By: The Speaker (By Request – Administration) and Delegates Feldman, Ali, Barve, Bobo, Bronrott, Cardin, Carr, G. Clagett, Conway, Doory, Dumais, Elmore, Haynes, Healey, Hecht, Hixson, Howard, Hucker, Jones, Kaiser, Lee, Manno, Mathias, Mizeur, Montgomery, Morhaim, Pena-Melnyk, Rice, Riley, Rosenberg, Shewell, Stein, Tarrant, and Vaughn Vaughn, Harrison, Kirk, Krysiak, and McHale

Introduced and read first time: January 25, 2008 Assigned to: Economic Matters

Committee Report: Favorable with amendments House action: Adopted Read second time: March 27, 2008

CHAPTER _____

1 AN ACT concerning

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EmPOWER Maryland Energy Efficiency Act of 2008

3 FOR the purpose of establishing the State goal of achieving certain percentage 4 reductions in per capita electricity consumption and peak demand by the end of 5 a certain year; requiring the Public Service Commission to make certain 6 calculations each year and to report those calculations to the General Assembly 7 each year as part of its annual report; requiring certain municipal electric 8 utilities and small certain rural electric cooperatives to include certain 9 programs or services to encourage and promote the efficient use and 10 conservation of energy as part of their service to their customers; requiring that, 11 by certain dates, the **Public Service** Commission shall adopt regulations or issue 12 orders requiring each electric company to procure or provide to certain customers certain energy efficiency and conservation measures programs and 13 14 services that are designed to achieve certain energy reduction targets by certain 15dates; requiring electric companies to submit to the Commission a certain plan 16 by certain dates; requiring electric companies to consult with the Maryland 17 Energy Administration regarding certain plans: requiring the Administration to 18 provide certain findings to the Commission; requiring the Commission to review 19 certain plans by a certain time; authorizing the Commission and the 20 Administration to request certain information; requiring the Commission, by regulation or order, to require certain electric companies to implement certain 21

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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rate adjustment mechanisms for certain customers requiring the Commission to 1 $\mathbf{2}$ monitor and analyze the impact of certain programs and services; requiring the 3 Commission to direct electric companies to include certain information in a certain annual update and certain demand response programs for certain 4 $\mathbf{5}$ customers; requiring the Commission to submit certain reports to the Governor 6 and the General Assembly by certain dates; requiring the Commission to 7 evaluate certain technology and authorizing the Commission to require its 8 implementation; requiring the Administration, on or before a certain date, to review the anticipated achievement of certain goals for a certain purpose and, 9 10 after providing opportunity for public comment, to study the feasibility of setting certain targets for natural gas companies and, after providing 11 opportunity for public comment, report its findings to certain committees; 1213defining certain terms; and generally relating to energy efficiency and demand management measures programs and services. 14

- 15 BY repealing and reenacting, with amendments,
- 16 Article Public Utility Companies
- 17 Section 7–211 and 7–510(c)(4)(ii)2.C.
- 18 Annotated Code of Maryland
- 19 (1998 Volume and 2007 Supplement)

20 BY adding to

- 21 Article Public Utility Companies
- 22 Section 7–213 and 7–214
- 23 Annotated Code of Maryland
- 24 (1998 Volume and 2007 Supplement)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF 26 MARYLAND, That the Laws of Maryland read as follows:

- 27 Article Public Utility Companies
- 28 7–211.

29 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE 30 MEANINGS INDICATED.

