



March 2, 2023

Maryland House Economic Matters Committee

Delegate C.T. Wilson

Delegate Brian M. Crosby

Testimony of Deron Lovaas, Natural Resources Defense Council, in support of H.B. 169.

Dear Chairman Wilson, Vice-Chairman Crosby, and members of the Economic Matters Committee,

I write today in strong support of House Bill 169.

The Roots and Results of EmPOWER

Energy efficiency is a proven, cost-effective way to both lower the energy costs and reduce carbon emissions. And to understand the need for a discrete, specific low-income energy savings target, it's helpful to review the history of EmPOWER Maryland.

The program was created in 2008 with the goal of achieving a 15 percent reduction in per capita electricity consumption by 2015. Initially, Maryland's five largest utility companies were responsible for delivering the energy efficiency programs to all households, including limited-income households. Concerns about the utilities' performance in delivering the limited-income programs led state regulators to transfer control of those programs to the state Department of Housing and Community Development (DHCD) in 2012.

Since its inception, EmPOWER Maryland has generally achieved remarkable success. The 2015 savings goal was met statewide, and the savings target was updated in 2017 to a 2 percent annual reduction in gross energy sales. (Last year's Climate Solutions Now Act raises that goal to 2.5 percent annual savings by 2027.) The program has already saved Marylanders more than \$4 billion on their energy bills and reduced statewide greenhouse gas emissions by at least 9.6 million metric tons.¹

¹ Emily Scarr, Bryn Huxley-Reicher, and Emily Scarr, Energy Efficiency for Everyone: How to Supercharge EmPOWER Maryland, winter 2023. <https://publicinterestnetwork.org/wp->



The Program's Fatal Flaw

Energy efficiency investment portfolios such as EmPOWER can reduce energy poverty. This is where improvements and upgrades to homes are most needed, since many low-income households in Maryland live in drafty buildings and lack adequate insulation and energy-efficient appliances.² As a result, on average, low-income Marylanders pay more than 13 percent of their household budget on energy bills, which is more than twice what's considered affordable.³ Research shows this energy cost burden is racially unjust, hitting Black and brown households hardest.⁴

Energy efficiency upgrades reduce and stabilize home energy use, enabling households struggling with high monthly energy bills to manage their budget and maintain access to essential energy services.⁵ These investments also deliver a wealth of other benefits, including healthier air quality and safer, more comfortable home temperatures.⁶

Unfortunately the DHCD-operated limited-income programs that address energy poverty have languished. Unlike the utility-operated programs, there is no mandatory savings target for the limited-income programs. In 2021, DHCD achieved only 70 percent of its nonbinding target for single-family households and a dismal 9 percent of its goal for multifamily households. To date, the program has served less than 50,000 of the state's nearly 590,000 limited-income households—at which rate it would take between 130 and 148 years to serve all qualifying households.⁷

So while EmPOWER Maryland has delivered diffuse energy efficiency benefits over the last 15 years, those benefits been distributed ineffectively and inequitably. For example, while the rest of the EmPOWER portfolio invested more than \$2.2 billion in energy

[content/uploads/2023/02/Energy-Efficiency-for-Everyone-How-to-Supercharge-EmPOWER-Maryland.pdf](https://www.nrdc.org/content/uploads/2023/02/Energy-Efficiency-for-Everyone-How-to-Supercharge-EmPOWER-Maryland.pdf)

² <https://www.marylandmatters.org/2022/06/24/opinion-hogan-veto-deprives-low-income-marylanders-of-their-fair-share-of-energy-efficiency-benefits/>

³ Ibid.

⁴ <https://www.aceee.org/energy-burden>

⁵ <https://www.aceee.org/sites/default/files/energy-affordability.pdf>

⁶ <https://www.greenandhealthyhomes.org/wp-content/uploads/ghhi.pdf>

⁷ Ibid.



efficiency over the decade 2012-2021, low-income homes received less than one-tenth that amount.

And the program is even more regressive than the data above shows, with low-income customers subsidizing upgrades of others' homes and buildings. In fact, CADMUS consulting found that in the current program cycle (2021-2023) while low-income customers pay \$146 million in surcharges they get just \$85 million in DHCD investments. And the Maryland Energy Efficiency Advocates found that in every utility service area low-income residential energy savings in the 2018-2020 program cycle were less than two percent of total portfolio savings. Rather than serving as a solution to energy poverty, the EmPOWER program is draining money from limited-income communities and driving a growing wedge between poorer and wealthier households.

And it's getting worse. So far, the program has three chapters. First, the 15% by 2015 goal. Then the acceleration of savings to 2% per year. Now, with the Climate Solutions Now Act, utilities will hit 2.5% per year. That is great – **unless you are low-income.**

These performance goals work, and DHCD has no goal driving energy efficiency services to those who need it most. So the program has gotten more inequitable with every chapter legislators have written.

The Solution: A Dedicated Low-Income Energy Savings Target

Maryland has an opportunity to transform EmPOWER from a driver of inequity to a powerful engine for energy equity. House Bill 169 would meaningfully amend the EmPOWER program by creating a dedicated low-income savings target, bringing DHCD-operated limited-income programs closer to parity with the utility-operated programs. The bill creates an achievable target of a 0.53 percent annual reduction in energy sales to limited-income households for 2024, ramping up to a 1 percent annual reduction target in 2026. It would also require DHCD to serve all qualifying households by 2031.

This isn't the first time that a low-income savings target has been proposed in Maryland. A bill passed both houses of the General Assembly last year—with a unanimous vote



from the state Senate—before an unexpected last-minute veto, ostensibly due to the cost of the program.⁸

That’s misguided for at least three reasons.

First, the complementary energy savings target for low-income homes is not about spending more but spending more equitably and more impactfully. Notably, Maryland’s utilities have significantly underspent on energy efficiency programs in recent years. Rather than leaving that money on the table, Maryland should direct those funds to the underserved households that need them most.

Second, as with all EmPOWER investments, costs must be considered alongside the myriad benefits of energy efficiency on the other side of the ledger—to the economy, the environment, and public health. Better-targeted energy efficiency programs reduce racial inequities due to unevenly distributed energy cost burdens. They are massive job creators and essential to achieving climate goals.⁹ As noted above, they also promote public health by enabling households to stay connected to essential energy services and improving indoor air quality and comfort.

Utilities themselves benefit, since low-income programs allow households to afford their monthly bill, increasing the timeliness and volume of payments to utilities and reducing costs associated with arrearages and shutoffs.

Third, there is significant federal funding available for low-income energy efficiency through the Inflation Reduction Act that can further defray the costs of ramping up Maryland’s low-income programs.¹⁰ By integrating those funding streams with a robust low-income energy efficiency program, Maryland can maximize the benefits of those federal dollars for its residents.

⁸ <https://www.nrdc.org/experts/deron-lovaas/energy-justice-marylands-low-income-communities>

⁹ <https://e4thefuture.org/wp-content/uploads/2022/12/EE-Jobs-in-America-All-States-2022.pdf>, <https://www.iea.org/reports/multiple-benefits-of-energy-efficiency/emissions-savings>

¹⁰ <https://www.energy.gov/scep/home-energy-rebate-programs-frequently-asked-questions>



EmPOWER Maryland promises energy efficiency for homes statewide. But too many Marylanders have been left behind without targets driving services directly to low-income households. The best time to deliver on EmPOWER's promise was when the program was launched. The next best time is now. Let's get this done.

Sincerely,

Deron Lovaas
Senior Policy Advisor