

FREDERICK H. HOOVER, JR.
CHAIR

MICHAEL T. RICHARD
ANTHONY J. O'DONNELL
KUMAR P. BARVE
BONNIE A. SUCHMAN



PUBLIC SERVICE COMMISSION

February 20, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: HB 397 – Favorable - Public Utilities – Thermal Energy Network Systems – Authorization and Establishment (Working for Accessible Renewable Maryland Thermal Heat (WARMTH) Act)

Dear Chair Wilson and Committee Members:

HB397 proposes to establish a program in Maryland which explores whether heat pump technology could be used in combination with a utility-owned network of heat exchange pipes to provide a cost-effective alternative to natural gas service or an alternative form of electrification. As proposed, each gas company, using community input, would propose to the PSC, one or more demonstration projects to examine whether this technology could achieve environmental, social, and economic goals as a substitute for natural gas distribution systems. The purpose of the pilot program would examine if such a utility-owned system is in the public interest. There are numerous areas of investigation, including the applicability of geothermal systems to distinct types of housing, e.g., single family, or multi-family buildings, and a series of required community benefits.

If the legislation is enacted, the Public Service Commission anticipates the need for consulting services, as envisioned in the proposed legislation at PUA§7-1006, and will require two additional employees. These needs are driven by timelines within the legislation and to establish in-house expertise for the pilots and the permanent programs, if approved.

Section 7-1002(b)(6)(v) requires that the gas companies determine how the pilot system avoids costs for electric distribution and transmission systems that would otherwise occur with electrification using air-source heat pumps. Gas companies may not have access to the data needed to estimate avoided costs. Electric companies may have data that would enable estimates to be developed, but making use of that data would require gas companies to coordinate with electric companies in a new manner. Participating gas companies must be prepared to coordinate with their electric utility counterparts to ensure a successful pilot program.

As has been demonstrated in other energy pilot programs coordinated by the Public Service Commission, community engagement is a critical component of a successful pilot program. In

WILLIAM DONALD SCHAEFER TOWER □ 6 ST. PAUL STREET □ BALTIMORE, MARYLAND 21202-6806

410-767-8000 □ Toll Free: 1-800-492-0474 □ FAX: 410-333-6495

MDRS: 1-800-735-2258 (TTY/Voice) □ Website: www.psc.state.md.us

Massachusetts, community groups were the genesis for the development of that State's programs. Because the installation of a thermal energy network system will require the coordination and cooperation of many citizens, a strong community commitment will be vital to the success of a pilot program. The language of HB 397 emphasizes that importance.

The thermal energy network systems to be developed after the enactment of HB 397 have the potential to make great progress towards the attainment of the State's climate goals. The State will be able to look to other jurisdictions already standing up these projects and gain critical knowledge. The Public Service Commission will have an important role in determining the viability and prudence of these projects and the impacts of them on the ratepayers of Maryland. I request a favorable report on HB 397. Please direct any questions to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa1@maryland.gov

Sincerely,



Frederick H. Hoover, Chair
Maryland Public Service Commission