SB 966

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 966 (Senator Feldman)
Finance

Public Utilities - Energy Efficiency and Conservation Programs - Alterations

This bill extends the EmPOWER Maryland Program's annual energy savings goals beyond the current 2021-2023 program cycle and increases the annual energy savings requirement beyond 2.0%. Additionally, beginning with calendar 2024, the bill requires that EmPOWER services and programs must generally encourage electrification and may not provide financial assistance for equipment or appliances that use fossil fuel. In determining whether a program or service provided is cost-effective, the Public Service Commission (PSC) must consider the social cost of greenhouse gases, as specified. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: PSC can oversee compliance with updated requirements for utilities using existing resources. The effect of EmPOWER surcharges on State electricity rates is discussed below. State revenues are not directly affected.

Local Effect: The effect of EmPOWER surcharges on local government electricity rates is discussed below. Local revenues are not directly affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: For the 2024-2026 program cycle, PSC must, by regulation or order, require each electric company to procure or provide cost-effective energy efficiency and conservation programs and services to its customers, as specified, that are designed on a trajectory to achieve a targeted annual incremental gross energy savings of at least the following annual percentages, calculated as specified: (1) 2.25% annually in 2025 and 2026; (2) 2.5% in 2027; and (3) 2.75% per year in 2028 and thereafter.

The bill specifies that, with regard to PSC's review of program and services developed and implemented by gas and electric companies in compliance with the EmPOWER Maryland Energy Efficiency Act, beginning with calendar 2024, the programs and services provided under EmPOWER must (1) encourage and promote the replacement or enhancement of gas, oil, or propane heating systems with electric heat pumps, giving priority to low-income households and consumers and (2) encourage and promote beneficial electrification for the purposes of reducing energy consumption, reducing consumer costs, and reducing greenhouse gas emissions. In addition, beginning with calendar 2024, EmPOWER programs and services may not provide financial assistance for equipment or appliances that use fossil fuel. Further, in determining whether an EmPOWER program or service is cost-effective, as specified, PSC must consider the social cost of greenhouse gases, using either the rate adopted by the Maryland Department of the Environment or the U.S. Environmental Protection Agency, whichever is greater.

Current Law: In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company's 2016 sales.

State Expenditures: PSC advises that the agency can direct utilities to adapt current EmPOWER programs to meet the updated program requirements and energy savings goals with existing resources. Further, PSC advises that it already considers greenhouse gas emissions in determining the cost-effectiveness of programs and, therefore, the requirement to consider the social cost of greenhouse gases largely codifies current practice.

EmPOWER is funded by ratepayers via a surcharge on their monthly utility bills. Therefore, increasing the energy savings goals for EmPOWER results in increases to the EmPOWER surcharge on ratepayers, including State agencies. The exact impact cannot be reliably estimated at this time. According to PSC, the current surcharge impact for a 2.0% goal in 2022 for an average customer (1,000 kilowatt-hours of monthly electricity usage) is between $6.19 and $8.42 depending on the utility territory. Further, ending support for fossil fuel energy efficiency programs may mean that State entities that rely on a fuel source other than electricity will lose incentives to increase energy efficiency using those fuel sources. On the other hand, State entities that plan to shift from fossil fuel sources to electric sources may benefit from additional incentives.

Local Expenditures: Similar to the effect described above for State agencies, local governments may incur an increase in EmPOWER surcharges on an ongoing basis.

Small Business Effect: Similar to the effect described above for State agencies, small businesses may incur an increase in EmPOWER surcharges on an ongoing basis.

Additional Comments: According to PSC's EmPOWER Maryland Energy Efficiency Act Report of 2021, lighting savings are a majority of cost-effective EmPOWER savings. As federal lighting standards increase, PSC notes that remaining available lighting energy savings will decrease, meaning it may be more costly and difficult to achieve additional energy savings elsewhere under higher EmPOWER energy savings goals in future cycles.

In addition, the Maryland Energy Administration (MEA) advises that, as restructured by the bill, the EmPOWER program likely increases electricity consumption as a result of the conversion of appliances that previously ran on gas or oil to electric energy sources. MEA advises that this may run counter to the program's other goal of reducing electricity usage and result in significant additional expense to balance the two competing program goals compared to previous program cycles, which focused solely on energy demand reduction regardless of source.

Finally, the Department of Legislative Services notes that the bill establishes new energy savings goals under the EmPOWER Maryland Program beginning in 2025, but also repeals the existing energy savings goal of at least 2.0% per year that applies to the current program cycle. As drafted, it is unclear what energy savings goal applies prior to 2025 under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of the Environment; Department of General Services; Department of Housing and Community Development; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Department of Legislative Services

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