SB 184

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 184 (Senator Middleton, *et al.*)
Finance Economic Matters

Energy Efficiency Programs - Calculation of Program Savings and Consideration of Cost-Effectiveness

---

This bill requires the Public Service Commission (PSC) to require each electric company to procure or provide cost-effective energy efficiency and conservation (EE&C) programs and services with specified projected and verifiable electricity savings for the duration of the 2018-2020 and 2021-2023 EmPower Maryland program cycles. PSC is only required to do so to the extent that it determines that cost-effective EE&C programs and services are available. Each electric company must consult with the Maryland Energy Administration (MEA) and submit its plan for achieving annual incremental gross energy savings to PSC by September 1, 2017, and every three years thereafter. By July 1, 2022, PSC must determine the advisability of maintaining the metrics established by the bill as the basis for designing cost-effective EE&C programs and services in subsequent program cycles that PSC must authorize beginning with the 2024-2026 program cycle.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: The bill does not materially affect PSC or MEA as it generally codifies existing requirements associated with PSC Order No. 87082.

Local Effect: None.

Small Business Effect: Minimal. While the bill generally codifies an existing PSC order, small businesses may benefit from additional certainty that electric companies will continue to offer energy savings opportunities.

Analysis

Bill Summary: Each electric company must procure or provide for its customers cost-effective EE&C programs and services with projected and verifiable electricity savings that are designed on a trajectory to achieve a targeted annual incremental gross energy savings of at least 2.0% per year, calculated as a percentage of the electric company's 2016 weather-normalized gross retail sales and electricity losses.

In evaluating the cost-effectiveness of EE&C programs as required under current law, PSC must differentiate between the residential sector subportfolio and the commercial and industrial sector subportfolio. It must evaluate cost-effectiveness utilizing the total resource cost test and the social cost test. The total resource cost test is used to compare the electricity savings and demand reduction targets of a program or service with the results of similar programs or services implemented in other jurisdictions, including participant and utility nonenergy benefits. The societal cost test is used in order to determine whether cost-effectiveness requirements will be met prospectively, including participant, utility, and societal nonenergy benefits. The nonenergy benefits must be quantifiable and directly related to a program or service.

Current Law/Background: In 2008, the General Assembly passed the EmPower Maryland Energy Efficiency Act, Chapter 131, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. By the end of 2015, the State's electric companies had achieved 99% of their energy consumption goal and 100% of the peak demand goal. The goals of the original program have since been extended.

The bill generally codifies post-2015 energy savings goals and cost-effectiveness measurements associated with the EmPower Maryland program as established by PSC in Order No. 87082, which can be found on PSC's website. In that order, PSC found that "enormous potential still exists throughout the State for continued cost-effective investment in energy efficiency as a least-cost resource" and noted that the lifecycle cost for energy efficiency programs is $0.026 per kilowatt-hour, compared to $0.062 to $0.093 per kilowatt-hour for standard offer service. The order recognized that from a practical perspective, the full deployment of the new goal structure would occur with the 2018-2020 program cycle and established 2016 as the baseline year for that cycle.

Electric companies must submit plans to PSC by September 1, 2017, for the 2018-2020 program cycle, after which annual incremental savings targets will be calculated. Energy savings will increase by 0.2% annually and eventually reach 2.0% of each company's 2016 weather-normalized gross retail sales baseline.

Additional Information

Prior Introductions: None.

Cross File: HB 514 (Delegate Jameson, *et al.*) - Economic Matters.

Information Source(s): Maryland Energy Administration; Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2017
fn/lgc Third Reader - March 23, 2017
Revised - Amendment(s) - March 23, 2017

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510