



Maryland Energy Administration

TO: Members, House Economic Matters Committee
FROM: Paul Pinsky - Director, MEA
SUBJECT: HB 169 - Public Utilities - Energy Efficiency and Conservation Programs - Energy Performance Targets and Low-Income Housing
DATE: March 2, 2023

MEA Position: Letter of Information

The Maryland Energy Administration (MEA) strongly supports programmatic efforts that seek to assist Maryland's most vulnerable ratepayers. However, the Committee should be aware that this bill may exacerbate a significant debt that will ultimately be borne by ratepayers and that certain aspects of this bill do not align with evolving State goals.

The bill may unintentionally add to the ratepayer debt associated with EmPOWER.

The bill calls for the expansion of the Maryland Department of Housing and Community Development (DHCD) efforts within the EmPOWER program, and offers ratepayer contributions to EmPOWER as a funding source, along with the Strategic Energy Investment Fund (SEIF), which is administered by MEA.

The cost recovery mechanism in EmPOWER Maryland has undergone little substantive changes over the years. In recent years, the amortization schedule has resulted in an escalating debt, inclusive of the accrued interest, in excess of \$820 million. The Public Service Commission (the Commission) recently ordered participating utilities to produce plans to more effectively amortize this debt, but utility rates will still likely increase through 2026 to effectuate the changes.

The direct ratepayer impacts of the bill's program costs are dependent on how the ratepayer contribution for EmPOWER would change. However, if the ratepayer contribution is increased proportionately to the program requirements prescribed by the bill, the EmPOWER costs for ratepayers could be significant. Additionally, interest would continue to accrue each year.

The prescribed program goals may not match the direction of the EmPOWER program.

The goals set forth in the bill are incremental gross energy reduction targets. However, for more than a year there has been a collaborative effort among stakeholders and working with the Commission to create a paradigm shift within the EmPOWER program, and to better align State energy and environmental goals by adopting greenhouse gas (GHG) reduction targets.

The Future Programming Workgroup has already laid out an EmPOWER Program structure that accomplishes goals very similar to those of this legislation, "notably a need to reduce [greenhouse gas] emissions, [and] the need for a specific [low income] goal." The bill may run contrary to the open, collaborative, and inclusive work already performed by stakeholders in the Workgroup, who are setting low-income targets and utilizing a metric of success that is more aligned with evolving State goals.

MEA asks that the Committee consider this information before rendering its report.