION,**  
2 **BEGINNING WITH THE 2018–2020 PROGRAM CYCLE, BY REGULATION OR ORDER,**  
3 **THE COMMISSION SHALL, TO THE EXTENT THAT THE COMMISSION DETERMINES**  
4 **THAT COST–EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS AND**  
5 **SERVICES ARE AVAILABLE, FOR EACH AFFECTED CLASS, REQUIRE EACH ELECTRIC**  
6 **COMPANY TO PROCURE OR PROVIDE FOR ITS ELECTRICITY CUSTOMERS**  
7 **COST–EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS AND**  
8 **SERVICES WITH PROJECTED AND VERIFIABLE ELECTRICITY SAVINGS THAT ARE**  
9 **DESIGNED ON A TRAJECTORY TO ACHIEVE A TARGETED ANNUAL INCREMENTAL**  
10 **GROSS ENERGY SAVINGS OF AT LEAST 2.0% PER YEAR, CALCULATED AS A**  
11 **PERCENTAGE OF THE ELECTRIC COMPANY’S 2016 WEATHER–NORMALIZED GROSS**  
12 **RETAIL SALES.**

13           **(II) THE SAVINGS TRAJECTORY SHALL USE THE APPROVED**  
14 **2016 PLANS SUBMITTED UNDER SUBSECTION (H)(2) OF THIS SECTION AS A**  
15 **BASELINE FOR AN INCREMENTAL INCREASE OF A RATE OF .20% PER YEAR UNTIL**  
16 **THE MINIMUM 2.0% PER YEAR SAVINGS RATE IS ACHIEVED.**

17           **(III) THE GROSS RETAIL SALES AGAINST WHICH THE SAVINGS**  
18 **ARE MEASURED SHALL BE UPDATED BY THE COMMISSION FOR EACH PLAN**  
19 **SUBMITTED UNDER SUBSECTION (H)(2) OF THIS SECTION.**

20           (h) (1) (i) On or before July 1, 2008, and every 3 years thereafter, each  
21 electric company shall consult with the Maryland Energy Administration regarding the  
22 design and adequacy of the electric company’s plan to achieve the electricity savings and  
23 demand reduction targets specified in subsection (g) of this section.

24           (ii) An electric company shall provide the Maryland Energy  
25 Administration with any additional information regarding the plan, as requested.

26           (2) On or before September 1, 2008, and every 3 years thereafter, an  
27 electric company shall submit its plan to the Commission that details the electric company’s  
28 proposals for achieving the electricity savings and demand reduction targets specified in  
29 subsection (g) of this section for the 3 subsequent calendar years.

30           (3) The Commission shall consider any written findings provided by the  
31 Maryland Energy Administration regarding the design and adequacy of the plan.

32           (4) Each electric company shall provide annual updates to the Commission  
33 and the Maryland Energy Administration on plan implementation and progress towards  
34 achieving the electricity savings and demand reduction targets specified in subsection (g)  
35 of this section.

36           (5) (i) The plan shall include a description of the proposed energy  
37 efficiency and conservation programs and services and the proposed demand response

1 program, anticipated costs, projected electricity savings, and any other information  
2 requested by the Commission.

3 (ii) The plan shall address residential, commercial, and industrial  
4 sectors as appropriate, including low-income communities and low- to moderate-income  
5 communities.

6 (iii) 1. If, in connection with a program or service, the electric  
7 company proposes to provide heating, ventilation, air conditioning, or refrigeration services  
8 for its customers, the plan shall include procedures for the competitive selection of heating,  
9 ventilation, air conditioning, or refrigeration service providers.

10 2. On request by the electric company and for good cause  
11 shown, the Commission may waive the requirement that the electric company  
12 competitively select heating, ventilation, air conditioning, or refrigeration providers under  
13 subsubparagraph 1 of this subparagraph.

14 (6) The plan and any updates shall include a certification or recertification  
15 by the electric company that, if an affiliate of the electric company provides heating,  
16 ventilation, air conditioning, or refrigeration services through any existing contract or  
17 obligation in connection with a program or service, the customers of the electric company's  
18 regulated services will not subsidize the operations of the affiliate.

19 (7) The Commission shall review each electric company's plan to determine  
20 if the plan is adequate and cost-effective in achieving the electricity savings and demand  
21 reduction targets specified in subsection (g) of this section.

22 (i) **(1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**  
23 **MEANINGS INDICATED.**

24 **(II) "PARTICIPANT NONENERGY BENEFITS" INCLUDE REDUCED**  
25 **BUILDING OPERATING COSTS, INCREASED PROPERTY VALUES, AND IMPROVED**  
26 **COMFORT, IMPROVED HEALTH, AND IMPROVED SAFETY.**

27 **(III) "SOCIETAL NONENERGY BENEFITS" INCLUDE INCREASED**  
28 **JOB CREATION, INCREASED GROWTH IN TAX RECEIPTS, IMPROVED LABOR**  
29 **PRODUCTIVITY, INCREASED HOUSING VALUES, IMPROVED NEIGHBORHOOD**  
30 **STABILITY, AND REDUCED EMISSIONS.**

31 **(IV) "UTILITY NONENERGY BENEFITS", FOR PURPOSES OF**  
32 **SCREENING LOW-INCOME PROGRAMS, INCLUDE IMPROVED BILL PAYMENTS AND**  
33 **REDUCED CUSTOMER ARREARAGES.**

