

# Maryland PIRG



**ECONOMIC  
ACTION**  
MARYLAND



**NATIONAL  
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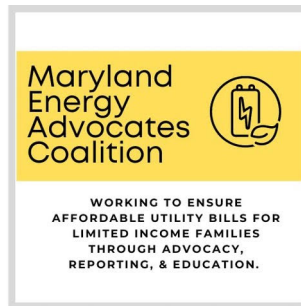
**CHESAPEAKE BAY FOUNDATION**  
Saving a National Treasure



**Center for  
Progressive  
Reform**



MID-ATLANTIC



**Citizens' Climate Lobby**  
Maryland



## **HB904: Public Utilities - Energy Efficiency and Greenhouse Gas Emissions Reductions - Alterations and Requirements (Energy Savings Act)**

**Economic Matters Committee**

**Thursday, March 2, 2023**

**Emily Scarr, Maryland PIRG**

**Favorable**

*Maryland PIRG is a state based, small donor funded public interest advocacy organization with grassroots members across the state. We work to find common ground around common sense solutions that will help ensure a healthier, safer, more secure future.*

Maryland PIRG, and our partners, enthusiastically support SB689, as amended by the sponsor. The bill would build on EmPOWER Maryland, the state's successful energy efficiency program by helping homeowners save money through energy efficiency rebates, aligning the program with the state's climate goals, and maximizing the use of federal energy efficiency funds available from the Inflation Reduction Act.

While the legislature has made clear it intends to shift away from fossil fuels to power our homes and buildings, EmPOWER is not currently in line with the state's plan. Today, EmPOWER does not include incentives for switching to electric power for home heating and appliances, and still allows incentives for fossil fuel appliances and home heating.

**As the electric and gas utilities update their rebates and incentives to help reduce energy use and greenhouse gas pollution, it remains critical that the program maintain its primary goals: to provide benefits to ratepayers.** That's why the Energy Savings Act includes guardrails to ensure that the utilities deliver savings directly to ratepayers, and are held accountable to their goals.

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## Bill components:

- **Keeps what EmPOWER does best** by continuing to offer free or discounted energy audits, help weatherize homes, and provide rebates for efficient heating and appliances. It adds electrification readiness to all home energy audits.
  
- **The bill sets up EmPOWER to deliver more savings to customers -**
  - Directs the PSC to establish performance standards so the utilities are rewarded for beating their goals, and held accountable for failing them.
  - It establishes a clear benchmark of 85% for what percent of goals are met though in home energy efficiency measures (behind the meter).
  - Helps expand access for low-income households to state and federal funds for energy efficiency and whole-home retrofits including lead removal, mold remediation, asbestos removal, and building improvements by establishing a multilingual community outreach specialist program within the Department of Housing and Community Development.
  - Monitors workforce development by asking the Department of Labor to report on the training and licensing of contractors needed to do efficiency updates including home contractors, electricians, plumbers, and HVAC specialists.
  
- **Aligning EmPOWER with MD climate goals -**
  - The bill adds a goal for greenhouse gas reduction. The bill directs the PSC to determine goals for each utility company to reach an average of 1.8% reductions yearly, or 14.4% by 2031.
  - The bill adjusts what is and what isn't incentivised, which is critical from a consumer perspective and environmental perspective.
    - The bill requires the utilities provide incentives for fuel switching and efficient electric appliances, which will open up access for the use of federal incentives. Electric appliances for heating and cooking are tremendously more efficient and less polluting than gas appliances. [For example](#), air-source heat pumps can be over four times as efficient as the best gas furnaces. This bill does not mandate the use of electric homes, but it rightly prioritizes those appliances and enables consumers to use incentives to make the switch to electric if they want.
    - The bill stops almost all incentives for fossil fuels heating and appliances. It doesn't stop anyone from buying new fossil fuel appliances, it just stops incentivising them.

