



TO: Members, House Economic Matters Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB1007 - Renewable Energy Portfolio Standard and Geothermal Heating and Cooling Systems
DATE: February 25, 2021

MEA Position: Letter of Information

MEA generally supports diverse options when it comes to combating greenhouse gas emissions, while promoting the reliability and resiliency of energy within the State. However, House Bill 1007 raises some concerns of which this committee should be aware.

Limiting ACP uses to the same technology that falls short of RPS requirements creates a disincentive for development. In this instance, the geothermal industry can reap Tier 1 RECs or geothermal carve-out RECs by developing new geothermal systems. However, if the industry *does not* respond by developing new geothermal systems, the industry will be guaranteed to reap the benefits of geothermal ACP, which is likely to have a significantly higher \$/energy unit price, and therefore benefit.

The bill requires that RECs be divided into categories based on income level. The current REC market would have to be overhauled to include income information, forcing suppliers to seek personal information unrelated to electricity supply.

The limitations on 360,000 BTU systems creates barriers to adoption of clean energy for ratepayers with large thermal energy needs, while targeting the largest users of thermal energy would actually provide the greatest benefit. By tying energy projects to social priorities, it reduces the likelihood that a private entity will make in-state investments in energy equipment.

Lastly, though the bill makes efforts to promote equity, geothermal energy has a high, up-front, incremental cost that may be unattainable for low income residents. RECs, on the other hand, only provide benefits after the initial cost hurdles have been cleared. This will lead to adoption by those who can afford the significant up-front expense and who can tolerate the timeline needed to realize the financial benefit, likely at the exclusion of those who cannot.

MEA currently operates a program to reduce the up-front barriers to adoption of geothermal heat pumps. With greater funding, MEA could increase the benefit of that program specifically for low-to-moderate income ratepayers (MEA's solar incentives operate in this manner). However, several legislative efforts this session have already largely exhausted the funding source for that and other MEA programs.

MEA urges the committee to consider the proceeding prior to issuing its report.