Energy Efficiency for Everyone

HOW TO SUPERCHARGE EMPOWER MARYLAND

Maryland PIRG Foundation

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Maryland PIRG Foundation

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Cover image: Downtown historic Frederick, Maryland. Photo credit: Christian Hinkle via Shutterstock.

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Executive summary

THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 has done a lot to improve energy efficiency in Maryland – saving utility customers money, reducing pollution and helping protect the environment. But now, a decade and a half after it was first adopted, the programs that resulted from it can and should be updated to meet more of the state's needs and better serve Marylanders. **With smart reforms, the next iteration of EmPOWER Maryland can achieve greater total energy and financial savings, better serve limited-income Marylanders, and deliver even more environmental and public health benefits.**

Under EmPOWER Maryland, the electricity and gas utilities and the state Department of Housing and Community Development administer a set of programs that help Maryland residents and businesses improve the energy efficiency of their buildings. By 2015, EmPOWER had met its initial goal of reducing per-capita electricity consumption and peak demand by 15% below 2007 levels.[1] Since then, it has continued to benefit Marylanders, with almost every participating utility meeting its annual goal of saving the equivalent of 2% of 2016 electricity sales in 2021.[2] Besides saving energy, EmPOWER has also:

- Reduced Maryland's greenhouse gas emissions by the equivalent of 9.6 million metric tons of carbon dioxide cumulatively as of 2020, equal to taking 2 million cars off the road for a year.[3]

- Saved Marylanders over $4 billion on their energy bills so far, with expected lifetime savings of $12.7 billion for efficiency measures installed as of the end of 2021.[4]

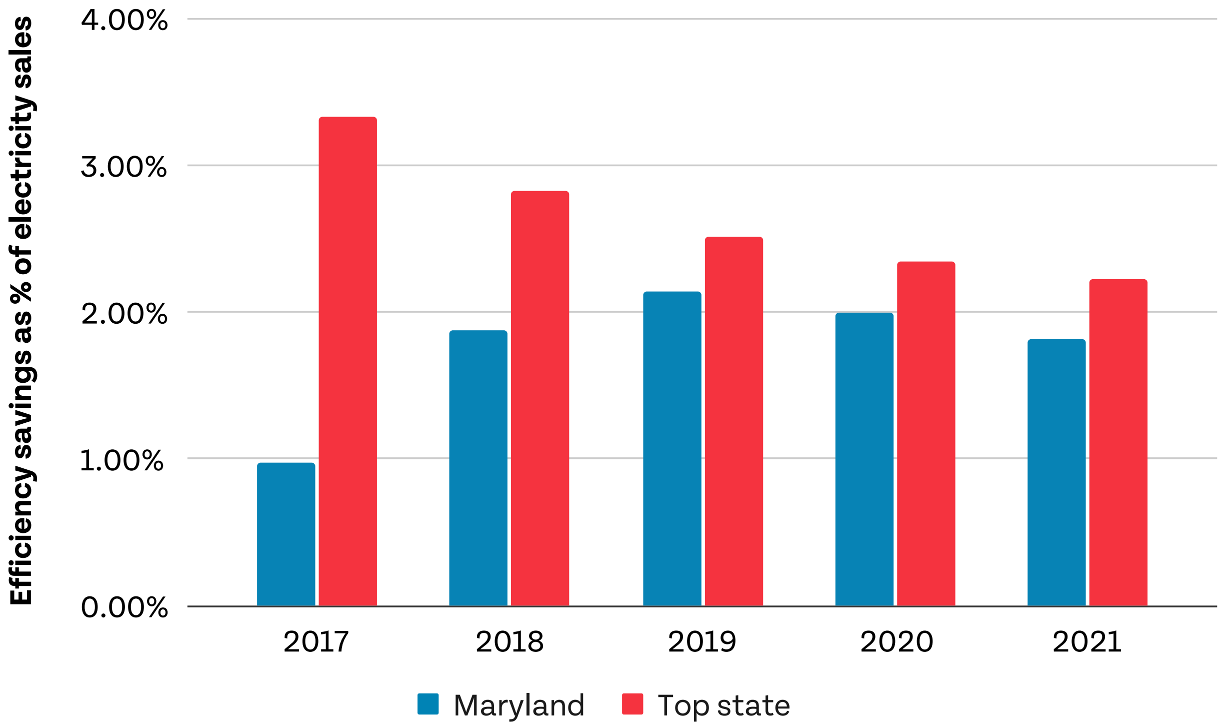
But EmPOWER can – and must – do more to save energy, save money and cut pollution. As currently designed and implemented, EmPOWER does not achieve the level of overall energy savings that it could, does not adequately support the state's climate goals, and does not do enough to help limited-income customers save energy.