34 **[(1)] (2)** In determining whether a program or service encourages and  
35 promotes the efficient use and conservation of energy, the Commission shall consider the:

1 (i) cost-effectiveness OF THE RESIDENTIAL SECTOR  
 2 SUBPORTFOLIO AND THE COMMERCIAL AND INDUSTRIAL SECTOR PORTFOLIO BY  
 3 UTILIZING:

4 1. THE TOTAL RESOURCE COST TEST IN ORDER TO  
 5 COMPARE THE ELECTRICITY SAVINGS AND DEMAND REDUCTION TARGETS OF THE  
 6 PROGRAM OR SERVICE WITH THE RESULTS OF SIMILAR PROGRAMS OR SERVICES  
 7 IMPLEMENTED IN OTHER JURISDICTIONS, INCLUDING:

8 A. PARTICIPANT NONENERGY BENEFITS; AND

9 B. UTILITY NONENERGY BENEFITS; AND

10 2. THE SOCIETAL COST TEST IN ORDER TO DETERMINE  
 11 WHETHER COST-EFFECTIVENESS REQUIREMENTS ARE MET, INCLUDING:

12 A. PARTICIPANT NONENERGY BENEFITS;

13 B. UTILITY NONENERGY BENEFITS; AND

14 C. SOCIETAL NONENERGY BENEFITS;

15 (ii) impact on rates of each ratepayer class;

16 (iii) impact on jobs; and

17 (iv) impact on the environment.

18 ~~[(2)]~~ **(3)** The Commission shall monitor and analyze the impact of each  
 19 program and service to ensure that the outcome of each program and service provides the  
 20 best possible results.

21 ~~[(3)]~~ **(4)** In monitoring and analyzing the impact of a program or service  
 22 under paragraph ~~[(2)]~~ **(3)** of this subsection, if the Commission finds that the outcome of  
 23 the program or services may not be providing the best possible results, the Commission  
 24 shall direct the electric company to include in its annual update under subsection (h)(4) of  
 25 this section specific measures to address the findings.

26 ~~[(4)]~~ **(5)** An electric company that enters into a contract or obligation with  
 27 an affiliate of the electric company to provide heating, ventilation, air conditioning, or  
 28 refrigeration services in connection with a program or service shall notify the Commission  
 29 within 30 days after entering into the contract or obligation that the electric company:

30 (i) has entered into a contract or obligation with an affiliate of the  
 31 electric company; and

1 (ii) certifies that the customers of the electric company's regulated  
2 services will not subsidize the operations of the affiliate.

3 (j) (1) At least once each year, each electric company and gas company shall  
4 notify affected customers of the energy efficiency and conservation charges imposed and  
5 benefits conferred.

6 (2) The notice shall be provided by publication on the company's website  
7 and inclusion with billing information such as a bill insert or bill message.

8 (k) On or before March 1 of each year, the Commission, in consultation with the  
9 Maryland Energy Administration, shall report, subject to § 2-1246 of the State Government  
10 Article, to the General Assembly on:

11 (1) the status of programs and services to encourage and promote the  
12 efficient use and conservation of energy, including an evaluation of the impact of the  
13 programs and services that are directed to low-income communities, low- to  
14 moderate-income communities to the extent possible, and other particular classes of  
15 ratepayers;

16 (2) a recommendation for the appropriate funding level to adequately fund  
17 these programs and services; and

18 (3) in accordance with subsection (c) of this section, the per capita  
19 electricity consumption and the peak demand for the previous calendar year.

20 (l) Notwithstanding any other law, the Commission may not require or allow an  
21 electric company to require an electric customer to authorize the electric company to control  
22 the amount of the electric customer's electricity usage, including through control of the  
23 electric customer's thermostat.

24 (m) (1) On or before June 30, 2013, by regulation or order, the Commission  
25 shall establish a pilot program for electric customers to recharge electric vehicles during  
26 off-peak hours.

27 (2) (i) An electric company may request to participate in the pilot  
28 program.

29 (ii) The Commission shall make every effort to include at least two  
30 electric companies in the pilot program.

31 (3) The pilot program shall include incentives for residential, commercial,  
32 and governmental customers to recharge electric vehicles in a manner that will:

33 (i) increase the efficiency and reliability of the electric distribution  
34 system; and

1 (ii) lower electricity use at times of high demand.

2 (4) Incentives may include:

3 (i) time-of-day pricing of electricity;

4 (ii) credits on distribution charges;

5 (iii) rebates on the cost of charging systems;

6 (iv) demand response programs; or

7 (v) other incentives approved by the Commission.

8 (5) On or before February 1, 2015, the Commission shall report to the  
9 Governor and, in accordance with § 2-1246 of the State Government Article, to the General  
10 Assembly on the experience of the pilot program and the Commission's findings.

11 SECTION 2. AND BE IT FURTHER ENACTED, That, beginning on or before  
12 September 1, 2017, and every 3 years thereafter, each electric company shall, after  
13 consulting with the Maryland Energy Administration, submit its plan for achieving annual  
14 incremental gross energy savings to the Commission as required under § 7-211(h) of the  
15 Public Utilities Article.

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
17 1, 2017.