

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: HB 1035 – FAVORABLE - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans

Dear Chair Wilson and Committee Members:

Transitioning Maryland’s successful EmPOWER program from an energy efficiency to a greenhouse gas (GHG) reduction goal is consistent with state policies. The Commission drafted HB 1035 to accomplish this task and reflect a consensus that resulted from a two-year stakeholder process. Specifically, HB 1035 requires the Commission to set greenhouse gas reduction goals beginning with the 2024-2026 program cycle for both electric and gas utilities and a low-income program through the State’s Department of Housing and Community Development. The bill also provides extensive program design flexibility to allow the Commission to deliver a balanced program that delivers the necessary GHG reductions while assessing and controlling costs and ratepayer impacts. **A legislative change is necessary this year because the next three-year cycle will begin on January 1, 2024.**

Over two years ago, the Commission predicted the need to make significant changes to the EmPOWER program. **Beginning with the upcoming 2024-2026 program cycle, the costs for existing programs are likely to *double* based on current statutory goals.** This is largely due to the success of national energy efficiency efforts, including EmPOWER, to transform the lighting market. Efficient lighting has been the foundation of our cost effective programs for over a decade, and continuing to pursue energy efficiency without this program offering will be costly.

Further, energy efficiency and conservation are alone are not the most impactful ways to achieve the State’s current climate change commitments. With this 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 drafted HB 1035 to transition the

EmPOWER programs away *from* reducing energy consumption *to* a primary goal of reducing greenhouse gas emissions.

Shifting the focus of the EmPOWER programs to reduce greenhouse gas emissions will open the door to new program offerings, new benefit streams, and authorize the Commission to align program goals with state policy priorities. The cornerstone of this legislation is establishing Commission authority to set greenhouse gas reduction targets for the EmPOWER programs sufficient to support the State's existing 60% GHG reduction by 2031 and net zero by 2045 goal. In addition, HB 1035 codifies the requirement to offer programs for electric utilities, gas utilities and specifically includes DHCD's low income programs in statute for the first time. The bill also aligns the statute with current program structure related to *cost-effectiveness* testing. Finally, the bill requires the Maryland Department of the Environment to provide analysis to the Commission on the adequacy of the program proposals.

HB 1035 does not set specific reduction goals because insufficient data exist at this time to determine the costly implications for ratepayers that could otherwise be avoided if the Commission maintains flexibility to moderate costs based on the input of parties. Despite diligent work over the past two years, stakeholders have been unable to reach a consensus goal or decide on what information is necessary to allow the Commission to offer a recommendation that would deliver cost effective reductions at a reasonable rate impact. However, this bill reflects stakeholder consensus and preserves existing Commission discretion and flexibility to develop the program design process when both cost and benefit information becomes available.

In conclusion, it is imperative that the Maryland General Assembly act to repurpose this successful program immediately. **This bill does exactly that, and no more.** I urge the Committee to make a favorable report on HB 1035. I appreciate the opportunity to provide information. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman