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Senator Dolores G. Kelley, Chair
Senate Finance Committee
Miller Senate Office Building
3 East, Annapolis, Maryland 21401

Re: **SUPPORT** – SB462 – PUBLIC UTILITIES – LOW-INCOME HOUSING – ENERGY PERFORMANCE TARGET

Dear Chairman Kelley and Members of the Committee:

My name is Ruth Ann Norton, and I am the President & CEO of the Green & Healthy Homes Initiative (GHHI), the nation's largest healthy homes organization. GHHI is dedicated to addressing the social determinants of health and advancing racial and health equity through the creation of healthy, safe, and energy efficient homes. By delivering a standard of excellence, GHHI aims to eradicate the negative health impacts of unhealthy housing and unjust policies for children, seniors, and families to ensure better health, economic, and social outcomes with an emphasis on black and brown and low-income communities. The Green & Healthy Homes Initiative has been at the frontline of holistic healthy housing for over three decades.

Under my leadership, GHHI developed the holistic energy efficiency, health and housing service delivery model that is implemented in our nationally recognized, Maryland-based direct service program as well in over 25 partner jurisdictions nationwide and whose model was adopted by the U.S. Department of Housing and Urban Development. In addition, GHHI helped to elevate Maryland as a national leader in healthy housing by helping reduce childhood lead poisoning by 99% in the state and designing over 40 pieces of healthy housing legislation that became law in the State of Maryland and local jurisdictions. GHHI is a member of Energy Efficient Maryland and serves on the New York State Climate Action Council Housing and Energy Efficiency Advisory Panel. I am a member of the EPA Children's Health Protection Advisory Committee and the Maryland Lead Poisoning Prevention Commission.

Through our own research and evidence-based practice, GHHI has found that a healthy and energy efficient home yields a multitude of energy and non-energy benefits for residents, particularly low-income residents who can benefit the most from such energy efficiency improvements in terms of economic mobility, housing stability and wealth attainment over the long-term. We are deeply committed to advancing racial and health equity, economic mobility and climate resiliency through efficiency standards for low-income housing, and thus write in SUPPORT of SB462 which is a crucial lynchpin in the effort to advance energy equity and address home health and energy efficiency gaps for Maryland's low-income families and households.

What will SB462 Do?

1. Establishes an electricity consumption savings goal for low income housing of 1.0% starting in 2022 during the next program cycle of EmPOWER. *Note: If it is deemed that a longer period of time is needed for the stakeholders to ramp up to a 1.0% low income energy savings goal for the state, GHHI would support an initial savings goal of 0.4% with the intent to set a goal of 1% by the end of 2026, pending the EmPOWER reauthorization past 2023.*
2. Enables DHCD to leverage other federal and state resources to achieve savings target.
3. Creates a Green & Healthy Task Force to develop recommendations on how to make all low-income housing in the state safe, healthy, energy efficient and affordable.
4. Transfers funding from the Washington Gas merger to DHCD for the purposes of providing low-income weatherization interventions.

Why is SB462 Needed?

Maryland has a nation-leading 2-percent-per-year electricity consumption savings target enacted by the legislature in 2017. However, these savings, which translate to lower energy bills and healthy homes, are not distributed equitably across all Marylanders. By law, Maryland's utilities are responsible for achieving the 2% target but do not serve all Marylanders. In Maryland, the Department of Housing and Community Development (DHCD) administers EmPOWER programming for all low-income households across the state while Maryland's Utilities primarily cover the non-low-income populations in their respective service territories. As a result, almost all the benefits of the 2% savings target accrue to non-low-income households. By comparison, DHCD is driving electricity consumption savings of about 0.15% in low-income households.

In addition to the electricity consumption savings, there is also a disparity in funding allocated to DHCD compared to the Utilities. For FY 19, which is the most recent data that we have, the Utilities requested over \$131 million dollars from EmPOWER, while DHCD requested just over \$20 million – all of which was projected to be spent in the BGE and Potomac Edison service territories. Both requests were approved from the Public Service Commission. In terms of spending, the Utilities spent just over \$110 million (about \$20 million less than they requested), and DHCD spent over \$25 million (about \$5 million more than they requested). Despite spending less than they requested, the Utilities exceeded their 2% electricity savings target. These numbers show that there is more demand for low-income programming through EmPOWER than funding can currently support. In fact, at Maryland's current funding levels, it will take 130 years for state programs to provide energy efficient upgrades in all 450,000 low-income households. Since the Utilities have a savings target and DHCD does not, the Public Service Commission has been content with allocating a disproportionate amount of funding to the Utilities. SB462 would establish a savings target for DHCD which we believe will enable DHCD to request more resources from the EmPOWER funding pot.

Given that all ratepayers – individuals that pay utility bills – in Maryland pay an EmPOWER surcharge on their utility bills every month, it is important for low-income households in

Maryland get a fair share of the benefits of EmPOWER. Throughout Maryland, low-income residents face disproportionately higher utility bills. As a proportion of total income, low-income residents in the state of Maryland pay 550% more as a portion of income for energy than non-low-income residents in the state. Some low-income Marylanders devote such an extremely high share of their income to energy services that up to 42 cents out of every dollar is spent on energy bills (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). Every dollar that low-income residents allocate to costly utility bills is a dollar that cannot be used on other household essentials ranging from affording medical bills and school supplies to food (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018).