31(2)"DEMAND RESPONSE PROGRAM" MEANS A PROGRAM32ESTABLISHED BY AN ELECTRIC COMPANY THAT PROMOTES CHANGES IN33ELECTRIC USAGE BY CUSTOMERS FROM THEIR NORMAL CONSUMPTION34PATTERNS IN RESPONSE TO:

 35
 (I)
 CHANGES IN THE PRICE OF ELECTRICITY OVER TIME;

 36
 OR

1	(II) INCENTIVES DESIGNED TO INDUCE LOWER ELECTRICITY
2	USE AT TIMES OF HIGH WHOLESALE MARKET PRICES OR WHEN SYSTEM
3	RELIABILITY IS JEOPARDIZED.
4	(3) "ELECTRICITY CONSUMPTION" AND "ELECTRICITY
5	CONSUMED" MEAN THE SUM OF RETAIL ELECTRICITY SALES TO ALL
6	CUSTOMERS AND REPORTED ELECTRICITY LOSSES WITHIN THE ELECTRIC
7	DISTRIBUTION SYSTEM.
8	(2) (4) "PEAK DEMAND" MEANS THE HIGHEST LEVEL OF
9	ELECTRICITY DEMAND IN THE STATE MEASURED IN MEGAWATTS DURING THE
10	PERIOD FROM MAY 1 TO SEPTEMBER 30 ON A WEATHER-NORMALIZED BASIS.
11	(5) "PER CAPITA ELECTRICITY CONSUMPTION" MEANS THE
12 12	RESULT CALCULATED BY DIVIDING THE TOTAL GIGAWATT-HOURS OF
$\begin{array}{c} 13 \\ 14 \end{array}$	ELECTRICITY CONSUMED BY ELECTRICITY CUSTOMERS IN THE STATE AS OF DECEMBER 31 OF A YEAR, AS DETERMINED BY THE COMMISSION, BY THE
14	POPULATION OF THE STATE AS OF DECEMBER 31 OF THAT YEAR, AS
16	DETERMINED BY THE DEPARTMENT OF PLANNING.
17	(3) (6) "PLAN" MEANS AN ELECTRICITY SAVINGS AND DEMAND
18	REDUCTION PLAN AND COST RECOVERY PROPOSAL.
19	(B) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:
20	(1) ENERGY EFFICIENCY IS AMONG THE LEAST EXPENSIVE WAYS
21	TO MEET THE GROWING ELECTRICITY DEMANDS OF THE STATE; AND
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$\frac{22}{23}$	(2) TO PROVIDE AFFORDABLE, RELIABLE, AND CLEAN ENERGY
$\frac{23}{24}$	FOR CONSUMERS OF MARYLAND, IT IS THE GOAL OF THE STATE TO ACHIEVE THE FOLLOWING ENERGY EFFICIENCY, CONSERVATION, AND DEMAND
$\frac{21}{25}$	<u>RESPONSE</u> TARGETS, BASED ON 2007 ELECTRICITY CONSUMPTION:
26	(I) A 15% REDUCTION IN PER CAPITA ELECTRICITY
27	CONSUMPTION BY THE END OF 2015; AND
28	(II) A 15% REDUCTION IN <u>PER CAPITA</u> PEAK DEMAND BY
20 29	THE END OF 2015. (1) A 15% REDUCTION IN <u>FER CATIFA</u> FEAR DEMAND BY
30	(C) BEGINNING WITH THE 2008 CALENDAR YEAR AND EACH YEAR
31	THEREAFTER, THE COMMISSION SHALL CALCULATE:
32	(1) THE PER CAPITA ELECTRICITY CONSUMPTION FOR THAT
33	(1) THE PER CAPITA ELECTRICITY CONSUMPTION FOR THAT YEAR; AND

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$(2) \qquad \underline{\text{THE PEAK DEMAND FOR THAT YEAR.}}$

[(a)] (C) (D) Subject to review and approval by the Commission, each gas company and electric company shall develop and implement programs and services to encourage and promote the efficient use and conservation of energy by consumers, gas companies, and electric companies.

6 (D) (E) AS DIRECTED BY THE COMMISSION, EACH MUNICIPAL
 7 ELECTRIC UTILITY AND SMALL RURAL EACH ELECTRIC COOPERATIVE THAT
 8 SERVES A POPULATION OF LESS THAN 250,000 IN ITS DISTRIBUTION TERRITORY
 9 SHALL INCLUDE THESE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS
 10 OR SERVICES AS PART OF THEIR SERVICE TO THEIR CUSTOMERS.

