SB 663

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 663 (Senator Feldman)

Education, Energy, and the Environment Economic Matters

Investor-Owned Electric Companies - Clean Energy Homes Pilot Programs - Establishment (Maryland Resilient and Clean Energy Homes Act)

This bill requires each electric company, by January 1, 2025, to file with the Public Service Commission (PSC) an application for approval of a pilot program to support residential customer adoption of beneficial electrification measures. PSC has 180 days to decide to approve, modify, or deny each application. Each pilot program must last for three years, be made available to customers by August 1, 2025, and include four separate programs, as specified. An electric company may recover all reasonable costs associated with the programs under the bill, may use a regulatory asset, and may propose a performance incentive in certain circumstances. Generally, after January 1, 2027, PSC may extend and make permanent a pilot program established under the bill. The bill does not apply to municipal electric utilities or electric cooperatives. Related General Assembly findings are specified.

Fiscal Summary

State Effect: No effect in FY 2024. Special fund expenditures for PSC increase by $102,600 in FY 2025. Future years reflect ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. State expenditures for electricity increase beginning as early as FY 2026, as discussed below.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	$0	$102,600	$100,300	$104,700	$110,200
SF Expenditure	$0	$102,600	$100,300	$104,700	$110,200
Net Effect	$0	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government expenditures increase for electricity beginning as early as FY 2026, as discussed below. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: Each electric company pilot program must contain the following four programs, subject to various specified conditions for each program:

- a make-ready program, to provide grants or rebates to residential customers or contractors to offset the reasonable costs of purchasing and installing behind-the-meter equipment (up to $3,000, or $6,000 for a low- to moderate-income customer);
- an on-site clean energy systems rebate program, to provide upfront rebates for such systems (up to $5,000 to start);
- a multifamily housing facilities clean energy incentive program, to encourage the development of distributed energy resources at qualifying multifamily dwellings and create on-site resilience and opportunities for residents to achieve bill savings (PSC must convene a related workgroup by November 1, 2023); and
- a load management and electric grid support services program, which compensates customers for managing on-site load and using distributed energy resources to prevent distribution system upgrades and reduce wear and tear on the system.

Customers receiving a grant or rebate under a pilot program must enroll in an electric company's load-bearing and electric grid support services program for at least four years. The kilowatt-hour savings under the load management and electric grid support services program count toward incremental EmPOWER Maryland energy savings goals.

Generally, annual program costs are limited to 1.0% of an electric company's approved total revenue requirement, up to $15.0 million. However, the costs of certain electric grid upgrades are not included in that amount and PSC may allow an electric company to exceed the general limits subject to specified requirements.

To assist with implementing the pilot programs, the bill also allows an electric company to authorize the installation and operation of a meter collar adapter, subject to specified requirements.

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. Chapter 38 of 2022 (the Climate Solutions Now Act) further increased the goal to 2.25% per year in 2025 and 2026 and to 2.5% annually thereafter. The Act also specified that the core objective of the reductions must include development and implementation of a portfolio of mutually reinforcing goals, including greenhouse gas (GHG) emissions reductions, energy savings, net customer benefits, and reaching underserved customers. The Act included related administrative requirements in uncodified language.

Maryland Greenhouse Gas Emissions Reduction Targets and the Climate Solutions Now Act

The Climate Solutions Now Act made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045. The Act also established new and altered existing energy conservation requirements for buildings and increased and extended the EmPOWER Maryland Program, as described above.

State Fiscal Effect: PSC advises that it requires one regulatory economist to support the review, approval, and evaluation of the programs established under the bill, and anticipates the need for such support beginning in fiscal 2025. As the bill creates a clear statutory option for making the programs permanent, this estimate assumes the regulatory economist is hired on a full-time, permanent basis. This estimate assumes PSC can convene the required workgroup with existing resources.

Accordingly, special fund expenditures for PSC increase by $102,607 in fiscal 2025, which accounts for PSC's assessment of when additional resources are needed. This estimate reflects the cost of hiring one regulatory economist and includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	$94,922
Operating Expenses	7,685
Total FY 2025 State Expenditures	**$102,607**

Future year expenditures reflect a salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Special fund revenues increase correspondingly from assessments imposed on public service companies.

Small Business Effect: Small businesses that sell or install products eligible for incentives under the bill benefit from additional demand for their services. The effect of electricity prices on small businesses is discussed below.

Additional Comments (Electricity Prices): PSC advises that electricity rates will increase due to the bill but did not provide additional information as to the potential magnitude of the increase. There are four investor-owned utilities affected by the bill, with a $15.0 million general limit on annual costs for each utility, although that can be increased if PSC chooses to allow for it. Ultimately, allowable costs will be recovered by the investor-owned utilities and recovered through electricity rates paid by all electric customers, including the State and local governments and small businesses.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 839 (Delegate Qi, *et al.*) - Economic Matters.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2023
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