**2023-SB 905-PHI-FAV.pdf**
Uploaded by: Anne Klase
Position: FAV

pepco[SM]
AN EXELON COMPANY

delmarva power[SM]
AN EXELON COMPANY

March 14, 2023

112 West Street
Annapolis, MD 21401

**Favorable – Senate Bill 905 - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support **Senate Bill 905 Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**. Senate Bill 905 would require each electric company, electric and gas company and the Department of Housing and Community Development (DHCD) to procure or provide for customers or individuals in the state energy efficiency, conservation, and greenhouse gas (GHG) emissions reduction programs and services to encourage and promote the efficient use and conservation of energy in support of GHG emissions reduction goals and targets set by the State. The bill also requires the Public Service Commission (PSC) to oversee the program submissions from the above-mentioned entities.

In 2017, the Maryland General Assembly enacted legislation which updated the electricity savings goals for the EmPOWER Maryland Program and extended the program through 2023. With the current program cycle ending this year, legislation is necessary to continue Maryland's successful EmPOWER program. In 2020 the Public Service Commission (PSC) established the Future Programming Work Group (the "Work Group") to aid the PSC in answering the directives outlined by the General Assembly's 2017 legislation. After soliciting proposals from the EmPOWER stakeholders, and in consultation with the Commission's technical staff, on March 3, 2021, a proposed plan and timeline was filed setting forth a schedule to address topics. The Work Group's 28 virtual meetings were well attended with between 35 to 75 individuals participating at each meeting. All stakeholders had ample opportunities to express their views, both verbally and in writing, on each topic and to question/respond to all stakeholders' proposals. There were also numerous meetings with a smaller number of stakeholders held outside of the Work Group's scheduled meetings in an effort to reach agreement on various issues. The Work Group consisted of all relevant stakeholders, PSC Staff, the Maryland Energy Administration, Office of People's Counsel, and the utilities, to name a few, and put forth recommendations in a report for the future of EmPOWER program to the General Assembly on July 1, 2022.

Pepco and Delmarva Power support Senate Bill 905 because the legislation establishes the PSC 's authority to set greenhouse has reduction targets for the EmPOWER program sufficient to support the State's existing 60% by 2031 and net zero by 2045 goal. The provisions in the legislation include all of the consensus items agreed to by the Work Group members during a PSC led process. Unlike the other version of this legislation, this bill allows the PSC, through a regulatory process, the flexibility and discretion to look at and analyze the program designs offered by the utilities and ensure cost-effectiveness and prevent exorbitant costs to Maryland ratepayers. The PSC will also ensure that any programs utility companies may offer have projected and verifiable energy efficiency, conservation and GHG emission reductions for each affected customer class. As we consider all tools in the toolbox to meet Maryland's aggressive greenhouse gas reduction targets, including an equity and affordability lens to the analysis is imperative.

For the reasons stated, Pepco and Delmarva Power respectfully request a favorable report on Senate Bill 905.

Contact:

Anne Klase
Senior Manager, State Affairs
240-472-6641
Anne.klase@exeloncorp.com

Katie Lanzarotto
Manager, State Affairs
202-428-1309
Kathryn.lanzarotto@exeloncorp.com

CHESAPEAKE UTILITIES CORPORATION

March 14, 2023

SENATE EDUCATION, ENERGY, AND THE ENVIRONMENT COMMITTEE
SB 905 – Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans

**Statement in Support**

Chesapeake Utilities Corporation ("Chesapeake Utilities") respectfully **SUPPORTS** SB 905. As introduced, SB 905 seeks to alter the EmPOWER Maryland Energy Efficiency Program by (1) explicitly requiring energy efficiency and conservation measures to support greenhouse gas (GHG) emissions reductions; (2) removing prescriptive energy savings targets and instead requiring the Public Service Commission (PSC) to set GHG emissions reduction targets and approve energy efficiency and conservation measures designed to meet those targets; and (3) expanding applicability of EmPOWER to gas companies. The Department of Housing and Community Development (DHCD) is also required to participate in the program, as it does under current law.

The EmPOWER program was created almost 20 years ago for the purpose of encouraging electricity *conservation*. Only last year, the General Assembly shifted the purpose of the EmPOWER program to *increase* electricity usage. The General Assembly should tread carefully and cautiously to implement this change in the focus of the EmPOWER program – always with an eye towards keeping customer costs as low as possible. We noted that a competing bill currently before this Committee (SB 689) seeks to change the EmPOWER program in a radical and reckless fashion that would increase current EmPOWER surcharges (currently between $7 - $13 per month) to as high as $40 to $50 per month.

Chesapeake Utilities operates natural gas local distribution companies that serve approximately 32,000 customers on Maryland's Eastern Shore in Caroline, Cecil, Dorchester, Somerset, Wicomico and Worcester Counties. These public utilities are regulated by the Maryland Public Service Commission and have provided in the coldest months of the year safe, reliable, resilient and affordable service in the State for decades. As a company, Chesapeake Utilities serves as a positive and informed resource in the ongoing energy and climate change discussions. In fact, the natural gas industry in general (and Chesapeake Utilities in particular) has been a part of the largest reduction in greenhouse gas emissions in this country and will continue to drive the practical solutions needed to move forward. Chesapeake Utilities is committed to being part of the solution as Maryland considers legislation addressing greenhouse gas emissions.

SB 905 recognizes the changing EmPOWER program goals but provides the PSC with meaningful oversight to ensure programs remain cost-effective. On behalf of Chesapeake Utilities

Corporation, and our thousands of employees and their families who contribute every day in the communities where they live and work, we respectfully request a favorable vote on SB 905.

909 Silver Lake Boulevard, Dover, DE 19904 | 302.734.6799 | Fax: 302.734.6750 | www.chpk.com

# SB 905_Favorable_Stanek.pdf
Uploaded by: Jason Stanek
Position: FAV

STATE OF MARYLAND

OFFICE OF THE CHAIRMAN

JASON M. STANEK

**PUBLIC SERVICE COMMISSION**

March 14, 2023

Chair Brian J. Feldman
Education, Energy, and the Environment Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401

**RE: SB 905 – Favorable - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**

Dear Chair Feldman 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. Senate Bill 905 would accomplish this task and reflect a consensus that resulted from a two-year stakeholder process before the Commission. Specifically, SB 905 as introduced 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 SB 905 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.

SB 905 provides the Commission and parties with sufficient flexibility to moderate costs. The Commission is actively working to ensure that the necessary information will be available to set goals before December 31, 2023. The Commission required preparation of a potential study to examine the availability of cost-effective GHG reductions in the State. The Commission has received stakeholder comments on goal setting and held a hearing on this issue in February. An order is forthcoming to ensure that the upcoming program filings will provide sufficient information for the Commission to set goals for the 2024-2026 program cycle. The Commission is taking all possible steps to ensure that these successful programs will continue to meet the State's policy goals.

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 SB 905. 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

**BGE-EEE-SUPP-Senate Bill 905 - Public Utilities –**
Uploaded by: John Quinn
Position: FAV

bge
AN EXELON COMPANY

Position Statement

Support

Environment, Energy, and Education

3/14/2023

**Senate Bill 905 - Public Utilities – Energy Efficiency and Greenhouse Gas Emissions Reductions – Alterations and Requirements**

Baltimore Gas and Electric Company (BGE) strongly supports Senate Bill 905 - *Public Utilities – Energy Efficiency and Greenhouse Gas Emissions Reductions – Alterations and Requirements.* Senate Bill 905 changes the focus of the goals of the EmPOWER Maryland (EmPOWER) program from conserving energy to greenhouse gas reductions.

BGE supports shifting the focus of EmPOWER to align program goals with the State's current greenhouse gas reduction policies. Senate Bill 905 requires the Maryland Public Service Commission (Commission) to establish greenhouse gas reduction targets for the EmPOWER program to help support the State's efforts to reduce greenhouse gas emissions, including its goal of achieving net-zero Statewide greenhouse gas emissions by 2045. The legislation also sets forth parameters to ensure external analysis of the proposed program to ensure cost-effectiveness. Specifically, the legislation requires the use the Primary Maryland Jurisdiction-Specific Test developed by a stakeholder workgroup to evaluate the cost-effectiveness of the program and requires the Maryland Department of the Environment to provide an analysis for the Commission on the adequacy of EmPOWER plans in supporting the State's greenhouse gas reduction goals.

Senate Bill 905 provides the Commission with the authority to determine the most appropriate program design, and the Commission is well-positioned to execute this task to help the State achieve its energy and decarbonization goals. The Commission initiated the EmPOWER Future Programming Workgroup composed of a variety of stakeholders, including the Office of People's Counsel, the Commission Staff, BGE and other utilities, the Maryland Energy Administration, and several advocacy groups, to develop recommendations on the future of the EmPOWER program. After extensive meetings, discussions of various viewpoints, and negotiations, a consensus goal structure was reached for how GHG savings should be achieved through EmPOWER. Senate Bill 905 is based on the many consensus recommendations reached and proposed to the Commission. House Bill 1305 preserves Commission discretion and flexibility, which allows for optimal solutions through the program design and approval process when both cost and benefit information can be carefully considered to help ensure that EmPOWER plans are in the public interest.

We support the legislation as it allows the Commission to leverage its' expertise, resources, and long-standing history of evaluating, approving, and monitoring successful energy conservation programs. The legislation, as written, provides the flexibility to develop a program with an entirely new goal structure without adding significant and potentially costly constraints such as codification of greenhouse gas reductions targets *as required by Senate Bill 689 (House Bill 904).*

Charles Washington | John Quinn 410.269.5281

The changes in Senate Bill 905 gives the Commission the flexibility to develop the greenhouse gas reduction saving while balancing the need to mitigate ratepayer impacts.

BGE believes transitioning the EmPOWER program from an energy efficiency to a greenhouse gas reduction goal will require efforts from all stakeholders and partners to support the State's ambitious decarbonization goals. For the reasons stated above, BGE respectfully request a favorable report.

**WG Written Testimony -SB 905 - Support (J. McClell**

Uploaded by: Josh McClelland

Position: FAV

1000 Maine Avenue, SW| Suite 700 | Washington, DC 20024 | www.washingtongas.com

**TESTIMONY**
**WASHINGTON GAS LIGHT COMPANY**
**EDUCATION, ENERGY, AND THE ENVIRONMENT COMMITTEE**

**MARCH 14, 2023**

**SENATE BILL 905**
**Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**

Washington Gas respectfully submits this statement in **SUPPORT** of *Senate Bill 905 Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans* (SB 905).

Washington Gas strives to be one of the safest and most innovative energy companies in the region, and the United States. We keep our finger on the pulse of new operating practices and developments relating to emissions detection and reduction and the introduction of lower carbon fuels. We work daily on fulfilling our longstanding commitment to ensure we deliver energy safely, reliably and affordably. At Washington Gas, we embrace our role in helping the communities we serve and are supportive of fully informed efforts to reduce greenhouse gas emissions.

**EmPOWER Maryland**

The Maryland General Assembly passed the EmPOWER Maryland Energy Efficiency Act of 2008, which created a statewide program that helps homeowners, renters, and businesses save energy and money. According to Energy Efficient Maryland, "combined with other energy initiatives, EmPOWER Maryland has helped 21,000 low-income households save $340 annually on their electric bills" and "the energy savings from EmPOWER have cut nearly 19 million metric tons of carbon dioxide emissions, over 34 million pounds of nitrogen oxides, and nearly 78 million pounds of sulfur dioxide". These statistics exemplify the success and necessity of the EmPOWER programs.

## Washington Gas EmPOWER Programs

The original intent of EmPOWER Maryland was to focus on reducing electricity consumption across the State. However, certain regulations authorized Washington Gas to deliver complementary energy efficiency programs through the EmPOWER Maryland regulatory framework. As of early 2015, Washington Gas has been an active participant of EmPOWER by delivering cost-effective energy efficiency programs designed to **reduce energy consumption by promoting and incentivizing the efficient use of natural gas**, which is realized through (1) installing high-efficiency equipment and appliances such as furnaces or commercial kitchen equipment, (2) optimizing home and commercial building operations to use less energy, and (3) educating customers and changing consumption behaviors towards energy conservation.

Since breaking into EmPOWER in early 2015, Washington Gas has been delivering programs to Maryland residents, businesses, and underserved communities which have resulted in:

- Serving over 400,000 Maryland customers through the various program offerings.
- Issuing a total of $25 million in incentives (rebates) to participating customers, making the investment of energy improvement projects more affordable.
- Investing over $10.5 million towards 2,300 projects that serve low-income customers and communities, making homes and buildings more efficient and safer.
- Reducing over 96.7 million therms in natural gas consumption over the useful lifetime of installed measure or equipment (lifecycle energy savings), which has resulted in helping Maryland residents and businesses save over $121 million in energy costs.

## The Future of EmPOWER Maryland

In late 2020, the Maryland Public Service Commission ("Commission"), convened the EmPOWER Maryland Future Programming Workgroup (FPWG), which was tasked, among other things, to inform the Commission on modifying the EmPOWER reporting and goal structure to better align with the State's climate policies and greenhouse gas (GHG) reduction targets. Washington Gas, along with the other EmPOWER utilities and a litany of Maryland stakeholders, were heavily involved with meetings and discussions over the course of 12 months in an effort to build consensus on the multiple components that will comprise the EmPOWER Maryland framework starting in 2024. The FPWG also oversaw the development of a comprehensive study that focuses on the GHG abatement potential that could be realized by EmPOWER Maryland utility programs over the next 6 years. Ultimately, the FPWG issued a final report in early 2022 to the Commission that provided consensus items, non-consensus items, and recommendations to transition the EmPOWER goal structure to focus on reducing

GHG emissions and enable Maryland utilities to leverage innovative solutions to drive further emission reductions beyond the conventional means typically implemented through EmPOWER.

**The Importance of SB 905**

Washington Gas believes that SB 905 represents a holistic and pragmatic approach to reshaping EmPOWER Maryland to align with the State's GHG reduction goals. Reducing emissions through holistic and pragmatic means is increasingly important in today's climate policy landscape, as the trajectory and performance of EmPOWER may impact (1) the State's economic vitality, (2) the effectiveness and resiliency of the State's energy infrastructure, and (3) the ability for Maryland consumers to choose how they use energy and reduce their own impact on the climate. As such, Washington Gas is in support of SB 905 as the provisions contained therein:

- Preserve the successes and best practices of EmPOWER Maryland in order deliver cost-effective energy efficiency programs as a method to (1) meet the energy demands of the state and (2) contribute to Maryland's climate commitments for reducing statewide GHG emissions.
- Encapsulate a faithful representation of the many hours of thorough analysis, thoughtful deliberation, and sincere consensus-building efforts among the many EmPOWER Maryland stakeholders through the Future Programming Workgroup.
- Acknowledges the GHG reducing capability electric utilities, gas utilities, and the Dept. of Housing and Community Development (DHCD) and consequently places accountability on each entity to develop and deliver energy efficiency programs that are cost-effective and verifiably reduce GHG emissions.