11 $[(b)] (\underline{F}) (\underline{F})$ The Commission shall:

(1) require each gas company and electric company to establish any
 program or service that the Commission deems appropriate and cost effective to
 encourage and promote the efficient use and conservation of energy;

15 (2) adopt rate-making policies that provide cost recovery and, in 16 appropriate circumstances, reasonable financial incentives for gas companies and 17 electric companies to establish programs and services that encourage and promote the 18 efficient use and conservation of energy; and

19 (3) ensure that adoption of electric customer choice under Subtitle 5 of 20 this title does not adversely impact the continuation of cost effective energy 21 conservation and efficiency programs.

(F) (G) ON EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, ON OR BEFORE DECEMBER 31, 2008, BY REGULATION OR ORDER, THE COMMISSION SHALL:

25(1) TO THE EXTENT THAT THE COMMISSION DETERMINES THAT 26COST-EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS AND $\mathbf{27}$ SERVICES ARE AVAILABLE, FOR EACH AFFECTED CLASS, REQUIRE EACH 28ELECTRIC COMPANY TO PROCURE OR PROVIDE FOR ITS ELECTRICITY 29 CUSTOMERS COST-EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION 30 **MEASURES** PROGRAMS AND SERVICES WITH PROJECTED AND VERIFIABLE 31ENERGY ELECTRICITY SAVINGS THAT ARE DESIGNED TO ACHIEVE THE 32FOLLOWING:

33 (1) A <u>TARGETED</u> REDUCTION OF AT LEAST 5% BY THE END OF
 34 2011 AND 10% BY THE END OF 2015 OF PER CAPITA ELECTRICITY CONSUMED IN
 35 THE ELECTRIC COMPANY'S SERVICE TERRITORY DURING 2007; AND

1	(2) REQUIRE EACH ELECTRIC COMPANY TO IMPLEMENT A
2	COST-EFFECTIVE DEMAND RESPONSE PROGRAM IN THE ELECTRIC COMPANY'S
3	SERVICE TERRITORY THAT IS DESIGNED TO ACHIEVE A TARGETED REDUCTION
4	OF AT LEAST 5% BY THE END OF 2011, 10% BY THE END OF 2013, AND 15% BY
5	THE END OF 2015, IN PER CAPITA PEAK DEMAND OF ELECTRICITY CONSUMED IN
6	THE ELECTRIC COMPANY'S SERVICE TERRITORY DURING 2007.
7	(G) (H) (1) (I) ON OR BEFORE OCTOBER JULY 1, 2008, AND
8	EVERY 3 YEARS THEREAFTER, EACH ELECTRIC COMPANY SHALL SUBMIT TO THE
9	Commission an electricity savings and demand reduction plan and
10	COST RECOVERY PROPOSAL FOR THE 3 SUBSEQUENT CALENDAR YEARS
11	CONSULT WITH THE MARYLAND ENERGY ADMINISTRATION REGARDING THE
12	DESIGN AND ADEQUACY OF THE ELECTRIC COMPANY'S PLAN TO ACHIEVE THE
13	ELECTRICITY SAVINGS AND DEMAND REDUCTION TARGETS SPECIFIED IN
14	SUBSECTION (G) OF THIS SECTION.
15	(II) AN ELECTRIC COMPANY SHALL PROVIDE THE
16	MARYLAND ENERGY ADMINISTRATION WITH ANY ADDITIONAL INFORMATION
17	REGARDING THE PLAN, AS REQUESTED.
18	(9) ON OD DEDODE CEDTEMPED 1 9009 AND EVED $2 \times 2 $
10 19	(2) ON OR BEFORE SEPTEMBER 1, 2008, AND EVERY 3 YEARS
$\frac{19}{20}$	THEREAFTER, AN ELECTRIC COMPANY SHALL SUBMIT ITS PLAN TO THE COMMISSION THAT DETAILS THE ELECTRIC COMPANY'S PROPOSALS FOR
$\frac{20}{21}$	
$\frac{21}{22}$	ACHIEVING THE ELECTRICITY SAVINGS AND DEMAND REDUCTION TARGETS IN SUBSECTION (C) OF THIS SECTION FOR THE 2 SUBSECUENT CALENDAR YEARS
	SUBSECTION (G) OF THIS SECTION FOR THE 3 SUBSEQUENT CALENDAR YEARS.
23	(3) THE COMMISSION SHALL CONSIDER ANY WRITTEN FINDINGS
24	PROVIDED BY THE MARYLAND ENERGY ADMINISTRATION REGARDING THE
25	DESIGN AND ADEQUACY OF THE PLAN.
26	(H) (4) EACH ELECTRIC COMPANY SHALL PROVIDE
27	ANNUAL UPDATES TO THE COMMISSION AND THE MARYLAND ENERGY
28	ADMINISTRATION ON PLAN IMPLEMENTATION AND PROGRESS TOWARDS
29	ACHIEVING THE ELECTRICITY SAVINGS AND DEMAND REDUCTION TARGETS
30	SPECIFIED IN SUBSECTION (F) (G) OF THIS SECTION.
31	(2) Before submitting the plan to the Commission, each
32	ELECTRIC COMPANY SHALL CONSULT WITH THE MARYLAND ENERGY
33	ADMINISTRATION REGARDING PROGRAM DESIGN AND ADEQUACY OF THE
34	PLANS TO ACHIEVE THE ELECTRICITY SAVINGS AND DEMAND REDUCTION
35	TARGETS SPECIFIED IN SUBSECTION (F) OF THIS SECTION.
	Indulies of Bonrieb in Subsection (r) of This Shorion
36	(3) (5) (1) THE PLAN SHALL INCLUDE A DESCRIPTION OF
37	THE THE PROPOSED ENERGY EFFICIENCY AND CONSERVATION MEASURES AND

