

DATE: February 22, 2024

BILL NO.: House Bill 397

TITLE: Public Utilities – Thermal Energy Network Systems – Authorization and Establishment (Working for Accessible Renewable Maryland Thermal Heat (WARMTH) Act)

COMMITTEE: House Economic Matters Committee

Letter of Support with Amendments

Description of Bill:

House Bill 397 would require each gas company operating in Maryland to propose to the Public Service Commission a pilot geothermal energy network system that would provide certain residences with an efficient, low-cost heating and cooling system and appliances. The program would be focused on low- to moderate-income neighborhoods. The bill also authorizes local jurisdictions and community organizations to submit neighborhoods to gas companies for consideration and establishes requirements and authorizations for the development and implementation of proposed thermal energy network systems. IT also requires the Maryland Energy Administration to coordinate with DHCD to provide services or funding for weatherization of low-to moderate income housing within the pilot system’s area.

Background and Analysis:

Geothermal energy is a renewable energy source that has the potential to help Marylanders in two ways: First, by providing consumers with a low-cost, renewable, and clean source of home energy as well as more energy-efficient appliances, and second, by reducing reliance on fossil fuels and, therefore, helping the state meet its greenhouse emissions goals. Creating this pilot program will allow DHCD to provide services to a population that may otherwise not be aware of the energy efficiency and weatherization resources available to them.

DHCD agrees with the amendments proposed by the Maryland Energy Administration:

1. On p. 11, lines 10-19, cap total behind-the-meter costs at \$3 million. Federal rebates under the Inflation Reduction Act can provide a maximum of \$12,400 for low- to moderate income (LMI) households. IRA rebates will likely cover less than half of the total behind-the-meter costs for heat pumps, water heaters, panel and electric upgrades, installation, appliance replacement, project management, and other construction costs. Also, there is a category of federal money– the Investment Tax Credit - that would not apply to this pilot project. Under recent guidance from the I.R.S., the Investment Tax Credit - which would cover about 30% of total project costs (and up to 70% under certain conditions) – may not be available for a project that is owned jointly by a utility and a property owner, as proposed here. Costs incurred by the Maryland Environmental Service (MES) to administer the contracts do not appear to be addressed in the bill, raising the question of whether MEA will be expected to shoulder those costs as well. MEA needs to budget with certainty.

2. Delete mention of \$12 million on p. 11, line 22, such that it reads: “THE ADMINISTRATION SHALL RESERVE ~~\$12,000,000 OF~~ FEDERAL FUNDING FROM THE U.S. DEPARTMENT OF ENERGY [.] As written here, a pilot with \$12M of federal funding could include at least 950 homes (assuming a maximum of \$12,400 per rebate per homes). MEA would be responsible for the remaining behind-the-meter program costs, which could exceed \$20 million.

3. Older appliances. Consider adding to the PSC criteria a requirement that the utilities choose a pilot where many of the homes have appliances that are at or near the end of their useful lives.

4. Discontinuation. Consider on P. 9 inserting in subsection D a provision to protect customers in the event a pilot is discontinued such as (3) IN THE EVENT A PILOT SYSTEM IS DECOMMISSIONED OR DISCONTINUED BEFORE THE END OF THE USEFUL LIFE OF THE APPLIANCES INSTALLED UNDER THIS SUBTITLE, THE COMMISSION SHALL MAKE SURE THAT CUSTOMERS PARTICIPATING IN A PILOT SYSTEM DO NOT INCUR ADDITIONAL EXPENSES RELATED TO DECOMMISSIONING OR INSTALLING NEW APPLIANCES.

5. Community-based organization funding. Please add “or any other state or federal funding source” to the provision on p. 10, line 26.

DHCD Position:

The Maryland Department of Housing and Community Development respectfully requests a **favorable report as amended** on House Bill 397, with the addition of the amendments, above, proposed by the Maryland Energy Administration.