For the above reasons Washington Gas respectfully requests a favorable vote on Senate Bill 905. Thank you for your consideration of this information.

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Josh McClelland
Senior Manager, Energy Efficiency

**CONTACT:**
Manny Geraldo, State Government Relations and Public Policy Manager
**M 202.924.4511 | manuel.geraldo@washgas.com**

**Final - Support Letter SB 0905.pdf**
Uploaded by: Kim Mayhew
Position: FAV

PotomacEdison
A FirstEnergy Company

*Timothy R. Troxell, CEcD*
*Advisor, Government Affairs*
*301-830-0121*
*ttroxell@firstenergycorp.com*

*10802 Bower Avenue*
*Williamsport, MD 21795*

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**SUPPORT – Senate Bill 0905**
**HB1035 – Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Education, Energy, and the Environment Committee**
**Tuesday, March 14, 2023**

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 280,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, New York, West Virginia, and Maryland.

**Favorable**

**Potomac Edison / FirstEnergy supports Senate Bill 0905 – Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans.**
SB-0905 requires each electric company, gas company, and the Department of Housing and Community Development to provide for its customers energy efficiency, conservation, and greenhouse gas emissions reduction programs and services to encourage and promote the efficient use and conservation of energy.

**Potomac Edison / FirstEnergy requests a Favorable report on SB 0905 for the following reasons.**

Our company is very supportive of cost-effective energy efficiency programs that will help Maryland reach its greenhouse gas emissions reduction goals and targets. This bill allows customers to have the choice to participate in energy efficiency, demand response, and other beneficial electrification programs.

The bill also requires each utility to establish programs that are cost–effective, and it provides cost recovery and reasonable financial incentives for the utility through a surcharge or base rate recovery. Including an authorized rate of return for our company's investment in these programs and resources is appropriate and appreciated.

Having the Public Service Commission review each plan to determine its cost effectiveness, impact on rates, impact on jobs, and impact on achieving greenhouse gas reduction targets is a great idea. This will help mitigate having unreasonable goals or programs, and it should also provide the utilities flexibility in meeting those goals. Providing updates every 6 months on plan implementation and notifying customers of the energy efficiency and conservation charges and benefits every year is also appropriate. It is important to ensure that customers are part of the equation as these programs will have an impact on their bills.

Potomac Edison / FirstEnergy supports the advancement of technologies to help electrify and replace fossil-fuel powered equipment where suitable. Helping customers with the efficient use and conservation of energy through utility programs is smart and will be good for the State of Maryland.

For the above reasons, Potomac Edison / FirstEnergy respectfully request a **Favorable** vote on Senate Bill 0905.

## sb905- energy efficiency, PSC and DHCD - EEE 3-14-

Uploaded by: Lee Hudson

Position: FAV

Delaware-Maryland Synod
Evangelical Lutheran Church in America
God's work. Our hands.

Testimony Prepared for the

# Education, Energy, and the Environment Committee

on

# Senate Bill 905

March 14, 2023

Position: **Favorable**

Mr. Chairman and members of the Committee, thank you for this opportunity to testify about an energy regime that helps care for creation by accelerating decarbonization. I am Lee Hudson, assistant to the bishop for public policy in the Delaware-Maryland Synod, Evangelical Lutheran Church in America. We are a faith community in three judicatories across our State.

The text of **Senate Bill 905** includes the reason for our support: *THE GENERAL ASSEMBLY FINDS AND DECLARES THAT ENERGY EFFICIENCY IS: (1) AMONG THE LEAST EXPENSIVE WAYS TO MEET THE ENERGY DEMANDS OF THE STATE; (2) A MEANS OF AFFORDABLE, RELIABLE, AND CLEAN ENERGY FOR CONSUMERS OF MARYLAND; AND (3) ONE METHOD TO ACHIEVE MARYLAND'S CLIMATE COMMITMENTS FOR REDUCING STATEWIDE GREENHOUSE GAS EMISSIONS, INCLUDING THOSE SPECIFIED IN TITLE 2, SUBTITLE 12 OF THE ENVIRONMENT ARTICLE.* We concur with all three of these objectives, for the sake of the creation.

Lowered energy costs for consumers can be a benefit of energy demand strategies. So, **Senate Bill 905** also addresses an affordable housing concern we hold. Energy is essential for adequate housing. We know now that lowering energy consumption also lowers a housing cost.

**Senate Bill 905** would make well-understood efficiency-strategy products available to more utility service customers. The PSC, and DHCD as a property manager, would have administrative roles for developing, deploying, assessing, monitoring, and servicing efficiency plans applied to State systems and customer markets. The Bill's material involvements are laid, appropriately, on both sides of the consumption meter.

In order to meet the decarbonizing targets of the Climate Solutions Act in the energy sector, all appropriate agencies and their resources will have to be engaged in the mission. With appreciation for the Chairman's sponsorship of the Bill, we urge your favorable report.

Lee Hudson

5699 Meridale Rd. Baltimore, MD 21228 410-230-2860 800-869-5492 fax 410-230-2871

**WG Written Testimony - SB 905 - Support.pdf**
Uploaded by: Manuel Geraldo
Position: FAV

1000 Maine Avenue, SW| Suite 700 | Washington, DC 20024 | **www.washingtongas.com**

**TESTIMONY**
**WASHINGTON GAS LIGHT COMPANY**
**EDUCATION, ENERGY, AND THE ENVIRONMENT COMMITTEE**

**MARCH 14, 2023**

## SENATE BILL 905

### Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans

Washington Gas respectfully submits this statement in **SUPPORT** of *Senate Bill 905 Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans* (SB 905).

Washington Gas strives to be one of the safest and most innovative energy companies in the region, and the United States. We keep our finger on the pulse of new operating practices and developments relating to emissions detection and reduction and the introduction of lower carbon fuels. We work daily on fulfilling our longstanding commitment to ensure we deliver energy safely, reliably and affordably. At Washington Gas, we embrace our role in helping the communities we serve and are supportive of fully informed efforts to reduce greenhouse gas emissions.

Climate change is a defining challenge across Maryland, and natural gas, natural gas utilities, and the delivery infrastructure are essential to meeting the state's greenhouse gas emissions reduction goals. Maryland can continue to achieve significant emissions reductions by accelerating the use of tools available today, including high-efficiency natural gas applications, renewable gases, combined heat-and-power, and enhanced energy efficiency initiatives. Senate Bill 689 would limit Maryland residents and businesses from saving money and impede the state's ability to optimize all available resources towards reducing emissions.

**<u>EmPOWER Maryland</u>**

The Maryland General Assembly passed the EmPOWER Maryland Energy Efficiency Act of 2008, which created a statewide program that helps homeowners, renters, and businesses save energy and money. According to Energy Efficient Maryland, "combined with other energy initiatives, EmPOWER Maryland has helped 21,000 low-income households save $340 annually on their electric bills" and "the energy savings from EmPOWER have cut nearly 19 million metric tons of carbon dioxide emissions, over 34 million pounds of nitrogen oxides, and nearly 78 million pounds of sulfur dioxide". These statistics exemplify the success and necessity of the EmPOWER programs.

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For the above reasons Washington Gas respectfully requests a favorable vote on Senate Bill 905. Thank you for your consideration of this information.

Josh Mcclelland
Senior Manager, Energy Efficiency

**CONTACT:**
Manny Geraldo, State Government Relations and Public Policy Manager
**M 202.924.4511 | manuel.geraldo@washgas.com**

**SB 905 CBF FAV.pdf**
Uploaded by: Matt Stegman
Position: FAV

# CHESAPEAKE BAY FOUNDATION

*Environmental Protection and Restoration*
*Environmental Education*

**Senate Bill 905**

Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans

| | | | |
|---|---|---|---|
| Date: | March 14, 2023 | Position: | **Support** |
| To: | Education, Energy, and the Environment Committee | From: | Doug Myers,<br>Maryland Senior Scientist |

Chesapeake Bay Foundation (CBF) **SUPPORTS** SB 905 which requires the creation of energy efficiency and conservation plans and programs from gas and electric utilities.

Numerous economic studies conclude that energy conservation and building electrification are the quickest and most cost-effective ways to reduce greenhouse gas emissions. As Maryland has set one of the most ambitious target for greenhouse gas reductions in the country, SB 905 creates the appropriate emphasis and a reasonable path forward for achieving that goal. Electrification works in concert with other Maryland policies like the renewable energy portfolio standard to rapidly decarbonize as electric energy generation transitions from fossil fuels to renewable sources, especially wind and solar.

Greenhouse gases not only have well documented effects in destabilizing our climate, but all forms of combustion also release nitrogen oxides which become bay pollution when it rains. Lastly, the provision of energy efficiency and conservation programs to low-income residents begins to reverse long-standing environmental inequities.

**CBF urges the Committee's FAVORABLE report on SB 905.**

For more information, please contact Matt Stegman, Maryland Staff Attorney, at mstegman@cbf.org.

Maryland Office ▪ Philip Merrill Environmental Center ▪ 6 Herndon Avenue ▪ Annapolis ▪ Maryland ▪ 21403

**Testimony - SB 905 - Energy Efficiency and Conserv**

Uploaded by: Ashley Egan

Position: FWA

# Unitarian Universalist Legislative Ministry of Maryland

**Testimony in Support With Amendments**
**SB 905 - Energy Efficiency and Conservation Plans**

To: Chair Feldman and the Members of the Education, Energy and the Environment Committee
From: Phil Webster, PhD
Lead Advocate on Climate Change
Unitarian Universalist Legislative Ministry of Maryland.
Date: March 14, 2023

The Unitarian Universalist Legislative Ministry of Maryland (UULM-MD) strongly supports **SB 905 - Energy Efficiency and Conservation Plans** and urges a FAVORABLE WITH Amendments report by the committees.

The UULM-MD is a statewide faith-based advocacy organization, with over 1,000 members, based on the Principles of Unitarian Universalism. Two Principles are particularly relevant. The Second Principle, *justice, equity and compassion in human relations* and the Seventh Principle, *respect for the interdependent web of all existence of which we are a part*.

Unitarian Universalists believe in *justice and equity in human relations*. Maryland's low income families and individuals pay a greater percentage of their income for energy than more affluent families, which removes their incentives to participate in cleaner energy programs. However, ALL Marylanders must participate if we want to have an appreciable impact on greenhouse gas emissions. How can there be justice and equity if one part of society is reaping all the benefits, while another is paying all the costs?

UULM-MD supports shifting the EmPOWER program to include goals for reductions in greenhouse gas. It is urgently important, however, that any adjustments to EmPOWER maintain its primary goal: to provide benefits to ratepayers. As drafted, this bill does not. While we believe SB 689 is a more effective way to update and improve EmPOWER, adding key provisions from that bill to SB 905 would earn our support.

Utilities will soon end multi-year efficiency program plans to the Public Service Commission (PSC). With some tweaks to SB 905, we can ensure those plans are guided by consumer guardrails on how the utilities meet their goals and profit off the program.

As drafted, SB 905 guarantees that utilities profit from their energy efficiency programs, which was not an item of consensus in the EmPOWER Future Programming Work Group (FPWG). SB 905 includes a provision that guarantees profit on the program and opens the door for the program to be rate based. This shift will negatively impact ratepayers with no clear benefit.

Electric and gas companies making a profit on a successful energy efficiency program is not a bad thing, but those profits should be tied to results. However, if a utility fails, that should also impact their ability to profit off the program. Maryland utilities are already profiting significantly more than utilities in other top states for efficiency, as laid out in the Maryland PIRG Foundation's recent report "Energy Efficiency for Everyone:"

- Currently, 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.
- For reference, 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.
- **The current profit model is going to change as the PSC shifts the utilities towards a financing model, but *requiring* a profit, as this bill does, is not in the public interest. It would be wiser to establish a performance based system that enables profits for reaching goals, incentives for beating goals, and penalties for failing to meet goals.**

This bill will reduce greenhouse gas emissions, but it is unclear if those reductions will be through home energy efficiency and to the maximum benefit of consumers. In an OpEd published from the PSC Chair in Maryland Matters, the Chair talks about this bill opening the door for using EmPOWER funds to incentivize vehicle electrification. UULM-MD supports vehicle electrification, but we are not convinced it is the best use of ratepayer money set aside for home energy efficiency. This is a clear example of why we need the general assembly to guide the PSC on utility program incentives.

In addition, the bill leaves the door open for continued incentives for fossil fuel heating and appliances. While some Maryland families will keep using fossil fuel powered heating and appliances for the near term, with very few exceptions, using ratepayer money to ***subsidize and incentivize*** their use is in opposition to the state's goals for building energy performance.

Finally, the bill takes goal setting away from the general assembly and shifts it to the PSC. In the 15 years the program has existed, the PSC set goals only 1 year before the General Assembly took back over the responsibility. There is no need to shift this role to the PSC, the agency should focus on what it does best: implementing the law.

**Here are the Amendments that we support on this bill:**

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

**With the addition of these amendments, we would recommend a favorable report on SB 905.**

We support this bill and urge a FAVORABLE WITH AMENDMENTS report in committee.

Phil Webster, PhD
Lead Advocate, Climate Change UULM-MD

## MD 2023 SB 905 Columbia Gas Testimony Final.pdf
Uploaded by: Carville Collins
Position: FWA

Columbia Gas of Maryland
A NiSource Company

**SUPPORT WITH AMENDMENTS – Senate Bill 905**
**Electric Companies, Gas Companies, and the Department of Housing and Community Development Energy Efficiency and Conservation Plans Act of 2023**
**Senate Education, Energy and the Environment Committee**

Columbia Gas of Maryland, Inc. supports Senate Bill 905, with amendments. Senate Bill 905 modifies the Public Utilities Section of the Code of Maryland to require each electric company, gas company and the Department of Housing and Community Development to propose and create cost-effective energy efficiency, conservation, and greenhouse gas emissions reduction programs and services for their customers. The goals of the legislation are reasonable -- to encourage and promote the efficient use and conservation of energy in support of greenhouse gas emissions reduction goals.

Columbia Gas is committed to these goals to improve energy efficiency of our customers, reduce the greenhouse gas emissions of our operations, and pursue opportunities to reduce customer emissions. The proposed legislation would accomplish this by requiring gas companies to establish conservation and greenhouse gas emission reduction programs and services that the Maryland Public Service Commission (PSC) determines to be appropriate and cost-effective. The legislation provides cost recovery and reasonable financial incentives for electric companies and gas companies to create and implement such programs.

While supporting the intent of SB 905, Columbia Gas believes the proposed legislation can be strengthened with several minor amendments related to modifying the consultation deadline with the PSC and other stakeholders, as well as plan filing timelines for electric companies or gas companies who have not previously filed energy conservation and greenhouse reduction plans. Specifically, the amendments would allow first-time filers slightly more time (three months) to complete their first consultation and first plan.

