STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

February 15, 2022

Chair Paul G. Pinsky
Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West
Annapolis, MD 21401

RE: INFORMATION – SB 528 – Climate Solutions Now Act of 2022

Dear Chair Pinsky and Committee Members:

Senate Bill 528 envisions broad modifications statewide to address climate change, some of which impact the utility industry and ratepayers. The Maryland Public Service Commission would like to offer two observations regarding the energy efficiency goal changes and building code changes proposed.

First, recognizing that energy efficiency is one of the least expensive ways to meet electricity demands for consumers, the Maryland General Assembly passed the *EmPOWER Maryland Energy Efficiency Act* in 2008. This law established the EmPOWER Maryland Program with the stated goal of reducing electricity consumption and peak demand. In 2017, the General Assembly passed legislation to update Maryland's energy efficiency goals and extended the EmPOWER Maryland Program through 2023. SB 528 would add a new program cycle covering 2024-2026 and gradually increase the savings goal from 2% to 2.75%.

The Commission oversees implementation of the EmPOWER Program by the participating utilities and would like to highlight potential ratepayer impacts for the Committee's consideration. Through June 30, 2021, EmPOWER saved over 12.6 million MWh and 2,702 MW of peak demand, generating $1.29 in benefits to Marylanders for every $1.00 spent on these programs. The savings in forgone power production is equivalent to reducing 8.97 million metric tons of carbon dioxide emissions.

Historically, the majority of energy savings under EmPOWER came from the replacement of inefficient lighting (*e.g.*, incandescent lamps) with energy efficient alternatives (*e.g.*, LEDs). EmPOWER and other energy efficiency programs across the country have changed customer lighting preferences and resulted in changes to federal lighting standards. This has changed the lighting market, resulting in fewer inefficient lighting options available for

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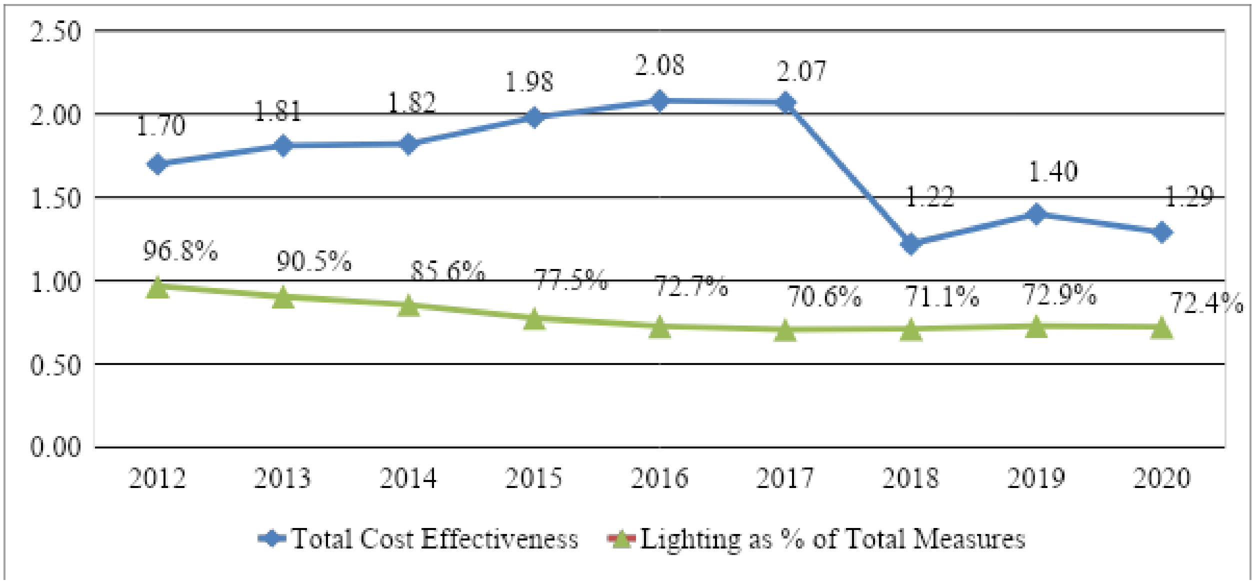
purchase. With much of the lighting fixtures now upgraded to efficient bulbs, other energy efficiency measures are being sought. As such, it is becoming more challenging to keep the costs of EmPOWER from increasing and the cost-effectiveness of the programs from decreasing. The graph below illustrates how the cost-effectiveness of EmPOWER has declined over time, with the decline in lighting as a percent of the total measures installed under the program.



The decline in EmPOWER lighting programs is expected to continue. If the Maryland General Assembly intends to preserve the cost-effectiveness of EmPOWER, the utilities will be required to invest in more expensive energy efficiency measures, which will impact the rates customers will pay on their utility bills. This year (2022), the average electricity customer in Maryland that uses 1,000 kWh per month can expect to pay between $6.19 and $8.42 per month for their EmPOWER charge. This amount will need to increase to accommodate changes necessary to meet the more aggressive goals in SB 528, while also ensuring that the programs remain cost-effective. The exact rate impact is unknown without further study.

Second, SB 528 proposes to revise the State's greenhouse gas goal from a 40 percent reduction in GHG emissions relative to 2006, by 2030, to a 60 percent reduction in GHG emissions relative to 2006 levels by 2032, and net-zero statewide GHG emissions by 2045. To achieve these goals, the electric and natural gas companies overseen by the Commission will likely be impacted significantly. Specifically, the proposed changes to the building codes prohibiting new buildings from using fossil fuels to meet water and space heating demands will impact how the utilities plan their systems, meet customer needs, and the rates customers pay on their utility bills. The exact rate impact is unknown without further study.

The Commission appreciates the opportunity to provide information on SB 528. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,

Jason M. Stanek
C-hairman