1SERVICES AND THE PROPOSED DEMAND RESPONSEPROGRAM, ANTICIPATED2COSTS, PROJECTED ELECTRICITY SAVINGS, AND ANY OTHER INFORMATION3REQUESTED BY THE COMMISSION.

4 (II) THE PLAN SHALL ADDRESS RESIDENTIAL,
5 COMMERCIAL, AND INDUSTRIAL SECTORS AS APPROPRIATE, INCLUDING
6 LOW-INCOME COMMUNITIES AND LOW- TO MODERATE-INCOME COMMUNITIES.

7 (4) BEFORE THE COMMISSION TAKES ACTION ON THE PLAN, THE
 8 MARYLAND ENERGY ADMINISTRATION SHALL PROVIDE WRITTEN FINDINGS TO
 9 THE COMMISSION WITH RESPECT TO PROGRAM DESIGN AND THE ADEQUACY OF
 10 THE PLAN TO ACHIEVE THE ELECTRICITY SAVINGS AND DEMAND REDUCTION
 11 TARGETS SPECIFIED IN SUBSECTION (F) OF THIS SECTION.

12(5) (6)THE COMMISSION SHALL REVIEW EACH ELECTRIC13COMPANY'S PLAN TO DETERMINE IF THE PLAN IS ADEQUATE AND14COST-EFFECTIVE IN ACHIEVING THE ELECTRICITY SAVINGS AND DEMAND15REDUCTION TARGETS SPECIFIED IN SUBSECTION (F) (G) OF THIS SECTION.

16(6)THECommissionAndTHEMaryLandEnergy17AdministrationMayRequestAdditionalInformationFROMAn18ELECTRIC COMPANY REGARDING ITS PLAN.