Approximately 55% of Maryland's low-income households include Asian, Hispanic or Black residents. These residents have less access to affordable, energy efficient and healthy homes (Lucy Laflamme, N.D.). These disparities persist across the state, characterized by energy inefficient homes and health hazards like lead-based paint, leaky roofs, and mold. These conditions often cause DHCD to defer energy efficiency service delivery until all health and safety hazards are addressed. Deferral technically means that the services will be delivered eventually but most deferred cases never get the upgrades because there are no resources to help low-income households address the hazards themselves. EmPOWER has a \$1,000 health and safety budget per unit that can be used to perform pre-energy efficiency hazard remediation, but in many cases, this budget is not large enough to address all health and safety issues.

In situations, where a household is unable to receive building shell measures like insulation, air sealing, window replacements because of health and safety hazards, DHCD may perform cosmetic energy efficiency upgrades. Cosmetic energy efficiency upgrades refer to light bulb replacement and low flow faucet and shower heads and typically don't have as significant an impact on energy consumption and occupant well-being. Achieving a 0.4% savings goal will require DHCD to perform deep energy upgrades in low-income households, which also means that there needs to be a mechanism to address health and safety hazards to allow for deep energy upgrades. SB462 addresses this problem in several ways:

- SB462 encourages DHCD to leverage additional sources of available funding for energy efficiency and healthy housing. These sources include U.S. Department of Energy's Weatherization Assistance Program, HHS Low-income Heating and Energy Assistance Program, U.S. Department of Housing and Urban Development's Community Development Block Grant and Lead Hazard Reduction and Healthy Homes Programs, Maryland's Strategic Energy Investment Fund, and others. These funding sources can be leveraged to 1) address health hazards in substandard housing and 2) fund deeper energy efficiency retrofits such as building shell measures.
- SB462 also establishes a Green & Healthy Task Force, comprised of state agencies and other stakeholders, to develop a plan for how the state will improve the conditions and energy efficiency of all low-income housing in the state, and prohibits the use of toxic substances and materials from insulation measures.

- In order to measure impact accurately, the Bill takes the action of requiring DHCD to develop, in partnership with stakeholders, an average lifetime measure threshold, which is a numerical value that characterizes the average lifetime savings accrued by measures that DHCD installs through their programs. The EmPOWER program currently uses an annual savings model to determine success of the program. The annual savings measure introduces an incentive for DHCD and the Utilities to invest in measures that have a high annual savings projection, which are typically cosmetic upgrades such as light bulb replacement, and not building shell measures such as insulation and air sealing. Building shell measures typically have a significant lifetime savings projection but do not typically have a high annual savings projection. To incentivize building shell measures, SB462 requires DHCD to develop an average lifetime savings threshold that is high enough to encourage building shell measures.
- Lastly, SB462 increases DHCD's EmPOWER budget by transferring almost \$25 million in flexible funding from the Washington Gas merger to perform low-income weatherization and healthy housing measures. There is precedent for this idea. In 2013, the Maryland Public Service Commission created the \$113 million Customer Investment Fund (CIF) out of the Exelon/Constellation merger. The fund was created to provide energy efficiency and low-income rate assistance to customers of the BG&E territory. The funds from CIF were awarded directly to 5 entities: Baltimore City, Baltimore County, The Fuel Fund of Maryland, Comprehensive Housing and the Maryland Energy Administration. With this new investment, the previously deferred homes were targeted for energy efficiency improvements first. Initially, the total budget for energy efficiency projects funded by CIF was \$21,700, with \$15,000 allotted for health and safety and \$6,700 for energy efficiency measures. However, this amount for health and safety was doubled after realizing that the original amount was insufficient in addressing health and safety hazards needed to perform energy efficiency upgrades in more at risk housing.

Benefits of providing low-income households with energy efficiency upgrades

Achieving a 0.4% energy savings goal will cost money. Still, benefits that accrue to low-income households and communities as well as the state of Maryland far outweigh the costs. A recent Gabel Associates report found that a 5-year ramp up to a 1% energy savings goal will provide over \$509.9 million in benefits to the state compared to \$377.5 million in total costs (net present value over the 5-year period). Energy efficiency and weatherization interventions provide not only energy benefits, related to reductions in energy usage and costs, but also non-energy benefits as well. Non-energy benefits are “the wider socio-economic outcomes that arise from energy efficiency improvement, aside from energy savings”. Studies have shown that energy efficiency and weatherization can improve housing conditions relating to thermal comfort, indoor air quality, pest management, and fire safety. In the Gabel Associates report, non-energy benefits accounted for over half of the total benefits.

Furthermore, household energy efficiency upgrades can spur community benefits such as economic growth, neighborhood revitalization, and resilience. These investments can help to support and stimulate the local economy by providing families and individuals with greater disposable income, which can help alleviate poverty and increase purchasing power while generating more local jobs (Bell 2014; IEA 2014). One study found that between 9 and 13 gross jobs are generated per every \$1 million investment. By targeting energy efficiency upgrades at low-income households with SB462, all Marylanders will benefit.