Maryland utilities are leaving energy savings on the table.

- If, in 2021, Maryland had saved electricity at the same rate as the top states for energy efficiency from 2019-2021 did, Maryland would be saving an additional 236,164 to 408,154 megawatt-hours of electricity over the lifetimes of those programs, enough to power 22,200 to 38,400 average homes for a year (see Figure ES-1).[5] At the 2021 average retail price of electricity in Maryland, 236,164 megawatt-hours are worth over $27.1 million, a price Marylanders may have had to pay unnecessarily.[6]

- Most programs within EmPOWER are run by the state's five biggest electric utilities – Baltimore Gas & Electric, Delmarva Power & Light Company, Potomac Edison, Potomac Electric Power Company, and Southern Maryland Electric Cooperative, which together sell 93% of the state's electricity.[7] EmPOWER now also includes Washington Gas Light Company (WGL).[8] These utilities spent less in 2021 on almost every program they administered than the allotted budget for those programs – in some cases less than half of the allotted budget. For instance, Potomac Edison spent just 42% of its $2.5 million residential HVAC program budget.[9] Even before the COVID-19 pandemic,

FIGURE ES-1. MARYLAND VS. TOP PERFORMING STATE IN ACEEE RANKINGS BY ENERGY SAVINGS, 2017-2021[11]



many programs did not reach their energy savings forecast and/or use their full budgets.[10] Significant underspending on important programs indicates that there is ample room for more benefits and savings from the programs.

Current EmPOWER incentives undermine Maryland's climate protection goals and fail to encourage electrification of buildings, which is essential for cutting climate pollution.

- Achieving Maryland's ambitious climate goals will require the state to eliminate almost all fossil fuel use. However, EmPOWER continues to provide incentives for fossil fuel-powered appliances like furnaces and water heaters, locking in decades of climate and air pollution.[12]

- EmPOWER fails to adequately incentivize and prioritize efforts that would have both climate and efficiency benefits, such as replacing fossil fuel appliances and building systems with all-electric alternatives.

EmPOWER's programs targeted at limited-income consumers, which are run by the state's Department of Housing and Community Development (DHCD), deliver only limited savings.

- While limited-income households represent at least 26.5% of households statewide, only 17.5% of residential spending under EmPOWER is allocated for them.[13]

- The DHCD-run limited-income EmPOWER programs account for just 3% of the total planned lifetime electricity savings from residential EmPOWER programs statewide, despite those customers using approximately 11% of the state's retail sales of electricity.[14]

- Low-income Maryland households spent an average of 12% of their gross income on energy in 2020. The Maryland Office of People's Counsel recommends households spend no more than 6% of their gross income on energy.[15]

- Neither the Maryland General Assembly nor the regulators in charge of EmPOWER have set binding goals for the limited-income programs, and DHCD achieved just 9% of its own nonbinding energy savings target for limited-income multifamily residences in 2021 and only 70% of its target for single-family homes.[16]