In addition, Columbia proposes amendment language clarifying the importance of the overall cost-effectiveness of a proposed energy efficiency and greenhouse gas emission reduction plan. Each electric and gas company in Maryland is unique, and each serves a unique area and customer base. Energy efficiency and greenhouse gas emission reduction plans proposed to the PSC must be realistic and not adversely impact an electric company's or gas company's ratepayers. The costs to ratepayers of proposed programs under this legislation must not exceed the benefits to ratepayers.

Columbia Gas believes the requirements of SB 905 are appropriately and reasonably crafted policies on energy conservation and greenhouse gas emission reductions and supports the legislation with the attached proposed amendments.

March 14, 2023

Contact:
Carville Collins
(410) 580-4125
carville.collins@dlapiper.com

Contact:
Pete Trufahnestock
(717) 903-8674
ptrufahnestock@nisource.com

Columbia Gas Proposed Amendment to SB 905

Amend page 7, line 15

**(A) (1) ON OR BEFORE JULY 1, 2023, AND EVERY 3 YEARS THEREAFTER, EACH ELECTRIC COMPANY, EACH GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL CONSULT WITH THE TECHNICAL STAFF OF THE COMMISSION, THE OFFICE OF PEOPLE'S COUNSEL, THE MARYLAND ENERGY ADMINISTRATION, AND THE DEPARTMENT OF THE ENVIRONMENT REGARDING THE DESIGN AND ADEQUACY OF ITS PLANS FOR ACHIEVING THE EFFICIENT USE AND CONSERVATION OF ENERGY IN SUPPORT OF THE GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE. IF A COMPANY HAS NOT PREVIOUSLY FILED A PLAN PURSUANT TO SECTION 7-211(H) (REPEALED BY HB 1035), IT SHALL CONSULT ON OR BEFORE OCTOBER 1, 2023 AND THEN ON OR BEFORE JULY 1ST EVERY THREE YEARS THEREAFTER.**

Amend page 7, line 25

**(B) (1) ON OR BEFORE SEPTEMBER 1, 2023, AND EVERY 3 YEARS THEREAFTER, AN ELECTRIC COMPANY, A GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL SUBMIT ITS PLAN TO THE COMMISSION. IF A COMPANY HAS NOT PREVIOUSLY FILED A PLAN PURSUANT TO SECTION 7-211(H) (REPEALED BY HB 1035), IT SHALL BE DUE ON DECEMBER 1, 2023 AND THEN ON SEPTEMBER 1ST EVERY THREE YEARS THEREAFTER.**

Amend page 8, line 27

**(I) THE COST–EFFECTIVENESS OF THE RESIDENTIAL AND COMMERCIAL SECTOR SUBPORTFOLIOS BY USING THE PRIMARY STATE JURISDICTION–SPECIFIC TEST, AS DEVELOPED, UPDATED, OR APPROVED BY THE COMMISSION;**

**(II) THE COST-EFFECTIVENESS OF THE PLAN OVERALL;**

**(III) THE IMPACT ON RATES OF EACH RATEPAYER CLASS;**

**(IV) THE IMPACT ON JOBS;**

**(V) THE IMPACT ON THE ENVIRONMENT; AND**

**(VI) THE IMPACT ON THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.**

# OPC Testimony SB0905 - Favorable with amendments.p

Uploaded by: David Lapp

Position: FWA

**DAVID S. LAPP**
PEOPLE'S COUNSEL

**WILLIAM F. FIELDS**
DEPUTY PEOPLE'S COUNSEL

**JULIANA BELL**
DEPUTY PEOPLE'S COUNSEL

**OPC**

**OFFICE OF PEOPLE'S COUNSEL**

**State of Maryland**

6 ST. PAUL STREET, SUITE 2102
BALTIMORE, MARYLAND 21202
WWW.OPC.MARYLAND.GOV

**BRANDI NIELAND**
DIRECTOR, CONSUMER
ASSISTANCE UNIT

| | |
|---|---|
| BILL NO.: | Senate Bill 905<br>Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans |
| COMMITTEE: | Education, Energy, and the Environment |
| HEARING DATE: | March 14, 2023 |
| SPONSOR: | Senator Feldman |
| POSITION: | Favorable with amendments |

*****************************************************************

The Office of People's Counsel (OPC) supports the intent of Senate Bill 905 to harmonize the next cycle of Maryland's utility-run energy efficiency and conservation programs with the Climate Solutions Now Act ("CSNA"). OPC has a number of concerns with the bill as drafted, however. Those concerns, include, among others, that the bill changes the EmPOWER cost recovery mechanisms in ways that will dramatically increase customer costs, eliminates the energy savings targets currently in the EmPOWER statute[1] without setting statutory greenhouse gas ("GHG") reduction targets, fails to incorporate existing elements of the EmPOWER statute, and changes the current EmPOWER statute to mandate that utility customers pay the utilities financial incentives for merely complying with their performance obligations. OPC therefore asks the Committee to adopt the important and necessary changes discussed below.

[1] Md. Code Ann., Pub. Util. Art. ("PUA") § 7-211. This statute is referred to as the "EmPOWER statute," and the suite of programs that have been developed to implement this statute are referred to as "EmPOWER programs." EmPOWER programs operate in three-year cycles, with a new cycle beginning on January 1, 2024.

## Background

The EmPOWER statute was enacted in 2008 through the passage of the "EmPOWER Maryland Energy Efficiency Act." The legislature found that "energy efficiency is among the least expensive ways to meet the growing electricity demands of the State"[2] and established requirements for Maryland's gas and electric companies to develop and implement programs that promote energy efficiency and conservation. Energy efficiency provides direct benefits to customers by saving them money on their gas and electric bills and helps reduce GHG emissions from the combustion of fossil fuels, including in the generation of electricity.

The EmPOWER statute currently mandates that electric companies reach specific electricity reduction targets, measured in megawatt-hours ("MWh"). Gas companies do not have statutorily mandated targets. Similarly, programs for limited-income ratepayers[3], administered by the Department of Housing and Community Development ("DHCD"), do not currently have statutorily mandated targets.

A Public Service Commission Work Group, the Future Programming Work Group (FPWG), began meeting in 2021 and was charged with considering multiple proposals and topics regarding the next cycle of EmPOWER. The work group was widely attended by stakeholders, including the utilities, OPC, Commission Technical Staff, the Maryland Energy Administration, DHCD, Maryland Energy Efficiency Advocates, as well as other governmental agencies and organizations, including trade organizations, all of whom have a stake in the EmPOWER process. In the spring of 2022, the work group recommended that EmPOWER transition from MWh reduction goals to a GHG reduction goal.[4] The passage of the Climate Solutions Now Act of 2022, which sets GHG reductions goals for Maryland to mitigate climate change, further highlighted the importance of this transition. After the enactment of the CSNA, the Commission agreed with the work group that EmPOWER should transition to a GHG reduction target and—based on its view that it could not do so without changing the EmPOWER statute—made this recommendation to the General Assembly.[5]

[2] PUA § 7-211(b)(1).

[3] For purposes of EmPOWER programs, limited-income households are currently considered to be those that earn 250% or less of the Federal Poverty Level on an annual basis.

[4] Maryland Public Service Commission, Public Utility Law Judge Division, *Future Programming Work Group Report* at 1 (April 15, 2022). This report can be found at https://webpsc.psc.state.md.us/DMS/maillogsearch by performing a search for MailLog number 240203.

[5] Public Service Commission of Maryland, *Recommendations on the Future of EmPOWER Maryland* at 5 (July 1, 2022) https://www.psc.state.md.us/wp-content/uploads/EmPOWER-Recommendations-to-General-Assembly_Final.pdf

## Comments

Although SB 905 includes the recommended transition to a GHG reduction target, it lacks multiple provisions that would contribute to actual achievement of GHG reductions and includes provisions that are detrimental to customers.

OPC has identified the following non-exhaustive list of specific concerns with SB 905:

- SB 905 removes the energy savings targets in current law without adding a minimum statutory GHG reduction target. We concur with the recommendations of the FPWG that the EmPOWER statute should change the current energy savings targets to GHG reduction targets. For implementation purposes, a minimum GHG target is preferable because it is more readily adaptable to electrification, as reflected in the work group recommendation. A study by Energy + Environmental Economics ("E3") for the Maryland Commission on Climate Change ("MCCC") found that electrification of residential homes—including the replacement of "almost all fossil fuel heaters with heat pumps in existing homes by 2045" and the construction of new buildings without fossil fuel-powered space and water heating–was the lowest cost pathway to meet the State's climate goals.[6]

- SB 905 does not include language requiring the measurement of GHGs on a gross lifecycle basis, which is contrary to a consensus recommendation made by the Commission's Work Group.[7]

- SB 905 does not require a minimum level of EmPOWER-funded, behind-the-meter measures and programs that will be used to achieve the GHG abatement target. Even Commission Technical Staff recommends a minimum of 80 percent,[8] while OPC has recommended 85 percent.

- SB 905 does not require the gas companies, the electric companies, or DHCD to promote fuel-switching from fossil fuels to electric. The promotion of fuel-switching is consistent with E3's analysis for the MCCC.[9] The

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[6] MCCC, *Building Energy Transition Plan: A Roadmap for Decarbonizing the Residential and Commercial Building Sectors in Maryland* at 4 (November 2021) https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Commission/Building%20Energy%20Transition%20Plan%20-%20MCCC%20approved.pdf

[7] *Future Programming Work Group Report* at 9.

[8] Maryland Public Service Commission, Public Utility Law Judge Division, *Future Programming Work Group Report Phase II - Goal Structure and DHCD-Specific Greenhouse Gas Abatement Goal* at 8 (January 13, 2023). This report can be found at https://webpsc.psc.state.md.us/DMS/maillogsearch by performing a search for MailLog number 300881.

[9] *Building Energy Transition Plan* at 4.

Commission has thus far declined to require fuel-switching as part of the utility EmPOWER programs.

- SB 905 does not end incentives for gas appliances through EmPOWER. The MCCC has made this recommendation two years in a row.[10] The Commission has refused to end gas appliance incentives despite its authority to do so.

- SB 905 authorizes base rate recovery of EmPOWER costs, which would be a departure from current practice that would, as the PSC itself recently stated, cause "dramatic" increases in customer rates and reduce transparency "to the benefit of no one."[11] As a general matter, OPC opposes the recovery of EmPOWER charges through utility base rates for multiple reasons, including the significantly increased cost impacts to pay the utility's rate of return, the regressive nature of funding policy objectives through utility customer rates, the availability of lower-cost alternatives, the extension of the utility monopoly into the competitive financial lending business, and the reduced transparency for customers.

- SB 905 would require "reasonable financial incentives" for the utilities, including "the authorized rate of return." This requirement for financial incentives would be a significant change to the current EmPOWER statute, which only authorizes the Commission to provide "reasonable financial incentives" in "appropriate circumstances" without defining the form of those incentives. Requiring financial incentives for utilities would prove costly for customers. The utilities have performance obligations and generally should not be paid "incentives" for simply meeting their obligations under the law. In any case, any incentives should be subject to the Commission's discretion, both as to whether they are appropriate and as to the appropriate level, as under current law.

- SB 905 is asymmetrical in its incentive language; it would reward utilities regardless of their performance—imposing costs on customers—but it fails to benefit customers by penalizing the utility for poor performance. Any financial incentive language should also authorize or direct the Commission to impose penalties for poor performance. Where performance metrics are used to incentivize performance, the standard practice is to establish a range of performance for which no incentives or penalties are applied and above which

[10] MCCC, *2022 Annual Report* at 16 (citing a similar recommendation from 2021) https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Documents/2022%20Annual%20Report%20-%20Final%20(4).pdf
[11] Commission Order No. 90456 (Dec. 29, 2022).

the utility may obtain incentives and below which the utility is penalized. That allows for symmetry between the utility's investors and utility customers, depending on how the utility performs.

- SB 905 eliminates the use of the Total Resource Cost Test ("TRC") in comparing Maryland program targets with the results of those in other jurisdictions and requires instead the use of the undefined "Primary State Jurisdiction–Specific Test, as developed, updated or approved by the Commission" for cost-effectiveness. OPC supports the use of the "Primary Maryland Jurisdiction-Specific Test" for cost-effectiveness testing, which was developed by the Future Programming Work Group and previously approved by the Commission. In sum, although OPC supports the intent to reform the EmPOWER program during its next cycle, we are concerned that, as drafted, SB 905 would be costly for customers and would not be effective in meeting the very GHG abatement goals that the bill prescribes. OPC, therefore, recommends the following changes:

    - **Greenhouse gas reduction targets**. Rather than giving the Commission total discretion regarding GHG reduction targets, SB 905 should require the Commission to establish targets for electric and gas companies that will, starting in 2024, achieve no less than the amount of GHG reductions that would result from: (1) achievement of the current electricity savings targets in the EmPOWER statute, and (2) continued achievement of the current gas savings targets set by the Commission. OPC's calculations indicate that this means GHG reductions averaging 1.8 percent annually. GHG reductions should be measured on a lifecycle basis using marginal emissions rates.

    - **Behind-the-meter measures and programs**. SB 905 should require at least 80 percent of the GHG emissions reductions achieved by electric and gas company plans come from behind-the-meter programs and services. This is the minimum behind-the-meter percentage recommended by the Commission's technical staff in ongoing EmPOWER proceedings at the Commission; OPC previously recommended a minimum of 85 percent.

    - **Beneficial electrification**. While OPC believes that the EmPOWER statute should be interpreted now as accommodating beneficial electrification, SB 905 should require that EmPOWER plans include beneficial electrification programs and services, and that electric companies, gas companies, and the

DHCD be required to promote fuel-switching from fossil fuels to electric. However, SB 905 should prohibit GHG emissions reductions associated with electric vehicle (EV) adoption and utility EV programs to count toward achievement of GHG reduction targets.

- **Incentives for gas appliances**. SB 905 should be amended to end incentives for gas appliances through EmPOWER.

- **Utility cost-recovery, financial incentives, and penalties.**

  - SB 905 should be amended to protect ratepayers by prohibiting the recovery of EmPOWER costs through utility base rates.
  - SB 905 should be amended to remove the provision — not found in the current EmPOWER statute — that would *require* "reasonable financial incentives" for the utilities, including "the authorized rate of return." The Commission should be authorized to provide "reasonable financial incentives" in "appropriate circumstances", as is the current practice.
  - SB 905 should be amended to increase fairness to ratepayers by specifically allowing the utilities to be subject to penalties for failing to meet their performance obligations under the law.