19(I)(I)INDETERMININGWHETHERAPROGRAMORSERVICE20ENCOURAGES AND PROMOTES THE EFFICIENT USE AND CONSERVATION OF21ENERGY, THE COMMISSION SHALL CONSIDER THE:

- 22 (I) <u>COST-EFFECTIVENESS;</u>
- 23 (II) IMPACT ON RATES OF EACH RATEPAYER CLASS;
- 24 (III) IMPACT ON JOBS; AND
- 25 (IV) IMPACT ON THE ENVIRONMENT.

26(2)THE COMMISSION SHALL MONITOR AND ANALYZE THE27IMPACT OF EACH PROGRAM AND SERVICE TO ENSURE THAT THE OUTCOME OF28EACH PROGRAM AND SERVICE PROVIDES THE BEST POSSIBLE RESULTS.

29 (3) IN MONITORING AND ANALYZING THE IMPACT OF A PROGRAM
 30 OR SERVICE UNDER PARAGRAPH (2) OF THIS SUBSECTION, IF THE COMMISSION
 31 FINDS THAT THE OUTCOME OF THE PROGRAM OR SERVICES MAY NOT BE
 32 PROVIDING THE BEST POSSIBLE RESULTS, THE COMMISSION SHALL DIRECT
 33 THE ELECTRIC COMPANY TO INCLUDE IN ITS ANNUAL UPDATE UNDER

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1 SUBSECTION (H)(4) OF THIS SECTION SPECIFIC MEASURES TO ADDRESS THE 2 FINDINGS. 3 **(J)** (1) AT LEAST ONCE EACH YEAR, EACH ELECTRIC COMPANY AND 4 GAS COMPANY SHALL NOTIFY AFFECTED CUSTOMERS OF THE ENERGY 5 EFFICIENCY AND CONSERVATION CHARGES IMPOSED AND BENEFITS 6 CONFERRED. $\mathbf{7}$ (2) THE NOTICE SHALL BE PROVIDED BY PUBLICATION ON THE 8 COMPANY'S WEBSITE AND INCLUSION WITH BILLING INFORMATION SUCH AS A 9 BILL INSERT OR BILL MESSAGE. 10 On or before [February 1, 2001] FEBRUARY 15, [(c)] (H) (1)(K) 2009. AND EVERY 3 YEARS THEREAFTER MARCH 1 OF EACH YEAR, the 11 12Commission, in consultation with the Maryland Energy Administration, shall report, subject to § 2–1246 of the State Government Article, to the General Assembly on: 13 14 the status of programs and services to encourage and **(ii)** (1) 15promote the efficient use and conservation of energy, INCLUDING AN EVALUATION 16 OF THE IMPACT OF THE PROGRAMS AND SERVICES THAT ARE DIRECTED TO 17 LOW-INCOME COMMUNITIES, LOW- TO MODERATE-INCOME COMMUNITIES TO 18 THE EXTENT POSSIBLE, AND OTHER PARTICULAR CLASSES OF RATEPAYERS; and 19 (iii) (2) a recommendation for the appropriate funding level to 20 adequately fund these programs and services: AND 21(3) IN ACCORDANCE WITH PARAGRAPH (C) OF THIS SUBSECTION, 22THE PER CAPITA ELECTRICITY CONSUMPTION AND THE PEAK DEMAND FOR THE 23PREVIOUS CALENDAR YEAR. 24(2)In determining whether a program or service encourages and 25promotes the efficient use and conservation of energy, the Commission shall consider, 26among other factors: 27(i) the impact on jobs; 28(iii) the impact on the environment: 29 (iii)the impact on rates; and 30 the cost-effectiveness. (iv) 31 7-213. 32

32 (A) IN THIS SECTION, "RATE DECOUPLING" MEANS A RATE 33 ADJUSTMENT MECHANISM THAT SEPARATES A UTILITY COMPANY'S AGREED ON

