



TO: Members, House Economic Matters Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB0379 (SB0462) - Public Utilities – Low-Income Housing – Energy Performance Targets
DATE: February 4, 2021

MEA POSITION: Letter of Information

Though MEA appreciates the Sponsor's intent, this bill will likely raise costs for ratepayers, exacerbate an existing debt that is already approaching one billion dollars, and cause significant damage to the credibility of the State.

The Department of Housing and Community Development's ("DHCD") EmPOWER cycle plan proposed to spend approximately \$28 million per year to achieve about ~11,333 MWh energy savings per year. In the Public Service Commission (PSC) EmPOWER Limited Income Work Group, it was estimated that 1% energy savings goal would equate to over 40,000 - 50,000 MWh per year.

DHCD already leverages funds from multiple sources as is highlighted in the bill. Those funds are estimated to contribute about 3,000 MWh/year of energy savings. The direct ratepayer impacts of the bill on EmPOWER program costs are dependent on how the ratepayer contribution would change. However, if the ratepayer contribution is increased proportionately, the EmPOWER costs would likely increase to more than \$80 million per year. Additionally, interest would accrue each year.

The proposed legislation will deplete the full balance of the funds MEA received as a result of the merger between Altgas Ltd. and WGL Holdings, Inc. by transferring ~\$26 million to DHCD. As noted above, this would only constitute a fraction of the funds needed to achieve the initiatives of this bill. More importantly, the merger funds were received through a very inclusive, deliberative, and lengthy process before the PSC. This process culminated in a settlement agreement that included the State, Montgomery County, Prince George's County, labor representatives, and ratepayer advocates. The PSC determined that the settlement

agreement offered specific benefits and no harm. The proposed legislation's conversion of these funds would ignore the settlement agreement, disregard the inclusive and deliberative process, and would therefore endanger the State's credibility as a leading party in that merger process. This may cause parties in the future to be less amicable to any such settlement agreements with the State.

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

Under the Program, qualified applicants are eligible for hundreds of thousands of dollars in order to help pay for their transition from dirty, expensive fuels; 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 FY22 funding, grantees such as UMES would only have access to a fraction of the available resources that they and MEA originally envisioned.

As to the validity of that merger and the settlement agreement, the PSC notes why its discretion and orders regarding corporate mergers within the scope of its regulatory authority should be followed in the recently released Office of Legislative Audits January 2021 Public Service Commission Audit Report. PSC noted that, "[a] great deal of discretion is necessarily vested in the Commission in order that it may properly discharge its important and complex duties;," and that the Maryland Court of Appeals has rejected the argument that "the Commission employ a particular formula or method" in instances which "the General Assembly entrusted to the Commission's discretion."¹

MEA urges the Committee to consider the forgoing when issuing its report.

¹ See *People's Counsel v. Pub. Serv. Comm'n*, 52 Md. App. 715, 722, (1982) and *Accokeek, Mattawoman, Piscataway Creeks Cmty. Council, Inc. v. Md. PSC*, 227 Md. App. 265, 288 (2014)