Energy Equity

As demonstrated by assorted research efforts, in the United States African Americans have the greatest likelihood of residing in older homes with compromised energy systems, aging or ineffective appliances and other assorted structural deficiencies, all of which contribute to making the home energy inefficient (Diana Hernández Yumiko Aratani Yang Jiang, 2014; Diana Hernández, Yang Jiang, Daniel Carrión, Douglas Phillips, and Yumiko Aratani, 2016). The often, substandard state of such deprived households, specifically considering those in historically residentially segregated areas, typically contain assorted compromised components directly related to a home's energy inefficiency status. These include but are not limited to, inadequately sustained and inefficient ventilation (HVAC), cooling and heating systems, drafts or air leaks, and poor insulation (Ariel Drehobl and Lauren Ross, 2016; Diana Hernández and Douglas Phillips, 2015; Tony Gerard Reames, 2016; United States Census Bureau, 2015). These structural conditions, coupled with a household's inability to obtain energy – independent systems within higher quality homes, all contribute to increased costs for fundamental home utilities such as cooling and heating systems and lighting, through inefficient household energy usage (Jamal Lewis, Diana Hernández & Arline T. Geronimus, 2019).

Data demonstrates that African Americans are disproportionately subjected to trade-offs, for instance choosing between paying energy expenses or food and medicine, with 28% of African Americans households reporting having waived food and medicine monthly in order to pay for energy, (James Berry, Independent Statistics & Analysis: U. S. Energy Information Administration, 2018). Investigations have revealed how challenges central to energy insecurity, including difficulties paying energy bills or experiencing reduced thermal comfort, were connected to raised stress levels, known to be damaging to long term health when chronically sustained (Arline T. Geronimus, 2000; Diana Hernández, 2016).

Energy efficiency upgrades further alleviate the ongoing long-term exposures to housing and household energy usage related stressors, known to damage health and well-being that disproportionality impact African American households. Information about accessing and utilizing energy efficiency efforts thus needs to be appropriately directed toward African American households, especially low-income households, to counteract the perpetuated cycle of housing and energy efficiency outcomes seen along racial energy savings lines (Hernández, 2016). As one in every five low-income households in Maryland are non-urban areas, both rural and urban state residents would benefit from a 0.4% low-income energy savings goal.

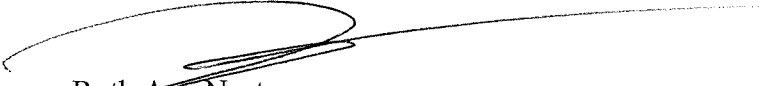
(APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). This savings effort would help realize enhanced energy equity for all low-income Maryland residents.

How Does Maryland Compare with Other States?

Presently, no other states to our knowledge, have implemented an energy efficiency savings goal for low-income households. Maryland would become the leader on this front. However, other states already are recognizing the importance of serving low-income households with energy efficiency. As a part of Governor Cuomo’s New Efficiency: New York initiative, the New York Public Service Commission issued an order for all utilities to dedicate at least 20 percent of incremental funding to low- and moderate-income households (LMI). This LMI carve out represents about \$253 million for the period of 2021-2025. Another example is the 2017 *Future Energy Jobs Act* passed in Illinois, which mandated that investor-owned electric utilities realize yearly energy savings goals, while meeting a minimum spending level specifically for low-income programming (Environmental Defense Fund, 2018). For instance, Commonwealth Edison (ComEd), the largest electric utility in Illinois and the sole provider in Chicago, is required to spend a minimum of \$25 million per year to improve the energy efficiency of low-income ComEd households while reducing utility bills for these low-income customers (Environmental Defense Fund, 2018). Lastly, California’s long-term energy efficiency strategic plan establishes a goal that by 2020, 100% of all eligible and willing customers will have experienced all cost-effective energy efficiency measures for low-income customers (California Public Utilities Commission, 2008).

When compared to other states programming, Maryland falls behind in terms of low-income residents’ experience with energy costs and total energy savings. Across the US, low-income homes allocate 8% of annual incomes to household energy costs; in contrast Maryland’s low-income homes dedicate 13% of yearly household incomes to cover these utilities (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). At present funding levels in the state, it would take 130 years to finish energy efficiency improvements in all eligible 450,000 low-income households in the state (Lucy Laflamme N.D.). However, with a 0.4 % low-income savings goal in place, and with the intent of getting to a 1% goal in 2026, the State of Maryland will be able to reach all eligible households in 13 years. This proposed legislation focuses our efforts and resources most effectively on the residents who will garner the greatest benefit from residential energy efficiency improvements. SB462 presents an opportunity to place Maryland in a position of national leadership in advancing racial, health and energy equity and supporting economic mobility by meeting the critical housing and energy needs of Maryland’s most vulnerable residents. We respect a favorable report on SB462.

Respectfully Submitted,



Ruth Ann Norton
President and CEO