1	FIXED COSTS, INCLUDING ALLOWED EARNINGS, FROM THE ACTUAL VOLUME OF
2	UNIT SALES THAT OCCUR.
3	(B) ON OR BEFORE DECEMBER 31, 2008, BY REGULATION OR ORDER,
4	THE COMMISSION SHALL REQUIRE EACH ELECTRIC COMPANY TO IMPLEMENT
5	RATE DECOUPLING FOR CUSTOMERS IN THE ELECTRIC COMPANY'S SERVICE
6	TERRITORY.
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7	7-214.
8	(a) In this section, "demand response program" means a
9	PROGRAM ESTABLISHED BY AN ELECTRIC COMPANY THAT PROMOTES CHANGES
10	IN ELECTRIC USAGE BY CUSTOMERS FROM THEIR NORMAL CONSUMPTION
11	PATTERNS IN RESPONSE TO:
12	(1) CHANGES IN THE PRICE OF ELECTRICITY OVER TIME; OR
13	(2) INCENTIVES DESIGNED TO INDUCE LOWER ELECTRICITY USE
14	AT TIMES OF HIGH WHOLESALE MARKET PRICES OR WHEN SYSTEM RELIABILITY
15	IS JEOPARDIZED.
16	(B) ON OR BEFORE DECEMBER 31, 2008, BY REGULATION OR ORDER,
17	THE COMMISSION SHALL REQUIRE EACH ELECTRIC COMPANY TO IMPLEMENT A
18	DEMAND RESPONSE PROGRAM FOR RESIDENTIAL CUSTOMERS IN THE ELECTRIC
19	COMPANY'S SERVICE TERRITORY.
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20	$\frac{7-510}{10}$
21	(c) (4) (ii) 2. C. By regulation or order, as a part of the
22	competitive process, the Commission shall require [or allow] the procurement of
23	cost-effective energy efficiency and conservation measures and services [with
24	projected and verifiable energy savings to offset anticipated demand to be served by
25	standard offer service,]-IN ACCORDANCE WITH §§ 7-211(B) AND (E) AND 7-214 OF
26	THIS SUBTITLE and SHALL REQUIRE OR ALLOW the imposition of other
27	cost-effective demand-side management programs.
28	SECTION 2. AND BE IT FURTHER ENACTED, That the Public Service
29	Commission shall evaluate whether advance meter technology, commonly known as
30	"smart meters," and digital automation of the components of the entire power supply
31	system, commonly known as "smart grid," are cost-effective in reducing consumption
32	and neak demand of electricity in Maryland. If smart meter or smart grid technology

31 system, commonly known as smart grid, are cost-enective in reducing consumption 32 and peak demand of electricity in Maryland. If smart meter or smart grid technology 33 are found to be cost-effective, the Commission may require, by regulation or order, 34 each electric company to implement as appropriate smart meter or smart grid 35 technology in its service territory.

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$1 \\ 2 \\ 3$	<u>SECTION 3. AND BE IT FURTHER ENACTED, That, on or before December</u> 31, 2012, the Maryland Energy Administration, in consultation with the Public Service Commission, shall:
4 5 6 7	(1) review the anticipated achievement of the goals specified under § 7–211(b)(2) of the Public Utility Companies Article as enacted by this Act for purposes of determining whether electricity consumption and peak demand reduction targets should be set beyond 2015; and
8 9 10	(2) after providing opportunity for public comment, report its findings, in accordance with § 2–1246 of the State Government Article, to the Senate Finance Committee and the House Economic Matters Committee.
$11 \\ 12 \\ 13$	<u>SECTION 4. AND BE IT FURTHER ENACTED, That, on or before December</u> <u>31, 2012, the Maryland Energy Administration, in consultation with the Public</u> <u>Service Commission, shall:</u>
$\begin{array}{c} 14 \\ 15 \end{array}$	(1) <u>study the feasibility of setting energy savings targets in 2015 and</u> 2020 for natural gas companies; and
16 17 18	(2) after providing opportunity for public comment, report its findings, in accordance with § 2–1246 of the State Government Article, to the Senate Finance Committee and the House Economic Matters Committee.
19	SECTION 3 <u>5.</u> AND BE IT FURTHER ENACTED, That this Act shall take

20 effect July June 1, 2008.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.