- **Cost-effectiveness.** SB 905 should be amended to allow for the continued use of the Total Resource Cost Test ("TRC") for purposes of comparisons with other jurisdictions and should also require the use of the "Primary Maryland Jurisdiction-Specific Test" for cost-effectiveness testing, which was developed by the Future Programming Work Group and previously approved by the Commission.

OPC respectfully requests that the Committee adopt these recommended changes to SB905, which are critical to ensuring that the bill harmonizes the EmPOWER program with the CSNA, advances beneficial electrification in Maryland, and cost-effectively lowers greenhouse gas GHG emissions.

**Recommendation:** OPC requests a favorable Committee report on SB 905 as amended.

# SB905 FWA PIRG.pdf
Uploaded by: Emily Scarr
Position: FWA

**SB905: Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Education, Energy, and the Environment**
**Tuesday, March 14, 2023**
**Emily Scarr, Maryland PIRG**
**Favorable with amendments**

*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 supports shifting the EmPOWER program to include goals for reductions in greenhouse gas. It is urgently important, however, that any adjustments to EmPOWER maintain its primary goal: to provide benefits to ratepayers. As drafted, this bill does not. While we believe SB689 is a more effective way to update and improve EmPOWER, adding key provisions from that bill to SB905 would earn our support.

Utilities will soon be sending multi-year efficiency program plans to the Public Service Commission (PSC). With some tweaks to SB905, we can ensure those plans are guided by consumer guardrails on how the utilities meet their goals and profit off the program.

As drafted, SB905 guarantees that utilities profit from their energy efficiency programs, which was not an item of consensus in the EmPOWER Future Programming Work Group (FPWG). SB905 includes a provision that guarantees profit on the program and opens the door for the program to be rate based. This shift will negatively impact ratepayers with no clear benefit.

Electric and gas companies making a profit on a successful energy efficiency program is not a bad thing, but those profits should be tied to results. And the same goes for utilities failing, that should also impact their ability to profit off the program. Maryland utilities are already profiting significantly more than utilities in other top states for efficiency, as laid out in Maryland PIRG Foundation's recent report "Energy Efficiency for Everyone:"

- Currently, 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.
- For reference, 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.
- **The current profit model is going to change as the PSC shifts the utilities towards a financing model, but *requiring* a profit, as this bill does, is not in the public interest. It would be wiser to establish a performance based system that enables profits for reaching goals, incentives for beating goals, and penalties for failing to meet goals.**

This bill will reduce greenhouse gas emissions, but it is unclear if those reductions will be through home energy efficiency and to the maximum benefit of consumers. In an OpEd published from the PSC Chair in Maryland Matters, the Chair talks about this bill opening the door for using EmPOWER funds to incentivize vehicle electrification. Maryland PIRG supports vehicle electrification, but we are not convinced it is the best use of ratepayer money set aside for home energy efficiency. This is a clear example of why we need the general assembly to guide the PSC on utility program incentives.

In addition, the bill leaves the door open for continued incentives for fossil fuel heating and appliances. While some Maryland families will keep using fossil fuel powered heating and appliances for the near term, with very few exceptions, using ratepayer money to ***subsidize and incentivize*** their use is in opposition to the state's goals for building energy performance.

Finally, the bill takes goal setting away from the general assembly and shifts it to the PSC. In the 15 years the program has existed, the PSC set goals only 1 year before the General Assembly took back over the responsibility. There is no need to shift this role to the PSC, the agency should focus on what it does best: implementing the law.

**Here are our suggested revisions to the bill:**

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

**With the addition of these amendments, we would recommend a favorable report on SB905.**

(amendments on next page)

# Recommended Amendments to SB905

## ADDITIONS

**Consumer Guardrails** (behind the meter savings, prohibition on electric vehicle credits and gas appliances):

**ADD:**

1. BEGINNING JANUARY 1, 2024, AT LEAST 85% OF THE GREENHOUSE GAS EMISSIONS REDUCTIONS COUNTED TOWARD EACH GAS COMPANY'S AND ELECTRIC COMPANY'S GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH SHALL COME FROM BEHIND-THE-METER PROGRAMS.
2. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, GREENHOUSE GAS EMISSIONS REDUCTIONS FROM THE FOLLOWING SOURCES MAY NOT COUNT TOWARD THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH:
    - A. THE INCREASED ADOPTION OF ELECTRIC VEHICLES; AND
    - B. THE INSTALLATION OF FOSSIL-FUEL-BURNING APPLIANCES.
3. A GAS COMPANY MAY, ON A CASE-BY-CASE BASIS ONLY, USE THE INSTALLATION OF GAS APPLIANCES IN COMMERCIAL AND INDUSTRIAL BUILDINGS TO ACHIEVE THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH IF THE COMMISSION MAKES A DETERMINATION, ON A CASE-BY-CASE BASIS ONLY, THAT THERE IS NO VIABLE ELECTRIFICATION ALTERNATIVE AND INSTALLATION OF THE GAS APPLIANCES ADVANCES THE STATE'S LONG-TERM INTEREST IN REDUCING GREENHOUSE GAS EMISSIONS.

**COST EFFECTIVENESS**

1. In determining the cost-effectiveness of the plan, the Commission shall evaluate the cost-effectiveness of the residential sector sub portfolio and the commercial and industrial sector sub portfolio by utilizing, as applicable:

    i. the societal cost test, to be known as the “Primary Maryland Jurisdiction-Specific Test” in order to determine the cost–effectiveness of the program or service prospectively, including through the consideration of:

        1. participant non-energy benefits;
        2. utility non-energy benefits; and
        3. societal non-energy benefits.

**PROMOTION OF STATE AND FEDERAL REBATES**

1.
    a. ON OR BEFORE JANUARY 1, 2024, GAS COMPANIES AND ELECTRIC COMPANIES SHALL-PROMOTE THE USE OF ANY AVAILABLE STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS AVAILABLE TO REPLACE FOSSIL-FUEL POWERED EQUIPMENT OR ELECTRIC RESISTANCE SPACE OR WATER HEATING, AND SHALL PROVIDE CONSUMER REBATES TO FACILITATE THE PROCESS.
    b. PORTABLE HEATING, COOLING, AND COOKING EQUIPMENT SHALL QUALIFY FOR REBATES UNDER THIS SUBSECTION.
2.

a. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND ELECTRIC COMPANIES SHALL PROMOTE FUEL SWITCHING FROM GAS TO ELECTRICITY.
b. GAS COMPANIES AND ELECTRIC COMPANIES SHALL PROMOTE THE AVAILABILITY OF STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS THAT CAN BE USED TO SUPPORT ENERGY EFFICIENCY AND FUEL SWITCHING

**ENERGY AUDITS + ELECTRIFICATION**

1. BEGINNING ON OR BEFORE JANUARY 1, 2024, ALL GAS AND ELECTRIC COMPANY HOME ENERGY AUDITS AND HOME ENERGY CHECKUPS SHALL INCLUDE AN EVALUATION OF THE READINESS OF A HOME FOR FULL ELECTRIFICATION, INCLUDING:
   a. THE CAPABILITY OF BREAKER BOXES AND WIRING TO ACCOMMODATE HOME ELECTRIFICATION; AND
   b. ANY OTHER MEASURES THAT ARE NECESSARY FOR HOME ELECTRIFICATION.
2. EACH GAS COMPANY AND ELECTRIC COMPANY SHALL PROMOTE THE USE OF AVAILABLE STATE AND FEDERAL FUNDS AND EACH ELECTRIC COMPANY SHALL ESTABLISH REBATES FOR BREAKER PANEL AND WIRING REPAIRS, REPLACEMENTS, AND UPGRADES TO SUPPORT FULL BEHIND-THE-METER ELECTRIFICATION.

**COMMUNITY OUTREACH:**

1. A COMMUNITY OUTREACH SPECIALIST FACILITATING WHOLE–HOME RETROFITS MUST:
   a. PROVIDE A SINGLE POINT OF CONTACT FOR LOW–INCOME RESIDENTIAL CUSTOMERS, CONTRACTORS, AND MULTIFAMILY PROPERTY OWNERS WHO RENT TO LOW–INCOME RESIDENTIAL CUSTOMERS; AND
   b. OFFER SERVICES IN ANY LANGUAGE NEEDED BY LOW–INCOME RESIDENTIAL CUSTOMERS IN THE AREA SERVED BY THE COMMUNITY OUTREACH SPECIALIST

## ADJUSTMENTS to HB1035

**7-222(C)(2).** Strike new cost-recovery/financial incentive language and use language from HB904: “by adopting rate–making policies under this subsection that provide full cost recovery on a current basis for new costs not later than January 1, 2027 and, in appropriate circumstances, reasonable financial incentives and penalties for gas companies and electric companies.”

**Section 7-223** 7-223(A) Replace entire section as follows:

1. ON OR BEFORE JANUARY 1, 2024, BY REGULATION OR ORDER, THE COMMISSION SHALL REQUIRE EACH GAS COMPANY AND ELECTRIC COMPANY TO DEVELOP AND IMPLEMENT A PLAN THAT:
   a. COVERS EACH RATEPAYER CLASS; AND
   b. ACHIEVES THE GREENHOUSE GAS EMISSIONS REDUCTION TARGET ESTABLISHED FOR THE GAS COMPANY OR ELECTRIC COMPANY UNDER SUBPARAGRAPH (2) OF THIS PARAGRAPH.

2.

a. FOR EACH 3-YEAR PROGRAM CYCLE, THE COMMISSION SHALL ESTABLISH A GREENHOUSE GAS EMISSIONS REDUCTION TARGET FOR EACH GAS COMPANY AND ELECTRIC COMPANY AS PROVIDED IN THIS SUBPARAGRAPH.
b. FOR THE PERIOD 2024-2032, THE COMMISSION SHALL DETERMINE AN OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET BASED ON AN AVERAGE ANNUAL REDUCTION OF AT LEAST 1.8% OF THE BASELINE DETERMINED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH;
c. AT LEAST 8 MONTHS BEFORE THE FILING DEADLINE FOR GAS COMPANY AND ELECTRIC COMPANY PLANS, THE COMMISSION SHALL ISSUE AN ORDER THAT FULLY ALLOCATES AMONG THE GAS COMPANIES AND ELECTRIC COMPANIES A PORTION OF THE OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET DETERMINED UNDER SUBSUBPARAGRAPH 3 OF THIS SUBPARAGRAPH. THE COMMISSION SHALL PRIORITIZE LONG-LIVED GREENHOUSE GAS ABATEMENT MEASURES IN THE COMPANIES' PLANS BY ESTABLISHING A MINIMUM WEIGHTED AVERAGE MEASURE LIFE FOR EACH UTILITY'S PLAN.

## DEFINITIONS

**Section 7-220 - Definitions**

**ADJUST:** 7-220(c) Beneficial Electrification definition should be edited to say "BENEFICIAL ELECTRIFICATION" MEANS THE REPLACEMENT OF DIRECT FOSSIL FUEL USE WITH ELECTRICITY IN A MANNER THAT REDUCES OVERALL LIFETIME EMISSIONS, ENERGY USE, OR <u>CUSTOMER LONG-TERM</u> ENERGY COSTS."

**ADD:** "COMMUNITY OUTREACH SPECIALIST" MEANS A PERSON OR ORGANIZATION THAT SUPPORTS THE DELIVERY OF LOW-INCOME ASSISTANCE PROGRAM SERVICES BY ACTING AS AN INTERMEDIARY BETWEEN THE DEPARTMENT AND ELIGIBLE CUSTOMERS.

**ADD:** "LOW–INCOME RESIDENTIAL CUSTOMERS" MEANS CUSTOMERS WHO QUALIFY FOR LOW–INCOME ASSISTANCE PROGRAMS ADMINISTERED BY THE DEPARTMENT, INCLUDING:

(I) THE EMPOWER MARYLAND LIMITED INCOME ENERGY EFFICIENCY PROGRAM;
(II) THE MULTIFAMILY ENERGY EFFICIENCY AND HOUSING AFFORDABILITY PROGRAM; AND
(III) THE WEATHERIZATION ASSISTANCE PROGRAM

**SB905 - Elders Climate Action Maryland.pdf**
Uploaded by: Frances Stewart
Position: FWA

The EmPOWER program has been of great benefit to Maryland, but it needs to be updated so it can play a key part in helping Maryland reach its greenhouse gas reduction goals. We believe SB689 would be the best bill to do this, but we believe SB905 could be almost as effective if it is amended in the way Maryland PIRG has recommended in their testimony.

# Interfaith Power & Light SB 905 FWA.pdf
Uploaded by: Jonathan Lacock-Nisly
Position: FWA

INTERFAITH Power & Light
DC.MD.NoVA
ipldmv.org
Our religious response to climate change.

**Interfaith Power & Light (DC.MD.NoVA)**
900 Massachusetts Ave NW
Washington, DC 20001
202-525-9397 • jonathan@ipldmv.org

**SB905: Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Education, Energy, and the Environment**
**Tuesday, March 14, 2023**

**Jonathan Lacock-Nisly**
**Director of Faithful Advocacy**
**Favorable with amendments**

Interfaith Power & Light (DC.MD.NoVA) supports the legislation with the following revisions:

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

**With the addition of these amendments, we would recommend a favorable report on SB905.**

(amendments on next page)

# Recommended Amendments to SB905

## ADDITIONS

**Consumer Guardrails** (behind the meter savings, prohibition on electric vehicle credits and gas appliances):

**ADD:**

1. BEGINNING JANUARY 1, 2024, AT LEAST 85% OF THE GREENHOUSE GAS EMISSIONS REDUCTIONS COUNTED TOWARD EACH GAS COMPANY'S AND ELECTRIC COMPANY'S GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH SHALL COME FROM BEHIND-THE-METER PROGRAMS.
2. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, GREENHOUSE GAS EMISSIONS REDUCTIONS FROM THE FOLLOWING SOURCES MAY NOT COUNT TOWARD THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH:
   - A. THE INCREASED ADOPTION OF ELECTRIC VEHICLES; AND
   - B. THE INSTALLATION OF FOSSIL-FUEL-BURNING APPLIANCES.
3. A GAS COMPANY MAY, ON A CASE-BY-CASE BASIS ONLY, USE THE INSTALLATION OF GAS APPLIANCES IN COMMERCIAL AND INDUSTRIAL BUILDINGS TO ACHIEVE THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH IF THE COMMISSION MAKES A DETERMINATION, ON A CASE-BY-CASE BASIS ONLY, THAT THERE IS NO VIABLE ELECTRIFICATION ALTERNATIVE AND INSTALLATION OF THE GAS APPLIANCES ADVANCES THE STATE'S LONG-TERM INTEREST IN REDUCING GREENHOUSE GAS EMISSIONS.

**COST EFFECTIVENESS**

1. In determining the cost-effectiveness of the plan, the Commission shall evaluate the cost-effectiveness of the residential sector sub portfolio and the commercial and industrial sector sub portfolio by utilizing, as applicable:

   i. the societal cost test, to be known as the "Primary Maryland Jurisdiction-Specific Test" in order to determine the cost–effectiveness of the program or service prospectively, including through the consideration of:

      1. participant non-energy benefits;
      2. utility non-energy benefits; and
      3. societal non-energy benefits.

**PROMOTION OF STATE AND FEDERAL REBATES**

1.
   a. ON OR BEFORE JANUARY 1, 2024, GAS COMPANIES AND ELECTRIC COMPANIES SHALL-PROMOTE THE USE OF ANY AVAILABLE STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS AVAILABLE TO REPLACE FOSSIL-FUEL POWERED EQUIPMENT OR ELECTRIC RESISTANCE SPACE OR WATER HEATING, AND SHALL PROVIDE CONSUMER REBATES TO FACILITATE THE PROCESS.
   b. PORTABLE HEATING, COOLING, AND COOKING EQUIPMENT SHALL QUALIFY FOR REBATES UNDER THIS SUBSECTION.

2.
    a. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND ELECTRIC COMPANIES SHALL PROMOTE FUEL SWITCHING FROM GAS TO ELECTRICITY.
    b. GAS COMPANIES AND ELECTRIC COMPANIES SHALL PROMOTE THE AVAILABILITY OF STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS THAT CAN BE USED TO SUPPORT ENERGY EFFICIENCY AND FUEL SWITCHING

**ENERGY AUDITS + ELECTRIFICATION**

1. BEGINNING ON OR BEFORE JANUARY 1, 2024, ALL GAS AND ELECTRIC COMPANY HOME ENERGY AUDITS AND HOME ENERGY CHECKUPS SHALL INCLUDE AN EVALUATION OF THE READINESS OF A HOME FOR FULL ELECTRIFICATION, INCLUDING:
    a. THE CAPABILITY OF BREAKER BOXES AND WIRING TO ACCOMMODATE HOME ELECTRIFICATION; AND
    b. ANY OTHER MEASURES THAT ARE NECESSARY FOR HOME ELECTRIFICATION.
2. EACH GAS COMPANY AND ELECTRIC COMPANY SHALL PROMOTE THE USE OF AVAILABLE STATE AND FEDERAL FUNDS AND EACH ELECTRIC COMPANY SHALL ESTABLISH REBATES FOR BREAKER PANEL AND WIRING REPAIRS, REPLACEMENTS, AND UPGRADES TO SUPPORT FULL BEHIND-THE-METER ELECTRIFICATION.

**COMMUNITY OUTREACH:**

1. A COMMUNITY OUTREACH SPECIALIST FACILITATING WHOLE–HOME RETROFITS MUST:
    a. PROVIDE A SINGLE POINT OF CONTACT FOR LOW–INCOME RESIDENTIAL CUSTOMERS, CONTRACTORS, AND MULTIFAMILY PROPERTY OWNERS  WHO RENT TO LOW–INCOME RESIDENTIAL CUSTOMERS; AND
    b. OFFER SERVICES IN ANY LANGUAGE NEEDED BY LOW–INCOME RESIDENTIAL CUSTOMERS IN THE AREA SERVED BY THE COMMUNITY OUTREACH SPECIALIST

## ADJUSTMENTS to HB1035

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# DEFINITIONS

## Section 7-220 - Definitions

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**ADD:** "COMMUNITY OUTREACH SPECIALIST" MEANS A PERSON OR ORGANIZATION THAT SUPPORTS THE DELIVERY OF LOW-INCOME ASSISTANCE PROGRAM SERVICES BY ACTING AS AN INTERMEDIARY BETWEEN THE DEPARTMENT AND ELIGIBLE CUSTOMERS.

**ADD:** "LOW–INCOME RESIDENTIAL CUSTOMERS" MEANS CUSTOMERS WHO QUALIFY FOR LOW–INCOME ASSISTANCE PROGRAMS ADMINISTERED BY THE DEPARTMENT, INCLUDING:

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(III) THE WEATHERIZATION ASSISTANCE PROGRAM

**SB905_MDSierraClub_fwa 14March2023.pdf**
Uploaded by: Josh Tulkin
Position: FWA

P.O. Box 278
Riverdale, MD 20738

**Committee:** **Education, Energy, and the Environment**
**Testimony on: SB905 "Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans"**
**Position:** **Favorable with Amendments**
**Hearing Date: March 14, 2023**

The Maryland Chapter of the Sierra Club urges a "favorable with amendments" report on SB905.

One of the Sierra Club's five priorities this session is to update and reorient Maryland's EmPOWER energy efficiency program to address both energy efficiency and the substantial greenhouse gas (GHG) emissions that result from the use of fossil fuels in Maryland buildings. Addressing GHG emissions from buildings is essential since the use of fossil fuels in buildings accounts for about 13% of Maryland's total GHG emissions.

This bill, drafted by the Maryland's Public Service Commission (PSC), seeks to update EmPOWER to address GHG emissions. However, the proposal is deficient in several respects.

We previously have submitted written and oral testimony to this Committee urging a favorable report on an alternative bill, SB689, which includes the specific reforms to EmPOWER that are needed to reduce GHG emissions from Maryland buildings effectively, reliably, and in a manner that will protect Maryland ratepayers.

Should the Committee decide that SB905 will serve as the vehicle for the needed EmPOWER reforms, we outline below the amendments we urge be adopted to rectify the deficiencies with the PSC approach.

<u>Problems with SB905, as Drafted</u>

The PSC bill identifies broad goals and leaves the implementation details to the utilities, to be identified in plans they would submit to the PSC for approval. The bill does not specify the methods to be used by utilities, or to be made available to building owners, to reduce GHG emissions, and does not set an overall emissions reduction goal. A core element of EmPOWER is that it incentivizes building owners to adopt efficiency measures by providing rebates (e.g., for new, more efficient furnaces); EmPOWER does not mandate that efficiency measures be undertaken. Yet, the PSC bill provides little guidance on how EmPOWER rebates may or should be reoriented to the task of reducing GHG emissions. Indeed, the discretion delegated to electric and gas utilities may allow utilities to implement programs that continue to provide incentives for climate-warming fossil fuels in homes and businesses.

The PSC bill also lacks appropriate ratepayer protections. It does not require that most of the benefits of the EmPOWER program go to ratepayers, who fund the program. The bill will allow utilities to rate-base efficiency and GHG-reduction measures. At a time when some utilities are proposing to raise rates over $10 per month, this would require ratepayers to pay returns to utilities over a long period of time. Ratepayers further would pay for incentives that utilities would receive by achieving utility-defined EmPOWER goals, while the bill does not include any potential utility penalties for failure to perform.[1]

[1] We note that the PSC has said that its bill reflects the consensus of a work group the PSC convened following the enactment of the Climate Solutions Now Act. We disagree. The work group included about 170 stakeholders with

SB689

In contrast, the alternative bill, SB689, specifically identifies how EmPOWER rebates and other features of the program should be reoriented to incentivize homeowners and businesses to take cost-effective measures to reduce GHG emissions from their buildings. The bill sets specific GHG-reduction goals for EmPOWER, which the General Assembly said last year in the Climate Solutions Now Act is a key component of EmPOWER reform. These goals are based on lifecycle emissions, which means that they will encourage long-term sustainable solutions.

SB689 provides for utilities to offer rebates for high efficiency electric heating and appliances (facilitating fuel switching from fossil fuel to electric heating and appliances), ends EmPOWER rebates for gas appliances, and helps residences prepare to become all-electric (but does not require that gas appliances be purchased). It provides performance incentives to utilities to meet the new goals of the EmPOWER program, as well as penalties for failure to perform. It also helps ensure that the ratepayers who are paying for EmPOWER directly receive most of the benefits.

Amendments to SB905

Should the Committee decide to utilize SB905 as the vehicle for the needed EmPOWER reforms, we urge the following amendments:

- A clear goal for EmPOWER of 1.8 percent lifetime GHG reductions, and a requirement that the PSC assign specific GHG goals to each utility.
- A specification that EmPOWER incentives be used for beneficial electrification, including incentives for converting fossil-fuel furnaces and appliances to high-efficiency heat pumps and electric appliances.
- Promotion of state and federal energy efficiency rebates by utilities and the Department of Housing and Urban Development (DHCD).
- Consumer protection guardrails to ensure ratepayer funds are used to maximize in-home energy efficiency through an 80-85% goal for in-home ("behind-the-meter") energy savings, with the specification that neither vehicle electrification nor gas appliance incentives may count toward the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits; the program expense should not be added to rate bases or guarantee profits.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a community outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Inclusion of electrical readiness in home energy audits.
- Additional definitions to clarify bill terminology.

Mark Posner
Clean Energy Team Lead
Mposner5719@gmail.com

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

diverse and inconsistent viewpoints. The PSC's bill would deal with the different viewpoints by granting substantial discretion to utilities and delaying decisions until future regulatory actions. This falls well short of the EmPOWER reforms needed at this time to meet Maryland's climate goals.

**SB905VistraFWA.pdf**
Uploaded by: Katie Nash
Position: FWA

SENATE EEE COMMITTEE
SB 905
SUPPORT WITH AMENDMENTS

**Senate EEE Committee**
March 14, 2023

Vistra respectfully submits this testimony in **support with amendments to SB 905 Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans**.

Vistra is a leading Fortune 500 integrated retail electricity and power generation company with operations in Maryland that focuses on delivering an innovative, customer-centric approach to retail electricity and over 7,500 MW of electric generation in the PJM market.[1]

Vistra supports the goal of SB 905 to make more energy efficiency (EE), conservation and greenhouse gas (GHG) reduction programs available to Maryland consumers. Indeed, Vistra retail brands have long brought the benefits of EE and conservation to residential and commercial customer classes through competitive retail offerings.

For example, in 2008[2] , before NEST and Ecobee were in the popular consciousness, our TXU Energy brand partnered with a local distribution utility and technology companies to provide our iThermostat™ product for residential customers. The program provided TXU Energy retail customers a free smart web-enabled thermostat that could be cycled during periods of peak strain on the electric grid, essentially a residential demand response program. Customers however retained complete control of their comfort and could opt-out during cycling times with a simple touch of a button.

In 2023, Vistra expanded this successful program by introducing the TXU Energy Connected Conservation℠ and TriEagle Energy Connected Savings℠ programs. These programs have multiplied the impact of conservation by allowing any customer with a compatible thermostat already in their home to collectively participate in reducing demand on the grid. Like the iThermostat™ program, thermostats are cycled during periods of peak demand. Customers get the benefit of an enrollment incentive, reduced HVAC consumption while still maintaining complete control of their comfort.

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1 The company brings its products and services to market in 20 states and the District of Columbia, including six of the seven competitive wholesale markets in the U.S. Serving nearly 4.3 million residential, commercial, and industrial retail customers with electricity and natural gas, Vistra is one of the largest competitive electricity providers in the country and offers over 50 renewable energy plans. The company is also the largest competitive power generator in the U.S. with a capacity of approximately 37,000 megawatts powered by a diverse portfolio, including natural gas, nuclear, solar, and battery energy storage facilities. In addition, Vistra is a large purchaser of wind power. The company owns and operates the 750-MW/1,600-MWh battery energy storage system in Moss Landing, California, the largest of its kind in the world.

2 At the time TXU Energy was owned by Energy Future Holdings and was a Texas only company.

Colin Fitzsimmons | Vistra | colin.fitzsimmons@vistracorp.com | 717.793.6164
Katie Nash | Energy Advocacy Maryland | katie@energyadvocacy.com | 301.524.9142

Helping our residential customers conserve energy goes beyond the thermostat. For the past 5 years, Vistra has partnered with national HVAC service companies to provide our customers complementary HVAC tune-ups prior to the summer cooling season to help increase energy efficiency. A tune-up in a high HVAC usage state can reduce energy consumption by up to 30% during the summer and winter months.

To meet customer needs for additional HVAC energy efficiency services, Vistra has created unique rate plans that provide customers ongoing HVAC maintenance at no additional cost. Customers get two HVAC tune-ups per year plus service, repair and replacement discounts to help get their system back in top form to ensure maximum efficiency.

Vista's retail providers also provide EE and conservation incentives to our commercial customers.[3] For example, our TXU GreenBack℠ program provides eligible customers rebates for making EE improvements to their facilities that yield long term savings. In markets where available, our retail arm also can work with customers to participate in demand response services where they will receive a payment for reducing electric consumption during periods of peak demand. Like the residential program above, these programs are either totally in the control of the customer to determine the best way and times to participate or can be managed within flexibility of the customer's operations.

Given this experience in competitive markets, Vistra believes that EE, conservation and GHG programs work best when regulated utilities, competitive providers and other market stakeholders work together to deliver solutions to consumers. With this in mind, Vistra recommends the following amendments to SB 905:

In 7-220 (e) on page 3, line 9, insert "OR A COMPETITIVE SUPPLIER" after "MEANS A PROGRAM ESTABLISHED BY AN ELECTRIC COMPANY"

In 7-222 (A) on page 5, line 3, include ", IN PARTNERSHIP WITH COMPETITIVE SUPPLIERS," after "EACH ELECTRIC COMPANY AND GAS COMPANY".

In 7-222 (C)(3) on page 5 lines 28-30 striking the existing text and replacing with "ENSURING PROGRAMS ARE MADE AVAILABLE TO CUSTOMERS WHO HAVE CHOSEN A COMPETITIVE PROVIDER UNDER SUBTITLE 5 OR SUBTITLE 6 OF THIS TITLE IN PARTNERSHIP WITH THEIR SELECTED COMPETITIVE PROVIDER."

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[3] Vistra's 2021 Sustainability Report provides additional statistics on various programs that commercial customers have participated in with Vistra including, Demand Response, GridBeyond Partnership, and Electrification Solutions: https://vistracorp.com/wp-content/uploads/2022/05/VST-sustainability-report-2021.pdf -

As Vistra has shown in other competitively structured markets, providing these kinds of programs through the utility that promote partnerships with competitive suppliers and other third parties acts as a force multiplier helping to ensure that the goals for EE, conservation and GHG reduction are met. To ensure these benefits, it is also critically important that competitive suppliers and other third parties, with customer permission, have access to critical customer information needed to provide these services from the utility and that the information is accurate, timely and provided at low to no cost to the provider.

