

STATE OF MARYLAND



OFFICE OF THE CHAIRMAN

JASON M. STANEK

PUBLIC SERVICE COMMISSION

March 2, 2023

Chair C.T. Wilson
Economic Matters Committee
House Office Building, Room 231
Annapolis, Maryland 21401

RE: UNFAVORABLE – HB 904 - Public Utilities - Energy Efficiency and Greenhouse Gas Emissions Reductions - Alterations and Requirements

Dear Chair Wilson and Committee Members:

Transitioning Maryland's successful EmPOWER program from an energy efficiency to a greenhouse gas reduction goal is in line with state policies and ripe for consideration. While HB 904 accomplishes this task, it is overly prescriptive and creates program constraints that do not belong in statute. Despite the Commission's agreement with the main purpose of the bill, the Commission strongly opposes this bill and urges an unfavorable finding.

In 2021, the Commission predicted the need to make significant changes to the EmPOWER program. Beginning with the 2024-2026 program cycle, the costs for existing programs will increase significantly based on current statutory goals. This is largely due to the success of national energy efficiency efforts to transform the lighting market. Until now, efficient lighting has been the foundation of our cost effective programs and continuing to pursue energy efficiency without this program will be costly. In addition, while energy efficiency and conservation are important, they alone are not the most impactful way to achieve the State's current climate change commitments. With this upcoming challenge in mind, the Commission convened a workgroup to examine the future of this successful program. Based on the recommendations of that diverse group, which included utilities, the ratepayer advocate, environmental organizations and others, the Commission agrees that the focus of future EmPOWER programs should be to reduce greenhouse gas emissions.

Ideally, shifting the focus of the EmPOWER programs to reducing greenhouse gas emissions will open the door to new program offerings and align program goals with state policy priorities. While HB 904 does shift the focus of the program, it also creates unnecessary constraints and conditions on the program which will compromise implementation and potentially impose unreasonable costs on ratepayers. Perhaps the most significant binding

constraint is establishing a 2% annual reduction in GHG emissions, without any information about the feasibility or cost impacts of this 2% goal. Reaching such a goal will be challenging and expensive, which will have disproportionate impacts on low- and moderate-income Marylanders. Moreover, without significant program design flexibility, it may be nearly impossible to deliver.

Specifically, HB 904 codifies a number of current program offerings and program limitations into law. By writing these offerings into the law, the Commission permanently loses the ability to terminate or redesign these programs and design new offerings better suited to the new goal. Codifying program offerings in statute will make it harder and more expensive to meet the proposed goals. For example, the bill codifies and limits specific gas programs, home energy audits and checkups, and sets specific behind the meter and front of the meter targets. These program design elements may or may not be appropriate; however, codifying prescriptive program design while undertaking an entirely new goal structure will make it harder and more expensive to meet the goals mandated by this legislation. Now is the time to transition EmPOWER to a greenhouse gas reduction goal, but adding significant and costly constraints before programs have even been designed will compromise the success of these offerings.

Additionally, the bill creates significant confusion between utility programs and DHCD's offerings. In particular, the final section of the bill requires DHCD to create a statewide rebate program, navigators and enact regulations. While DHCD has been a productive partner agency in providing low income energy efficiency offerings, they have never been involved in utility program offerings or oversight. This bill provides no guidance on how these obligations interact with the Commission's oversight of the programs and which agency will have authority over various aspects of the program. The Commission also has concerns regarding whether this bill could practically be implemented as intended, and these concerns can be discussed separately.

Given the significant concerns with HB 904, I request the Committee pass an unfavorable vote. However, in its place, I would urge the Committee to vote favorably on HB 1035 — a related, PSC-supported bill which alleviates the multitude of concerns laid out in this testimony — and provides a better foundation to build upon EmPOWER's track record of success. I appreciate the opportunity to provide information on HB 904. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman