COMMISSIONERS

JASON M. STANEK
CHAIRMAN

MICHAEL T. RICHARD
ANTHONY J. O'DONNELL
ODOGWU OBI LINTON
MINDY L. HERMAN

STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

February 16, 2021

Chair Delores G. Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: SB 462 - INFORMATION –Public Utilities – Low-Income Housing – Energy Performance Targets

Dear Chair Kelley and Committee Members:

Senate Bill 462 requires the Department of Housing and Community Development (DHCD) to procure or provide energy efficiency and conservation programs and services that are designed to achieve annual incremental gross energy savings of at least one percent per year, starting in 2022. The efficient use of electricity benefits all ratepayers by providing system-wide and societal benefits such as avoided infrastructure investments, increased reliability, and reduced air pollution and greenhouse gas emissions, in addition to the direct benefits of reduced energy costs and improved health for program participants. Existing limited-income programs are an important component of EmPOWER Maryland and are offered at no cost[1] to qualifying ratepayers, ensuring that all ratepayers (regardless of income) can benefit from energy efficiency programs.

The *Public Utilities Article* requires the Commission to consider ratepayer impacts (§7-211(i)). In 2019, the cost of implementing DHCD's programs represented approximately 13 percent of total EmPOWER program costs.[2] It is reasonable to project that the costs of achieving a one percent goal would be significantly higher than DHCD's currently approved budget and program structure. However, the Commission does not have enough information to assess ratepayer impact at this time. The development of a baseline for the limited income goal would require a stakeholder process and calculations of energy sales specific to the limited income population, using various data sources.

DHCD was approved by the Commission in Order No. 84569 to be the single implementer of the EmPOWER limited income programs beginning in 2012. However, limited income ratepayers have access to the utility programs as well.[3] The utilities report the savings

[1] Ratepayers pay for the EmPOWER Maryland programs through a monthly surcharge on their utility bills.
[2] This does not include the costs for the natural gas coordination DHCD operates for Washington Gas.
[3] Some programs that are available at no additional cost to the funds paid into the EmPOWER surcharge include Quick Home Energy Checkups, energy efficiency kits, behavioral home energy reports, and appliance recycling program. The utilities have also partnered with local food banks to distribute LED bulbs at no additional cost.

they are able to attribute to limited income ratepayers in their semi-annual reports to the Commission. The Committee may wish to ensure that any new efforts are not duplicated by DHCD and the utilities, and that energy savings are attributed to the appropriate customers and energy savings goals.

SB 462 also proposes to move proceeds from the Alta Gas-WGL merger, approved by the Commission in 2018,[4] that remain unspent as of June 30, 2021, to DHCD for use towards low-income residential weatherization, as part of the Electric Universal Service Program. The Maryland Gas Expansion Fund is part of the Maryland Strategic Energy Investment Fund and was established to promote economic development and expand natural gas infrastructure to underserved parts of Maryland. It represents approximately 35 percent of the total benefits anticipated to go to ratepayers as part of the merger.

The Commission ordered several conditions to ensure that ratepayers affected by the merger would receive most of the benefits. These requirements include that a majority of the funds be spent in Washington Gas's service territory, that efforts be made to engage with affected counties and municipalities on the disbursement of the projects and funds, and that at least $4.6 million of the funds be used in Calvert, Charles, Frederick, and St. Mary's counties. Notably, SB 462 does not include corresponding conditions to ensure that benefits be directed to ratepayers most affected by the merger. This unanticipated reallocation of funds may also present significant legal challenges as the legislation seeks to modify the terms of an existing settlement agreement that the Commission approved in connection with the Alta Gas-WGL merger transaction in 2018.

I appreciate the opportunity to provide information on SB 462. Please contact the Commission's Director of Legislative Affairs, Lisa Smith, if you have any questions. Thank you for your consideration.

Sincerely,

Jason M. Stanek
Chairman

[4] Order No. 88631, Case No. 9449 (April 4, 2018).