Vistra also believes that these programs benefit from oversight and transparency and applaud Chair Feldman for including oversight and reporting requirements. In addition to those requirements already proposed, Vistra would recommend that the following language be included in the legislation:

Article – Public Utilities
Section 5–302
Annotated Code of Maryland
(2020 Replacement Volume and 2022 Supplement)

Article – Public Utilities: 5–302.
(a) Except as provided in subsection (b) of this section, a public service company shall file with the Commission:
(1) an annual report for the preceding calendar year; [and]
(2) special reports, information, contracts, records, and copies as required by the Commission; AND
(3) BEGINNING OCTOBER 1, 2024, AN ANNUAL REPORT THAT INCLUDES:

(I) INFORMATION ON THE ACCURACY OF THE BILLS SENT TO CUSTOMERS;

(II) THE TOTAL AMOUNT COLLECTED FROM CUSTOMERS TO SUPPORT UTILITY ASSISTANCE PROGRAMS AND PROGRAMS INCLUDED IN §§ 7-223 AND §§ 7-224, INCLUDING THOSE OFFERED BY THE PUBLIC SERVICE COMPANY, THE OFFICE OF HOME ENERGY PROGRAMS, OR THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT;

(III) THE TOTAL NUMBER OF CUSTOMERS AND THE TOTAL AMOUNT ALLOCATED TO CUSTOMERS RECEIVING UTILITY ASSISTANCE, INCLUDING THOSE OFFERED BY THE PUBLIC SERVICE COMPANY, THE OFFICE OF HOME ENERGY PROGRAMS, OR THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT;

(IV) AN EXPLANATION OF CUSTOMER COMPLAINTS RECEIVED FOR BILLING ISSUES, SERVICE OUTAGES, PROGRAMS INCLUDED IN "§§ 7-223 AND §§ 7-224 AND CUSTOMER SERVICE; INCLUDING, BUT NOT LIMITED TO:

Colin Fitzsimmons | Vistra | colin.fitzsimmons@vistracorp.com | 717.793.6164
Katie Nash | Energy Advocacy Maryland | katie@energyadvocacy.com | 301.524.9142

1. INCORRECTLY BILLED CUSTOMERS;
2. NUMBER OF CUSTOMERS ASSSESSED A DEPOSIT AT FOR SERVICE START;
3. AVERAGE AMOUNT OF DEPOSIT REQUIRED FOR SERVICE START;
4. TIME FROM SERVICE OUTAGE TO RESTORATION;
5. AVERAGE TIME OF RESTORATION FROM DISCONNECT FOR NON-PAY TO RESTORATION;
6. NUMBER OF PRODUCTS UTILIZING TIME OF USE RATES;
7. NUMBER OF CUSTOMERS ON TIME OF USE RATE PRODUCTS;
8. AVERAGE TIME FROM ENROLLMENT IN PROGRAMS INCLUDED IN "§§ 7-223 AND §§ 7-224 TO DELIVERY OF SERVICE;
9. DIFFICULTIES ENROLLING IN PROGRAMS INCLUDED IN "§§ 7-223 AND §§ 7-224;
10. NUMBER OF ENROLLMENTS IN PROGRAMS INCLUDED IN "§§ 7-223 AND §§ 7-224 THAT DID NOT RESULT IN ULITIMATE DELIVERY OF SERVICE TO THE CUSTOMER;
11. AVERAGE AND MEDIAN TIMES TO ANSWER CUSTOMER INQUIRIES FOR EACH COMMUNICATION CHANNEL, INCLUDING TELEPHONE, TEXT, EMAIL, OR OTHER CHANNELS;
12. NUMBER OF CUSTOMERS PROVIDED PAYMENT ASSISTANCE, INCLUDING
    a. DEFERRED PAYMENT ARRANGEMENTS;
    b. ANY DIRECT ASSISTANCE; AND
    c. AVERAGE TERMS.
13. AVERAGE AND MEDIAN TIMES TO RESOLVE CUSTOMER COMPLAINT INQUIRIES; AND
14. NUMBER OF COMPLAINTS UNRESOLVED.

(V) A LIST OF:

1. VENDORS THAT PROVIDE BILLING SERVICES, CUSTOMER SERVICE, AND CUSTOMER INFORMATION MANAGEMENT; AND

2. CONTRACTS AWARDED FOR BILLING SERVICES, CUSTOMER SERVICE, CUSTOMER INFORMATION MANAGEMENT IN THE IMMEDIATELY PRECEDING YEAR;

3. PARTNERSHIPS ENTERED INTO TO DELIVER SERVICES SPECIFIED BY "§§ 7-223 AND §§ 7-224; AND

4. AMOUNTS SPENT IN PARTNERSHIPS FROM FUNDS DESIGNATED FOR SERVICES PROVIDED BY "§§ 7-223 AND §§ 7-224.

(VI) A LIST OF THE BUDGET, EXPENSES, ACTIVITIES, AND PERFORMANCE INDICATORS FOR ALL PILOT PROGRAMS ESTABLISHED UNDER THIS ARTICLE IN WHICH THE PUBLIC SERVICE COMPANY PARTICIPATES, INCLUDING THE TOTAL AMOUNT COLLECTED FROM CUSTOMERS TO SUPPORT THE PILOT PROGRAMS IN THE IMMEDIATELY PRECEDING YEAR; AND

Colin Fitzsimmons | Vistra | colin.fitzsimmons@vistracorp.com | 717.793.6164
Katie Nash | Energy Advocacy Maryland | katie@energyadvocacy.com | 301.524.9142

(VII) BENCHMARKING OF CUSTOMER SATISFACTION, BILLING ACCURACY, AND RESULTS FROM PROGRAMS ESTABLISHED UNDER "§§ 7-223 AND §§ 7-224 AGAINST SIMILAR PROGRAMS IMPLEMENTED IN OTHER ENERGY MARKETS IN THE UNITED STATES AND OTHER COUNTRIES.

Vistra believes the combination of shared program implementation, program transparency and robust oversight will provide the best guarantee of achieving the goals of this legislation while providing the best cost-benefit balance for Maryland's citizens.

Thank you for the opportunity to share our perspective on SB 905 and for the above reasons, Vistra respectfully urges the Committee to provide a ***favorable*** report ***with amendments***.

Colin Fitzsimmons | Vistra | colin.fitzsimmons@vistracorp.com | 717.793.6164
Katie Nash | Energy Advocacy Maryland | katie@energyadvocacy.com | 301.524.9142

**SB0905 - FWA - Electric Companies, Gas Companies,**
Uploaded by: Landon Fahrig
Position: FWA

**TO:** Members, Senate Education, Energy, and the Environment Committee
**FROM:** Paul Pinsky - Director, MEA
**SUBJECT:** SB 905 - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans
**DATE:** March 14, 2023

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**MEA Position: FAVORABLE WITH AMENDMENTS**

The Maryland Energy Administration (MEA) is heavily involved in the ongoing EmPOWER processes hosted by the Public Service Commission (PSC). **Of the several pieces of legislation impacting the EmPOWER program, MEA views this one most favorably** and encourages the Committee to adopt the MEA amendments prior to rendering a favorable report as amended.

Several factors are putting upward pressure on utility costs for individuals and businesses; commodity prices, transmission and distribution projects, and geopolitical conflict, among others. **SB 905 gives the PSC Commissioners the flexibility needed to incorporate costs, environmental impacts, energy goals, and a host of other factors into the EmPOWER goal-setting process**; providing the most prudent approach to weigh the costs and benefits associated with each goal level within the context of broader State policy goals.

The language of the bill was developed with the input of stakeholders including MEA, the Department of Housing and Community Development (DHCD), and the Maryland Department of the Environment (MDE), and it is an important step in helping us reach our energy and environmental goals, as established by the Climate Solutions Now Act of 2022. It follows the established processes for EmPOWER program design and adoption, and it adds greenhouse gas abatement as part of the overall program and its associated goals.

As amended, the bill will also:

- specify the use of both the “total resource cost test” and the “societal cost test” consistent with current practice, and as recommended by the Future Programming Work Group;
- require that beneficial electrification, sometimes referred to under the more general term of “fuel switching”, is included in each utility's EmPOWER plans;
- require promotion of federal energy programs under the IRA;
- ensure that any new EmPOWER goals will produce benefits that exceed current State goals;
- limit the inclusion of program expenses in the rate base;
- limit the inclusion of benefits into the total program benefit calculations that are generated by projects that fall within the rate base; and

- clarify that greenhouse gas emission reductions will be calculated based on the lifetime of improvements.

**MEA offers the amendments below to refine certain sections of the legislation, without overhauling the overall intent or effect of the bill**. A separate, unofficial, interlineated copy of the bill including the MEA amendments is also attached for reference. Our agency is excited to work with the sponsor to ensure that the bill is in the best possible form prior to passage. For the foregoing reasons, MEA urges the Committee to adopt MEA's proposed amendments and issue a **FAVORABLE REPORT AS AMENDED**.

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*Amendment No. 1 is identified in the provided interlineated copy of the bill with* **RED TEXT**. *This amendment requires that beneficial electrification, sometimes referred to under the more general term of "fuel switching", is included in each utility's EmPOWER plans.*

AMENDMENT NO. 1

On page 5, in line 5, after "PROMOTE" insert "BENEFICIAL ELECTRIFICATION AND"; on page 6, in line 4, after "COST-EFFECTIVE" insert "BENEFICIAL ELECTRIFICATION AND"; and on page 7, in line 32, after "SERVICES" insert "INCLUDING PROGRAMS AND SERVICES THAT PROMOTE BENEFICIAL ELECTRIFICATION".

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*Amendment No. 2 is identified in the provided interlineated copy of the bill with* **ORANGE TEXT**. *It removes language that may reduce program cost transparency for ratepayers.*

AMENDMENT NO. 2

On page 5 strike beginning with "OR" in line 24 down through "RESOURCES" in line 27.

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*Amendment No. 3 is identified in the provided interlineated copy of the bill with* **GREEN TEXT**. *The amendment adds language requiring promotion of federal energy programs under the IRA.*

AMENDMENT NO. 3

On page 6, in line 6, strike "AND"; in line 23, after "SERVICES" insert "; AND

(III) PROMOTE THE AVAILABILITY OF FEDERAL REBATE PROGRAMS THAT PROVIDE BENEFITS FOR BENEFICIAL ELECTRIFICATION OR ENERGY EFFICIENCY MEASURES".

*Amendment No. 4 is identified in the provided interlineated copy of the bill with* **BLUE TEXT**. *This amendment ensures that any new goals will produce benefits that exceed the requirements of the Climate Solutions Now Act of 2022.*

AMENDMENT NO. 4

On page 6, in line 14, after "CLASS" insert "**THAT MEET OR EXCEED THE TOTAL ENERGY AND ENVIRONMENTAL BENEFITS OF ANNUAL INCREMENTAL GROSS ENERGY SAVINGS OF AT LEAST THE FOLLOWING ANNUAL PERCENTAGES, CALCULATED AS A PERCENTAGE OF THE ELECTRIC COMPANY'S 2016 WEATHER-NORMALIZED GROSS RETAIL SALES AND ELECTRICITY LOSSES:**

**1. 2.0% PER YEAR IN 2022 THROUGH 2024;**

**2. 2.25% PER YEAR IN 2025 AND 2026; AND**

**3. 2.5% PER YEAR IN 2027 AND THEREAFTER**".

*Amendment No. 5 is identified in the provided interlineated copy of the bill with* **MAGENTA TEXT**. *Amendment No. 5 clarifies that only certain projects that are included in the exception where certain expenditures included in the rate base may be counted toward EMPOWER goals, as determined by the Commission.*

AMENDMENT NO. 5

On page 6, in line 23, after "INCLUDE" insert "**FRONT-OF-METER UTILITY**".

*Amendment No. 6 is identified in the provided interlineated copy of the bill with* **YELLOW TEXT**. *It clarifies that utility EmPOWER plans should be calculated based upon lifetime* greenhouse gas emission reductions.

AMENDMENT NO. 6

On page 8, in line 1, after "INCLUDING" insert "**LIFETIME**".

*Amendment No. 7 is identified in the provided interlineated copy of the bill with* **PURPLE TEXT**. *Amendment No. 7 adopts the use of both the "total resource cost test" and the "societal* *cost test" within the cost-benefit analysis process before the PSC; consistent with current practice, and as recommended by the Future Programming Work Group.*

AMENDMENT NO. 7

On page 9, after line 15, insert:

"**(5)** IN ITS REVIEW OF PLANS UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSION SHALL:

**(I)** APPLY A MARYLAND-SPECIFIC COST TEST AT THE SECTOR LEVEL AS THE PRIMARY TEST FOR PLAN SCREENING;

**(II)** APPLY A TOTAL RESOURCE COST TEST FOR USE AS A BASELINE AND COMPARISON BENCHMARKING TOOL; AND

**(III)** UTILIZE OTHER COST-EFFECTIVENESS TESTS AS DETERMINED BY THE COMMISSION.".

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*Amendment No. 8 is a technical amendment identified in the provided interlineated copy of the bill with* **BLACK TEXT**.

AMENDMENT NO. 8

On page 4, in lines 17 and 19, strike "(I)" and "(II)", respectively, and substitute "**(1)**" and "**(2)**", respectively.

# SB0905 - MEA Amendments - Internineated.docx.pdf
Uploaded by: Landon Fahrig
Position: FWA

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
*hb1035*

HOUSE BILL 1035

M5, C5 3lr1308
CF 3lr3088
By: Delegate Wilson
Introduced and read first time: February 10, 2023
Assigned to: Economic Matters

A BILL ENTITLED

AN ACT concerning

Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans

FOR the purpose of requiring each electric company and gas company and the Department of Housing and Community Development to procure or provide for its customers or certain individuals, beginning on a certain date and with a certain frequency, certain energy efficiency, conservation, and greenhouse gas emissions reduction programs and services to encourage and promote the efficient use and conservation of energy in support of certain greenhouse gas emissions reduction goals and targets; requiring the Public Service Commission to encourage and promote the efficient use and conservation of energy in support of certain greenhouse gas emissions reduction goals and targets in a certain manner; requiring certain electric companies and gas companies and the Department of Housing and Community Development to develop and submit to the Commission, on or before a certain date and with a certain frequency, a plan for achieving certain energy efficiency, conservation, and greenhouse gas emissions reduction targets; requiring the Department of the Environment to prepare and submit to the Commission a certain analysis; and generally relating to the efficient use and conservation of energy in support of greenhouse gas emissions reduction goals and targets.

BY repealing
Article – Public Utilities
Section 7–211
Annotated Code of Maryland
(2020 Replacement Volume and 2022 Supplement)

BY adding to
Article – Public Utilities
The new part designation “Part I. In General” to immediately precede Section 7–201; and Section 7–220 through 7–226 to be under the new part “Part II. Energy Efficiency and Conservation Plans”

Annotated Code of Maryland
(2020 Replacement Volume and 2022 Supplement)
BY repealing and reenacting, with amendments,
Article – Public Utilities
Section 7–510.3(j)(2)
Annotated Code of Maryland
(2020 Replacement Volume and 2022 Supplement)

BY repealing and reenacting, with amendments,
Article – State Government
Section 9–20B–05(f)(4)
Annotated Code of Maryland
(2021 Replacement Volume and 2022 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section(s) 7–211 of Article – Public Utilities of the Annotated Code of Maryland be repealed.

SECTION 2. AND BE IT FURTHER ENACTED, That the new part designation "Part I. In General" be added to immediately precede Section 7–201 of Article – Public Utilities of the Annotated Code of Maryland.

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Public Utilities

7–218. RESERVED.
7–219. RESERVED.

PART II. ENERGY EFFICIENCY AND CONSERVATION PLANS.

7–220.

(A) IN THIS PART THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) "BEHIND–THE–METER PROGRAM" MEANS A PROGRAM THAT IMPACTS THE CUSTOMER SIDE OF THE UTILITY METER, INCLUDING ENERGY EFFICIENCY PROGRAMS, BENEFICIAL ELECTRIFICATION PROGRAMS, AND DEMAND RESPONSE PROGRAMS.

(C) "BENEFICIAL ELECTRIFICATION" MEANS THE REPLACEMENT OF DIRECT FOSSIL FUEL WITH ELECTRICITY IN A MANNER THAT REDUCES OVERALL LIFETIME EMISSIONS, ENERGY USE, OR ENERGY COSTS.

(D) "CARBON DIOXIDE EQUIVALENT" MEANS THE MEASUREMENT OF A GIVEN WEIGHT OF GREENHOUSE GAS THAT HAS THE SAME GLOBAL WARMING POTENTIAL, MEASURED OVER A SPECIFIC PERIOD OF TIME, AS 1 METRIC TON OF CARBON DIOXIDE.

(E) "DEMAND RESPONSE PROGRAM" MEANS A PROGRAM ESTABLISHED BY AN ELECTRIC COMPANY THAT PROMOTES CHANGES IN ELECTRIC USAGE BY CUSTOMERS FROM THEIR NORMAL CONSUMPTION PATTERNS IN RESPONSE TO:

(1) CHANGES IN THE PRICE OF ELECTRICITY OVER TIME; OR

(2) INCENTIVES DESIGNED TO INDUCE LOWER ELECTRICITY USE AT TIMES OF HIGH WHOLESALE MARKET PRICES OR WHEN SYSTEM RELIABILITY IS JEOPARDIZED.

(F) "ENERGY EFFICIENCY" MEANS THE USE OF LESS ENERGY TO PERFORM THE SAME TASK OR PRODUCE THE SAME RESULT.

(G) "FRONT–OF–METER COMMUNITY PROGRAM" MEANS A PROGRAM THAT:

(1) IS SEPARATE FROM FRONT–OF–METER UTILITY PROGRAMS;

(2) IMPACTS THE UTILITY SIDE OF THE METER; AND

(3) DIRECTLY BENEFITS A SET OF CUSTOMERS.

(H) "FRONT–OF–METER UTILITY PROGRAM" MEANS A PROGRAM THAT IMPACTS THE UTILITY SIDE OF A METER AND BENEFITS ALL UTILITY CUSTOMERS, INCLUDING ENERGY EFFICIENCY PROGRAMS, BENEFICIAL ELECTRIFICATION PROGRAMS, AND DEMAND RESPONSE PROGRAMS.

(I) "GREENHOUSE GAS" INCLUDES:

(1) CARBON DIOXIDE;

(2) METHANE;

(3) NITROUS OXIDE;

(4) HYDROFLUOROCARBONS;

(5) PERFLUOROCARBONS; AND

(6) SULFUR HEXAFLUORIDE.

(J) "GREENHOUSE GAS EMISSIONS REDUCTION" MEANS A REDUCTION IN GREENHOUSE GAS EMISSIONS, MEASURED IN METRIC TONS OF CARBON DIOXIDE EQUIVALENTS, INCLUDING:

(1) GREENHOUSE GAS EMISSIONS FROM THE GENERATION OF ELECTRICITY DELIVERED TO AND CONSUMED IN THE STATE; AND

(2) LINE LOSSES FROM THE TRANSMISSION AND DISTRIBUTION OF ELECTRICITY, REGARDLESS OF WHETHER THE ELECTRICITY IS GENERATED IN–STATE OR IMPORTED.

(K) "NON–ENERGY PROGRAM" MEANS A PROGRAM WITH UTILITY BENEFITS THAT ARE PRIMARILY NON–ENERGY–BASED.

(L) "PLAN" MEANS ANY COMBINATION OF BEHIND–THE–METER PROGRAMS, FRONT–OF–METER COMMUNITY PROGRAMS, FRONT–OF–METER UTILITY PROGRAMS, OR NON–ENERGY PROGRAMS THAT:

~~(I)~~**(1)** ACHIEVE ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION TARGETS; AND

~~(II)~~**(2)** INCLUDE A COST RECOVERY PROPOSAL.

7–221.

THE GENERAL ASSEMBLY FINDS AND DECLARES THAT ENERGY EFFICIENCY IS:

(1) AMONG THE LEAST EXPENSIVE WAYS TO MEET THE ENERGY DEMANDS OF THE STATE;

(2) A MEANS OF AFFORDABLE, RELIABLE, AND CLEAN ENERGY FOR CONSUMERS OF MARYLAND; AND

(3) ONE METHOD TO ACHIEVE MARYLAND'S CLIMATE COMMITMENTS FOR REDUCING STATEWIDE GREENHOUSE GAS EMISSIONS, INCLUDING THOSE SPECIFIED IN TITLE 2, SUBTITLE 12 OF THE ENVIRONMENT ARTICLE.

7–222.

(A) SUBJECT TO REVIEW AND APPROVAL BY THE COMMISSION, EACH ELECTRIC COMPANY AND GAS COMPANY SHALL DEVELOP AND IMPLEMENT PROGRAMS AND SERVICES IN ACCORDANCE WITH §§ 7–223 AND 7–224 OF THIS SUBTITLE TO ENCOURAGE AND PROMOTE **BENEFICIAL ELECTRIFICATION AND** THE EFFICIENT USE AND CONSERVATION OF ENERGY BY CONSUMERS, ELECTRIC COMPANIES, AND GAS COMPANIES IN SUPPORT OF THE GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE.

(B) AS DIRECTED BY THE COMMISSION, EACH MUNICIPAL ELECTRIC OR GAS UTILITY AND EACH ELECTRIC COOPERATIVE THAT SERVES A POPULATION OF LESS THAN 250,000 IN ITS DISTRIBUTION TERRITORY SHALL INCLUDE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS OR SERVICES AS PART OF THEIR SERVICE TO THEIR CUSTOMERS.

(C) THE COMMISSION SHALL ENCOURAGE AND PROMOTE THE EFFICIENT USE AND CONSERVATION OF ENERGY IN SUPPORT OF THE GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE BY:

(1) REQUIRING EACH ELECTRIC COMPANY AND GAS COMPANY TO ESTABLISH ANY PROGRAM OR SERVICE THAT THE COMMISSION DETERMINES TO BE APPROPRIATE AND COST–EFFECTIVE;

(2) ADOPTING RATE–MAKING POLICIES THAT PROVIDE COST RECOVERY AND REASONABLE FINANCIAL INCENTIVES FOR ELECTRIC COMPANIES AND GAS COMPANIES THROUGH A SURCHARGE ~~OR BASE RATE RECOVERY, INCLUDING THE ELECTRIC COMPANY OR GAS COMPANY'S AUTHORIZED RATE OF RETURN, FOR THE ELECTRIC COMPANY OR GAS COMPANY'S INVESTMENTS IN PROGRAMS AND RESOURCES~~; AND

(3) ENSURING THAT ADOPTION OF ELECTRIC CUSTOMER CHOICE UNDER SUBTITLE 5 OF THIS TITLE AND GAS CUSTOMER CHOICE UNDER SUBTITLE 6 OF THIS TITLE DO NOT ADVERSELY IMPACT THESE GOALS AND TARGETS.

7–223.

(A) (1) EXCEPT AS PROVIDED IN § 7–222(B) OF THIS SUBTITLE, BEGINNING SEPTEMBER 1, 2023, AND EVERY 3 YEARS THEREAFTER, THE

COMMISSION SHALL REQUIRE EACH ELECTRIC COMPANY AND EACH GAS COMPANY TO:

(I) DEVELOP A PLAN FOR PROCURING OR PROVIDING FOR ITS CUSTOMERS COST–EFFECTIVE **BENEFICIAL ELECTRIFICATION AND** ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION PROGRAMS AND SERVICES IN ACCORDANCE WITH § 7–224 OF THIS SUBTITLE; ~~AND~~

(II) PROCURE OR PROVIDE FOR ITS CUSTOMERS COST–EFFECTIVE ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION PROGRAMS AND SERVICES**; AND**

**(III) PROMOTE THE AVAILABILITY OF FEDERAL REBATE PROGRAMS THAT PROVIDE BENEFITS FOR BENEFICIAL ELECTRIFICATION OR ENERGY EFFICIENCY MEASURES**.

(2) THE COMMISSION SHALL ENSURE THAT THE PROGRAMS AND SERVICES PROCURED OR PROVIDED BY AN ELECTRIC COMPANY OR GAS COMPANY:

(I) HAVE PROJECTED AND VERIFIABLE ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTIONS FOR EACH AFFECTED CUSTOMER CLASS **THAT MEET OR EXCEED THE TOTAL ENERGY AND ENVIRONMENTAL BENEFITS OF ANNUAL INCREMENTAL GROSS ENERGY SAVINGS OF AT LEAST THE FOLLOWING ANNUAL PERCENTAGES, CALCULATED AS A PERCENTAGE OF THE ELECTRIC COMPANY'S 2016 WEATHER-NORMALIZED GROSS RETAIL SALES AND ELECTRICITY LOSSES:**

**1. 2.0% PER YEAR IN 2022 THROUGH 2024;**

**2. 2.25% PER YEAR IN 2025 AND 2026; AND**

**3. 2.5% PER YEAR IN 2027 AND THEREAFTER**;

(II) ACHIEVE GROSS GREENHOUSE GAS EMISSIONS REDUCTION TARGETS AS SET BY THE COMMISSION; AND

(III) ARE COMPOSED OF SUFFICIENT PERCENTAGES, AS DETERMINED BY THE COMMISSION, OF BEHIND–THE–METER PROGRAMS, NON–ENERGY PROGRAMS, FRONT–OF–METER COMMUNITY PROGRAMS, AND FRONT–OF–METER UTILITY PROGRAMS.

(3) CONTRIBUTIONS TO GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS IN A PLAN OF AN ELECTRIC COMPANY OR A GAS COMPANY MAY INCLUDE **FRONT-OF METER UTILITY** PROGRAMS AND RESOURCES THAT ARE RECOVERED IN A BASE RATE PROCEEDING, SUBJECT TO COMMISSION APPROVAL.

(B) (1) BEGINNING SEPTEMBER 1, 2023, AND EVERY 3 YEARS THEREAFTER, THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL PROCURE OR PROVIDE TO LOW– AND MODERATE–INCOME INDIVIDUALS ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION PROGRAMS AND SERVICES.

(2) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT MAY PROCURE OR PROVIDE SAVINGS THAT ARE ACHIEVED THROUGH FUNDING SOURCES THAT MEET THE STANDARDS OF PROGRAM FUNDING THROUGH UTILITY RATES OR THE U.S. DEPARTMENT OF ENERGY.

(3) THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL SUBMIT ANY PROGRAMS OR SERVICES PROCURED OR PROVIDED UNDER PARAGRAPH (1) OF THIS SUBSECTION TO THE COMMISSION FOR REVIEW AND APPROVAL.

7–224.

(A) (1) ON OR BEFORE JULY 1, 2023, AND EVERY 3 YEARS THEREAFTER, EACH ELECTRIC COMPANY, EACH GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL CONSULT WITH THE TECHNICAL STAFF OF THE COMMISSION, THE OFFICE OF PEOPLE'S COUNSEL, THE MARYLAND ENERGY ADMINISTRATION, AND THE DEPARTMENT OF THE ENVIRONMENT REGARDING THE DESIGN AND ADEQUACY OF ITS PLANS FOR ACHIEVING THE EFFICIENT USE AND CONSERVATION OF ENERGY IN SUPPORT OF THE GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

(2) EACH ELECTRIC COMPANY, EACH GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL PROVIDE THE TECHNICAL STAFF OF THE COMMISSION, THE OFFICE OF PEOPLE'S COUNSEL, THE MARYLAND ENERGY ADMINISTRATION, AND THE DEPARTMENT OF THE ENVIRONMENT WITH ANY ADDITIONAL INFORMATION REGARDING ITS PLAN, AS REQUESTED.

(B) (1) ON OR BEFORE SEPTEMBER 1, 2023, AND EVERY 3 YEARS THEREAFTER, AN ELECTRIC COMPANY, A GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL SUBMIT ITS PLAN TO THE COMMISSION.

(2) EACH PLAN SHALL DETAIL A PROPOSAL FOR ACHIEVING THE ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION TARGETS FOR 3 SUBSEQUENT CALENDAR YEARS.

(3) (I) EACH PLAN SHALL:

1. INCLUDE:

A. A DESCRIPTION OF THE PROPOSED PROGRAMS AND SERVICES **<u>INCLUDING PROGRAMS AND SERVICES THAT PROMOTE BENEFICIAL ELECTRIFICATION</u>**.

B. ANTICIPATED COSTS;

C. PROJECTED BENEFITS, INCLUDING **LIFETIME** GREENHOUSE GAS EMISSIONS REDUCTIONS, ELECTRICITY SAVINGS, AND GAS SAVINGS; AND

D. ANY OTHER INFORMATION REQUESTED BY THE COMMISSION; AND

2. ADDRESS RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL SECTORS AS APPROPRIATE, INCLUDING LOW–INCOME COMMUNITIES AND LOW– TO MODERATE–INCOME COMMUNITIES.

(II) A PLAN OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL INCLUDE A DEFINITION OF "LOW– OR MODERATE–INCOME INDIVIDUAL" TO BE USED IN THE PROCUREMENT OR PROVISION OF ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTION PROGRAMS AND SERVICES.

(C) (1) THE COMMISSION SHALL REVIEW THE PLAN OF EACH ELECTRIC COMPANY, EACH GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO DETERMINE WHETHER THE PLAN IS ADEQUATE AND COST–EFFECTIVE IN ACHIEVING THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

(2) THE COMMISSION SHALL CONSIDER ANY WRITTEN FINDINGS PROVIDED BY THE MARYLAND ENERGY ADMINISTRATION AND THE DEPARTMENT OF THE ENVIRONMENT REGARDING THE DESIGN AND ADEQUACY OF THE PLAN.