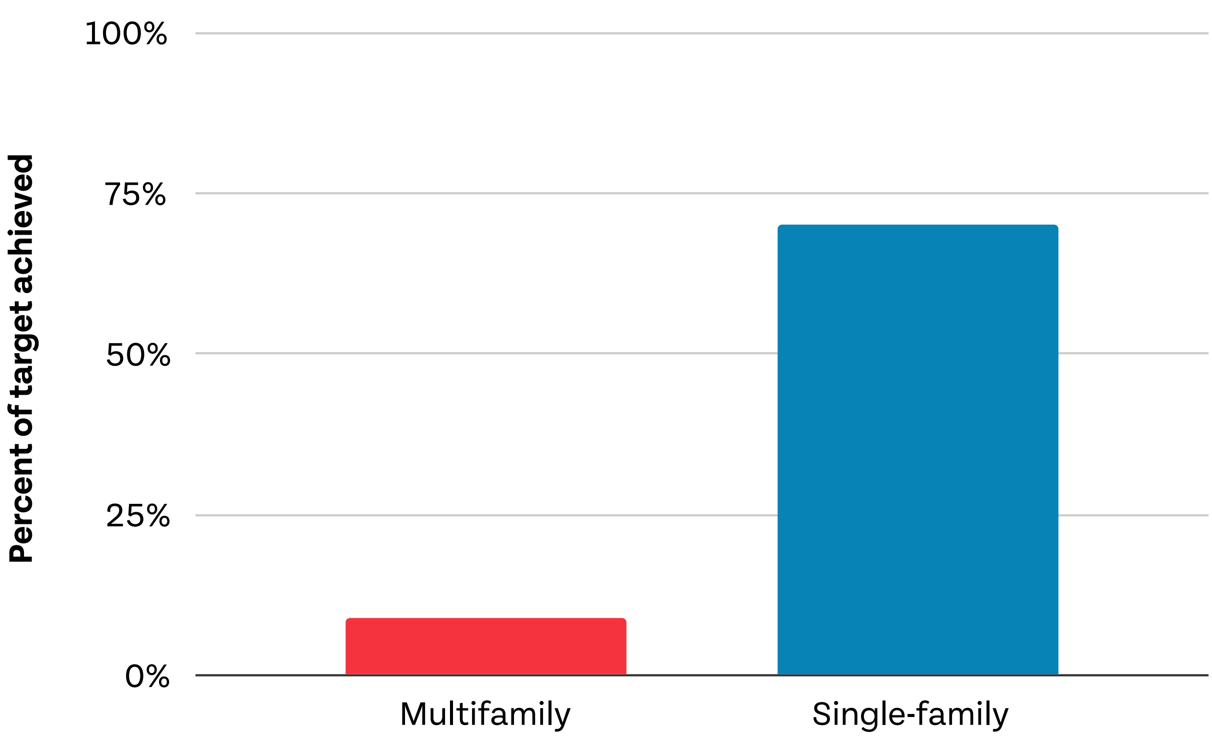
- Current EmPOWER restrictions don't allow DHCD to help any limited-income households switch from fossil fuel equipment to electric equipment.[17]

With better design, EmPOWER could deliver greater energy savings for everyone.

- There is no mechanism by which the utilities are incentivized to actually meet efficiency goals or penalized for failing to meet those goals. Creating such a "performance-based" mechanism could help drive longer-lasting savings.

- The EmPOWER cost recovery mechanism was designed such that utilities self-finance EmPOWER programs, ratepayers repay just a portion of those expenses each year, and the unpaid expenses accumulate with interest, a cost-recovery design shared by just a handful of other states' energy efficiency programs. The utilities have been earning a very high return on EmPOWER investments – from

FIGURE ES-2. PERCENT OF DHCD TARGETS FOR LIMITED-INCOME RESIDENTIAL PROGRAM ENERGY SAVINGS ACHIEVED, 2021[18]



about 16% to over 20% of annual costs – and will continue to do so until 2024, when a recent ruling by the Public Services Commission will take effect (see "EmPOWER's financing system fails to incentivize good performance and to protect ratepayers").

In order for EmPOWER to meet the needs of the moment and to do more for the environment and all Marylanders, the General Assembly and the Public Service Commission should:

- Redesign EmPOWER to provide greater savings to more Marylanders:
    - Ensure that programs that provide deeper, longer-lasting savings serve as many people as possible;
    - Consider alternate administrative structures to increase the program efficiency of EmPOWER; and
    - Increase support for renters.
- Align EmPOWER with Maryland's climate goals:
    - End incentives for fossil fuel appliances;
    - Incentivize electrification; and
    - Continue to boost efficiency.
- Improve EmPOWER for limited-income Marylanders:
    - Increase ambition for the limited-income programs by setting strong goals and making a plan to serve all limited-income households within the decade;
    - Allow limited-income EmPOWER programs to help Maryland households looking to switch to electric heating, water heating and cooking;
    - Improve implementation by making the programs easier to access and ensuring that EmPOWER applicants and participants are also considered for all other relevant funding sources, including new federal funding from the Inflation Reduction Act; and
    - Require reporting on the limited-income EmPOWER programs to be more detailed and comprehensive.
- Incentivize and penalize utilities based on their performance in delivering efficiency benefits to Marylanders.