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PUBLIC SERVICE COMMISSION

March 10, 2020

Chair Delores G. Kelley
Senate Finance Committee
Miller Senate Office Building, Room 3 East
Annapolis, MD 21401

RE: INFORMATION – SB 0740 Public Utilities – Low-Income and Middle-Income Housing – Energy Performance Targets

Dear Chair Kelley and Committee Members:

Senate Bill 740 requires the Maryland Public Service Commission (PSC) to require the Department of Housing and Community Development (DHCD) to procure or provide for electricity customers energy efficiency and conservation programs and services designed to achieve a target annual incremental gross energy savings of at least one percent per year starting in 2021. Additionally, the bill requires that any funds received by the Maryland Strategic Energy Investment Fund (SEIF) as part of the Alta Gas/Washington Gas merger that are unspent or unencumbered as of June 30, 2020, be used by DHCD to provide low-income weatherization services.

Energy efficiency benefits all ratepayers by providing system-wide and societal benefits such as avoided infrastructure investments, increased reliability, and reduced air pollution and greenSenate gas emissions, in addition to the direct benefits of reduced costs and improved health and comfort for program participants. The limited-income programs are an important component of the EmPOWER Maryland program as they are offered at no additional cost[1] to qualifying ratepayers ensuring that all ratepayers regardless of income have access to the direct benefits of energy efficiency.

The PSC has identified potential technical and data issues with SB 740. First, the cost to implement a one percent energy savings goal is unknown. The Commission has considered ratepayer impacts as part of its oversight of EmPOWER, as required under PUA §7-211(i). In 2019, the total costs of implementing DHCD's programs represented approximately 13 percent of the total EmPOWER program costs.[2] The energy savings from DHCD's programs in 2019 represented approximately 0.01 percent of weather-normalized gross retail sales.[3] It is reasonable

[1] Ratepayers pay for the EmPOWER Maryland programs through a monthly surcharge on their utility bills.
[2] This does not include the costs for the natural gas coordination DHCD operates for Washington Gas.
[3] This is based on the 2016 baseline currently being used by the electric utilities.

to project that the costs of achieving a one percent goal will be significantly higher than DHCD's currently approved budget and program structure. It may be beneficial to require DHCD to conduct a study to determine the feasibility of achieving a one percent goal under its current program structure, to include implementation costs.

Second, the program's 2021-2023 plans are already under development to meet the statutory filing requirement of September 1, 2020. DHCD began planning for the 2021-2023 program cycle in May 2019 and has held eight meetings with stakeholders to develop those plans.[4] If SB 740 is enacted, it may not be possible for DHCD to revise its 2021-2023 plans to be in compliance with the new energy savings goal given the time constraints. One potential remedy is to require DHCD to file a transition plan for accomplishing a one percent energy savings goal and an appropriate timeline under which to begin program implementation to achieve the goal.

Finally, while DHCD was approved by the PSC in Order No. 84569 to be the single implementing agency for the EmPOWER limited income programs beginning in 2012, limited income ratepayers have access to the utility programs as well. The utilities report the savings they are able to attribute to limited income ratepayers in their semi-annual reports to the PSC. Clarification would be beneficial to ensure that efforts are not duplicated by DHCD and the utilities and that energy savings are attributed to the appropriate party and energy savings goal.

SB 740 also proposes to move proceeds from the Alta Gas Ltd. and WGL Holding, Inc. merger approved by the PSC in Order No. 88631 in Case No. 9449 that are unspent as of June 30, 2020 through SEIF, to DHCD to be used for low-income residential weatherization as part of the Electric Universal Service Program. The Maryland Gas Expansion Fund was established to promote economic development in the state and expand natural gas infrastructure to underserved parts of Maryland. It represents approximately 35 percent of the total benefits anticipated to benefit ratepayers as part of the merger.

The Commission included several conditions to ensure that ratepayers impacted by the merger received most of the benefits of the Maryland Gas Expansion Fund. The requirements include that a majority of the funds be spent in Washington Gas's service territory, efforts be made to engage with affected counties and municipalities on the disbursement of the funds, and that at least $4.6 million of the funds be deployed in Calvert, Charles, Frederick, and St. Mary's counties. Should SB 740 be enacted, similar conditions would be beneficial to ensure that similar benefits are received by the ratepayers most impacted by the merger.

Thank you for your consideration of this information. Please contact Lisa Smith, Director of Legislative Affairs, at 410-336-6288 if you have any questions.

Sincerely,

Jason M. Stanek
Chairman

[4] PSC Mail Log No. 228609. DHCD's Q3Q4 2019 Semi-Annual Report, p. 8-9.