## BACKGROUND

If you are a Maryland homeowner, you have likely benefited from EmPOWER Maryland, the state's energy efficiency program, which includes a utility-run program of rebates, weatherizations and efficiency updates.

For many of us, installing proper insulation, plugging up leaky windows, and using the most efficient light bulbs are no-brainers because of how much they lower our energy bills. But the benefits go beyond savings -- these efficiency measures also reduce air pollution and greenhouse gas emissions and make it easier to transition to renewable energy.

EmPOWER's successes include [saving ratepayers](#) more than \$4 billion on their energy bills and delivering lifetime energy savings worth \$12.7 billion. The program has also [reduced Maryland's greenhouse gas emissions](#) by the equivalent of 9.6 million metric tons of carbon dioxide cumulatively as of 2020. That's equal to taking 2 million cars off the road for a year.

While the program has been tremendously successful, it's time to improve the program to better meet the needs of Marylanders today, as outlined in [a recent report from Maryland PIRG Foundation](#).

### The report's findings include:

- **Maryland utilities are leaving energy savings on the table:** In [2021](#), Maryland's utilities spent less than the allotted budget on almost every energy efficiency program – in some cases less than half of the allotted budget (overall the EmPOWER budget was \$371 million, with actual spending of \$316 million). **Significant underspending on important programs indicates there is ample room for more benefits and savings from the programs.**
- **Current EmPOWER incentives undermine Maryland's climate protection goals:** EmPOWER fails to adequately incentivize and prioritize efforts that would benefit both the climate and efficiency, such as replacing fossil fuel appliances and building systems with all-electric alternatives. Meanwhile, EmPOWER continues to offer incentives for fossil fuel-powered appliances including furnaces and water heaters, which will lead to more climate and air pollution.
- **With better design, EmPOWER could deliver greater energy savings for everyone:** Utilities are neither incentivized to meet efficiency goals nor penalized for failing to meet those goals. Creating such a “performance-based” mechanism could help drive longer-lasting saving for customers.
  - Maryland utilities are profiting significantly more than utilities in other top states for efficiency. For example, Pepco earns a return equivalent to about 16% of its budget while BGE and Potomac Edison earn returns equivalent to over 20% of their annual budgets, as compared to the efficiency administrators in Massachusetts, Vermont and Rhode Island, which all earn returns equivalent to 5% or less of their program budgets.
  - The utilities also earn a much higher return on EmPOWER spending than on their normal expenses: for example, [the PSC set a 9.5% return on BGE's costs of providing electricity service for the 2021-2023 cycle](#).

- Making a small profit on EmPOWER is not a bad thing, but it shouldn't be so out of pace with other services and states, and should be tied to results. And the same goes for utilities failing, that should impact their profits.

We need to switch away from fossil fuels because burning fossil fuels in our buildings – such as in gas stoves or furnaces – presents threats to our health and climate. In addition to producing greenhouse gasses, fossil fuel equipment also produces toxic air pollution. [A recent study](#) found that indoor air pollution from gas stoves alone is responsible for 12.7% of childhood asthma. [A separate meta-analysis](#) found that living in a home with a gas stove increases a child's risk of concurrent and lifetime asthma by approximately 32%. Air pollution in general can cause [a wide range of health problems](#), including cancer, heart or lung damage, mental health problems, decreased cognitive functioning, impacts to fertility and even premature death. In the United States alone, air pollution is estimated to cause hundreds of thousands of [premature deaths](#) each year.

