Maryland Energy Administration

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

TO: Members, Senate Finance Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB0740 – Low-Income and Middle-Income Housing - Energy Performance Targets
DATE: March 10, 2020

MEA POSITION: UNF

The proposed legislation will deplete the full balance of the Maryland Gas Expansion Fund ("MGEF") by transferring $26,320,000.00 to the Maryland Department of Housing and Community Development ("DHCD"). MGEF was created as one of the negotiated and approved merger conditions set forth in the Maryland Public Service Commission's ("PSC") order approving the merger of Alta Gas and Washington Gas & Light.

Under the proposed legislation MEA will be required to eliminate the Maryland Energy Infrastructure Program ("Program"), which is funded solely by MGEF and is used to promote investments in energy infrastructure for underserved areas. The Program also provides grants to facilities that emit considerable amounts of pollution, providing an incentive for those facilities to use cleaner and less expensive fuel.

MGEF funds were received through a very inclusive, deliberative, and lengthy process before the PSC. The proposed legislation's transfer would be inconsistent with that process and the PSC Order. Under the Program, qualified applicants are eligible for hundreds of thousands of dollars in back-to-back years in order to help pay for their transition from dirty or expensive fuels such as heating oil to significantly cleaner fuel, virtually eliminating particulate matter emissions and drastically reducing carbon and methane emissions from the applicants' facilities. Because the proposed legislation would eliminate the program's funding, including next year's, many applicants would only obtain a fraction of the resources that they and MEA originally envisioned.

Beyond the actual remaining balance of MGEF, the proposed legislation would undermine the efforts and human resource hours that went into the transparent pleadings, depositions, and inclusive public hearings that formed this fund. MEA respectfully asserts that the PSC was and is best suited to address these issues, because of the PSC's specialized and technical expertise. Because of this expertise and focus, the PSC proceedings were the most appropriate and efficient venue in which to determine the manner in which the funds should be used.

The PSC is required to determine these agreements pose no harm to Maryland ratepayers. Moreover, they found that MGEF benefits customers by "extending to them the opportunity to purchase lower-cost energy, and it will benefit existing customers by spreading fixed costs over a larger population of customers. Additionally, [MGEF] will benefit Marylanders generally by expanding a relatively clean energy source, in addition to providing economic benefits through expanding gas infrastructure."[1] Under Maryland law the PSC's orders are afforded a very high deferential standard. PSC decisions are "prima facie correct" and are to be affirmed unless they are clearly show" to be defective. MEA urges this body to reserve its power in recognition of this deference granted to the commission.

The proposed legislation would transfer all remaining MGEF resources to DHCD for the purpose of providing low-to-moderate income ("LMI") Marylanders with weatherization. MEA goes to great efforts to increase meaningful impact to LMI Marylanders, providing grants through its own programs. Additional resources for weatherization are made available by DHCD through Maryland's EmPOWER surcharge. During the second half of 2019 DHCD's Low Income Energy Efficiency Program ("LIEEP") served a total of 3,446 households and delivered 4,378 MWh and 114,295 therms savings to LMI Marylanders. DHCD's The Multifamily Energy Efficiency and Housing Affordability ("MEEHA") Program reported completing 1,556 units and achieving 2,845 MWh and 107,138 therms this calendar year. All of these metrics exceed forecasts for this program year and were made possible with the assistance of $7,849,390 in leveraged funds against $4.9 million in program funds.

MEA believes strongly that MGEF will provide underserved areas with reliable energy, low cost fuel, and the infrastructure needed for economic development. For the foregoing reasons MEA urges that the bill be given an **unfavorable report**.

[1] Md PSC Order 88631 at 37. *Internal citations omitted.*