**Energy efficiency is one of the smartest investments the state can make, because it:**

- **Reducing costs for consumers and ratepayers.** By reducing the amount of energy people consume and reducing the amount of infrastructure needed to provide that energy, efficiency improvements help ratepayers pay less on their utility bills. That's because [energy efficiency improvements are often a cheaper way for utilities to meet electricity demand than generating and distributing electricity](#).
- **Protecting public health by reducing air pollution from burning fossil fuels.** Burning fossil fuels, both indoors and out, [produces air pollution](#) that can cause a range of health problems, from damage to the lungs and heart to cancer to mental health and cognitive issues.
- **Reducing greenhouse gas emissions.** By reducing fossil fuel combustion in buildings and from power plants, as well as the leaks of pollutants like methane associated with fossil fuel extraction and infrastructure, [energy efficiency reduces greenhouse gas](#) emissions and thus helps fight global warming and climate damage.
- **Making it easier to transition to renewable energy.** By reducing the amount of energy required to meet the needs of the public, energy efficiency reduces the total amount of dirty fossil fuel generation that must be replaced by clean renewable sources in order to protect public health and prevent the worst impacts of climate change. Energy efficiency also reduces the number of costly upgrades to electricity transmission and distribution systems that are needed, significantly [easing the transition to renewable energy and reducing the time, costs and other resources required to make it](#).

**We respectfully request a favorable report.**

Advance Maryland \* American Institute of Architects Maryland Chapter \* Audubon Mid-Atlantic \* Baltimore Jewish Council \* Blue Water Baltimore \* CASA \* CASH Campaign of Maryland \* Cedar Lane Environmental Justice Ministry \* Center for Progressive Reform \* Chesapeake Bay Foundation \* Citizens' Climate Lobby Maryland \* Elders Climate Action \* Environment Maryland \* HoCo Climate Action \* Interfaith Power & Light (DC.MD.NoVA) \* Maryland Citizens' Climate Lobby \* Maryland League of Conservation Voters \* Maryland League of Women Voters \* Maryland PIRG \* National Aquarium \* Natural Resources Defence Council \* The Climate Reality Project Greater Maryland Chapter \*

## Home Heating Fuel Source by County

|                | Electric  | Primary Home Heating Fuel -% |          |             | EmPOWER Residential Spend by Utility --% |            |        |
|----------------|-----------|------------------------------|----------|-------------|--|------------|--------|
| County         | Utility   | Gas                          | Electric | Oil/Propane | Lighting                                 | Behavioral | Direct |
| Baltimore      | BG&E      | 51%                          | 37%      | 11%         | 75%                                      | 17%        | 6%     |
| Baltimore City | BG&E      | 63%                          | 31%      | 5%          | 75%                                      | 17%        | 6%     |
| Anne Arundel   | BG&E      | 37%                          | 48%      | 12%         | 75%                                      | 17%        | 6%     |
| Howard         | BG&E      | 42%                          | 49%      | 7%          | 75%                                      | 17%        | 6%     |
| Harford        | BG&E      | 41%                          | 42%      | 14%         | 75%                                      | 17%        | 6%     |
| Carroll        | BG&E      | 18%                          | 50%      | 27%         | 75%                                      | 17%        | 6%     |
| Montgomery     | Pepco     | 52%                          | 43%      | 4%          | 77%                                      | 13%        | 8%     |
| Prince Georges | Pepco     | 52%                          | 42%      | 5%          | 77%                                      | 13%        | 8%     |
| Alleghany      | P. Edison | 54%                          | 26%      | 13%         | 53%                                      | 8%         | 36%    |
| Washington     | P. Edison | 24%                          | 51%      | 21%         | 53%                                      | 8%         | 36%    |
| Frederick      | P. Edison | 34%                          | 49%      | 14%         | 53%                                      | 8%         | 36%    |
| Calvert        | SMECO     | 6%                           | 74%      | 16%         | 65%                                      | 8%         | 25%    |
| Charles        | SMECO     | 24%                          | 56%      | 16%         | 65%                                      | 8%         | 25%    |
| St. Mary's     | SMECO     | 12%                          | 60%      | 15%         | 65%                                      | 8%         | 25%    |
| Cecil          | Delmarva  | 20%                          | 33%      | 40%         | 85%                                      | 12%        | 2%     |
| Wicomico       | Delmarva  | 17%                          | 59%      | 22%         | 85%                                      | 12%        | 2%     |