(3) IN APPROVING THE PLAN OF AN ELECTRIC COMPANY OR A GAS COMPANY, THE COMMISSION SHALL CONSIDER:

(I) THE COST–EFFECTIVENESS OF THE RESIDENTIAL AND COMMERCIAL SECTOR SUBPORTFOLIOS BY USING THE PRIMARY STATE JURISDICTION–SPECIFIC TEST, AS DEVELOPED, UPDATED, OR APPROVED BY THE COMMISSION;

(II) THE IMPACT ON RATES OF EACH RATEPAYER CLASS;

(III) THE IMPACT ON JOBS;

(IV) THE IMPACT ON THE ENVIRONMENT; AND

(V) THE IMPACT ON THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

(4) (I) IN APPROVING THE PLAN OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, THE COMMISSION SHALL CONSIDER:

1. SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE COST–EFFECTIVENESS OF THE PLAN BY USING THE PRIMARY STATE JURISDICTION–SPECIFIC TEST, AS DEVELOPED, UPDATED, OR APPROVED BY THE COMMISSION;

2. THE IMPACT ON RATES OF EACH RATEPAYER CLASS;

3. THE IMPACT ON JOBS;

4. THE IMPACT ON THE ENVIRONMENT; AND

5. THE IMPACT ON THE GREENHOUSE GAS EMISSIONS TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

(II) THE PROGRAMS AND SERVICES OFFERED BY THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT ARE NOT REQUIRED TO BE COST–EFFECTIVE.

**(5) IN ITS REVIEW OF PLANS UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSION SHALL:**

**(I) APPLY A MARYLAND-SPECIFIC COST TEST AT THE SECTOR LEVEL AS THE PRIMARY TEST FOR PLAN SCREENING.**

**(II) APPLY A TOTAL RESOURCE COST TEST FOR USE AS A BASELINE AND COMPARISON BENCHMARKING TOOL; AND**

**(III) UTILIZE OTHER COST-EFFECTIVENESS TESTS AS DETERMINED BY THE COMMISSION.**

(D) THE DEPARTMENT OF THE ENVIRONMENT SHALL PREPARE AND SUBMIT TO THE COMMISSION AN ANALYSIS REGARDING THE ADEQUACY OF THE PLAN IN SUPPORTING THE STATE'S GREENHOUSE GAS EMISSIONS REDUCTION GOALS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

7–225.

(A) (1) EACH ELECTRIC COMPANY, EACH GAS COMPANY, AND THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT SHALL PROVIDE TO THE COMMISSION EVERY 6 MONTHS AN UPDATE ON PLAN IMPLEMENTATION AND PROGRESS MADE TOWARD ACHIEVING THE EFFICIENT USE AND CONSERVATION OF ENERGY IN SUPPORT OF THE GREENHOUSE GAS EMISSIONS REDUCTION GOALS AND TARGETS SPECIFIED IN §§ 2–1201 AND 2–1204.1 OF THE ENVIRONMENT ARTICLE AND SET BY THE COMMISSION UNDER § 7–223(A) OF THIS SUBTITLE.

(2) THE COMMISSION SHALL MONITOR AND ANALYZE THE IMPACT OF EACH PROGRAM AND SERVICE TO ENSURE THAT THE OUTCOME OF EACH PROGRAM AND SERVICE PROVIDES THE BEST POSSIBLE RESULTS.

(3) IN MONITORING AND ANALYZING THE IMPACT OF A PROGRAM OR SERVICE UNDER PARAGRAPH (2) OF THIS SUBSECTION, IF THE COMMISSION FINDS THAT THE OUTCOME OF THE PROGRAM OR SERVICE MAY NOT BE PROVIDING THE BEST POSSIBLE RESULTS, THE COMMISSION SHALL DIRECT THE ELECTRIC COMPANY, THE GAS COMPANY, OR THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO INCLUDE IN ITS NEXT UPDATE UNDER PARAGRAPH (1) OF THIS SUBSECTION SPECIFIC MEASURES TO ADDRESS THE FINDINGS.

(B) (1) AT LEAST ONCE EACH YEAR, EACH ELECTRIC COMPANY AND EACH GAS COMPANY SHALL NOTIFY AFFECTED CUSTOMERS OF THE ENERGY EFFICIENCY AND CONSERVATION CHARGES IMPOSED AND BENEFITS CONFERRED.

(2) THE NOTICE SHALL BE PROVIDED BY PUBLICATION ON THE COMPANY’S WEBSITE AND INCLUSION WITH BILLING INFORMATION SUCH AS A BILL INSERT OR BILL MESSAGE.

(C) ON OR BEFORE MAY 1 EACH YEAR, THE COMMISSION SHALL REPORT, IN ACCORDANCE WITH § 2–1257 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY ON:

(1) THE STATUS OF PROGRAMS AND SERVICES TO ENCOURAGE AND PROMOTE ENERGY EFFICIENCY, CONSERVATION, AND GREENHOUSE GAS EMISSIONS REDUCTIONS, INCLUDING AN EVALUATION OF THE IMPACT OF THE PROGRAMS AND SERVICES THAT ARE DIRECTED TO LOW–INCOME COMMUNITIES, LOW– TO MODERATE–INCOME COMMUNITIES TO THE EXTENT POSSIBLE, AND OTHER PARTICULAR CLASSES OF RATEPAYERS; AND

(2) A RECOMMENDATION FOR THE APPROPRIATE FUNDING LEVEL TO ADEQUATELY FUND THESE PROGRAMS AND SERVICES.

7–226.

(A) NOTWITHSTANDING ANY OTHER LAW, THE COMMISSION MAY NOT REQUIRE OR ALLOW AN ELECTRIC COMPANY OR A GAS COMPANY TO REQUIRE A CUSTOMER TO AUTHORIZE THE ELECTRIC COMPANY OR GAS COMPANY TO CONTROL THE AMOUNT OF THE CUSTOMER’S ELECTRICITY USAGE OR GAS USAGE.

(B) A CUSTOMER MAY PROVIDE CONSENT TO PARTICIPATE IN A PROGRAM OF AN ELECTRIC COMPANY OR A GAS COMPANY PROVIDING DIRECT LOAD CONTROL OR OTHER UTILITY MANIPULATION OF A CUSTOMER’S ELECTRICITY OR GAS USAGE.

7–510.3.

(j) (2) A community choice aggregator, in consultation with all investor–owned electric companies whose service territories include all or part of the county and the Department of Housing and Community Development, may promote energy efficiency programs that are:

(i) offered by the investor–owned electric companies; or

(ii) filed by the investor–owned electric companies with the Commission for its approval in accordance with [§ 7–211] SUBTITLE 2, PART II of this title.

Article – State Government

9–20B–05.

(f) The Administration shall use the Fund:

(4) to provide rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers under [§ 7–211] TITLE 7, SUBTITLE 2, PART II of the Public Utilities Article;

SECTION 4. AND BE IT FURTHER ENACTED, That the publisher of the Annotated Code of Maryland, in consultation with and subject to the approval of the Department of Legislative Services, shall correct, with no further action required by the General Assembly, cross–references and terminology rendered incorrect by this Act. The publisher shall adequately describe any correction that is made in an editor's note following the section affected.

SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2023.

# SB0905 Energy Efficiency & Conservation Plans_Educ

Uploaded by: Laurie McGilvray

Position: FWA

**Committee:** **Education, Energy, and the Environment**
**Testimony on:** **SB0905 - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Organization:** **Maryland Legislative Coalition Climate Justice Wing**
**Submitting:** **Laurie McGilvray, Co-Chair**
**Position:** **Favorable with Amendments**
**Hearing Date:** **March 14, 2023**

Dear Mr. Chair and Committee Members:

Thank you for allowing our testimony today. The Maryland Legislative Coalition Climate Justice Wing, a statewide coalition of over 50 grassroots and professional organizations, urges you to vote favorable with amendments on SB905.

With revisions to SB905 provided below and attached amendments, SB905 will strengthen the original EmPOWER Maryland Energy Efficiency Act, passed in 2008 to incentivize energy efficiency and energy conservation, and will help Maryland meet its ambitious greenhouse gas (GHG) reduction goals. While the current EmPOWER Program has improved energy efficiency, saved customers money, and reduced GHG emissions, it needs to be updated.

**Suggested revisions to the bill:**

- Consumer protection guardrails to ensure ratepayer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to base rates or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to the Public Service Commission (PSC) on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach Program under the Department of Housing and Community Development (DHCD) to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.

- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

With the addition of the attached amendments, we would recommend a favorable report on SB905. (Amendments on next page.)

**Recommended Amendments to SB905**

**ADDITIONS**

**Consumer Guardrails** (behind the meter savings, prohibition on electric vehicle credits and gas appliances):

**ADD:**

1. BEGINNING JANUARY 1, 2024, AT LEAST 85% OF THE GREENHOUSE GAS EMISSIONS REDUCTIONS COUNTED TOWARD EACH GAS COMPANY'S AND ELECTRIC COMPANY'S GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH SHALL COME FROM BEHIND-THE-METER PROGRAMS.
2. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, GREENHOUSE GAS EMISSIONS REDUCTIONS FROM THE FOLLOWING SOURCES MAY NOT COUNT TOWARD THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH:
    - A. THE INCREASED ADOPTION OF ELECTRIC VEHICLES; AND
    - B. THE INSTALLATION OF FOSSIL-FUEL-BURNING APPLIANCES.
3. A GAS COMPANY MAY, ON A CASE-BY-CASE BASIS ONLY, USE THE INSTALLATION OF GAS APPLIANCES IN COMMERCIAL AND INDUSTRIAL BUILDINGS TO ACHIEVE THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH IF THE COMMISSION MAKES A DETERMINATION, ON A CASE-BY-CASE BASIS ONLY, THAT THERE IS NO VIABLE ELECTRIFICATION ALTERNATIVE AND INSTALLATION OF THE GAS APPLIANCES ADVANCES THE STATE'S LONG-TERM INTEREST IN REDUCING GREENHOUSE GAS EMISSIONS.

**COST EFFECTIVENESS**

1. IN DETERMINING THE COST-EFFECTIVENESS OF THE PLAN, THE COMMISSION SHALL EVALUATE

THE COST-EFFECTIVENESS OF THE RESIDENTIAL SECTOR SUB PORTFOLIO AND THE COMMERCIAL AND INDUSTRIAL SECTOR SUB PORTFOLIO BY UTILIZING, AS APPLICABLE:

I. THE SOCIETAL COST TEST, TO BE KNOWN AS THE "PRIMARY MARYLAND JURISDICTION-SPECIFIC TEST" IN ORDER TO DETERMINE THE COST–EFFECTIVENESS OF THE PROGRAM OR SERVICE PROSPECTIVELY, INCLUDING THROUGH THE CONSIDERATION OF:

1. PARTICIPANT NON-ENERGY BENEFITS;
2. UTILITY NON-ENERGY BENEFITS; AND
3. SOCIETAL NON-ENERGY BENEFITS.

**PROMOTION OF STATE AND FEDERAL REBATES**

1. 
    a. ON OR BEFORE JANUARY 1, 2024, GAS COMPANIES AND ELECTRIC COMPANIES SHALL-PROMOTE THE USE OF ANY AVAILABLE STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS AVAILABLE TO REPLACE FOSSIL-FUEL POWERED EQUIPMENT OR ELECTRIC RESISTANCE SPACE OR WATER HEATING, AND SHALL PROVIDE CONSUMER REBATES TO FACILITATE THE PROCESS.

b. PORTABLE HEATING, COOLING, AND COOKING EQUIPMENT SHALL QUALIFY FOR REBATES UNDER THIS SUBSECTION.

2.
   a. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND ELECTRIC COMPANIES SHALL PROMOTE FUEL SWITCHING FROM GAS TO ELECTRICITY.
   b. GAS COMPANIES AND ELECTRIC COMPANIES SHALL PROMOTE THE AVAILABILITY OF STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS THAT CAN BE USED TO SUPPORT ENERGY EFFICIENCY AND FUEL SWITCHING

**ENERGY AUDITS + ELECTRIFICATION**

1. BEGINNING ON OR BEFORE JANUARY 1, 2024, ALL GAS AND ELECTRIC COMPANY HOME ENERGY AUDITS AND HOME ENERGY CHECKUPS SHALL INCLUDE AN EVALUATION OF THE READINESS OF A HOME FOR FULL ELECTRIFICATION, INCLUDING:
   a. THE CAPABILITY OF BREAKER BOXES AND WIRING TO ACCOMMODATE HOME ELECTRIFICATION; AND
   b. ANY OTHER MEASURES THAT ARE NECESSARY FOR HOME ELECTRIFICATION.

2. EACH GAS COMPANY AND ELECTRIC COMPANY SHALL PROMOTE THE USE OF AVAILABLE STATE AND FEDERAL FUNDS AND EACH ELECTRIC COMPANY SHALL ESTABLISH REBATES FOR BREAKER PANEL AND WIRING REPAIRS, REPLACEMENTS, AND UPGRADES TO SUPPORT FULL BEHIND-THE-METER ELECTRIFICATION.

**COMMUNITY OUTREACH**

1. A COMMUNITY OUTREACH SPECIALIST FACILITATING WHOLE–HOME RETROFITS MUST:
   a. PROVIDE A SINGLE POINT OF CONTACT FOR LOW–INCOME RESIDENTIAL CUSTOMERS, CONTRACTORS, AND MULTIFAMILY PROPERTY OWNERS WHO RENT TO LOW–INCOME RESIDENTIAL CUSTOMERS; AND
   b. OFFER SERVICES IN ANY LANGUAGE NEEDED BY LOW–INCOME RESIDENTIAL CUSTOMERS IN THE AREA SERVED BY THE COMMUNITY OUTREACH SPECIALIST.

**ADJUSTMENTS to HB1035**

**7-222(C)(2).** Strike new cost-recovery/financial incentive language and use language from HB904: “BY ADOPTING RATE–MAKING POLICIES UNDER THIS SUBSECTION THAT PROVIDE FULL COST RECOVERY ON A CURRENT BASIS FOR NEW COSTS NOT LATER THAN JANUARY 1, 2027 AND, IN APPROPRIATE CIRCUMSTANCES, REASONABLE FINANCIAL INCENTIVES AND PENALTIES FOR GAS COMPANIES AND ELECTRIC COMPANIES.”

**Section 7-223** 7-223(A) Replace entire section as follows:

1. ON OR BEFORE JANUARY 1, 2024, BY REGULATION OR ORDER, THE COMMISSION SHALL REQUIRE EACH GAS COMPANY AND ELECTRIC COMPANY TO DEVELOP AND IMPLEMENT A PLAN THAT:

a. COVERS EACH RATEPAYER CLASS; AND

b. ACHIEVES THE GREENHOUSE GAS EMISSIONS REDUCTION TARGET ESTABLISHED FOR THE GAS COMPANY OR ELECTRIC COMPANY UNDER SUBPARAGRAPH (2) OF THIS PARAGRAPH.

2.

a. FOR EACH 3-YEAR PROGRAM CYCLE, THE COMMISSION SHALL ESTABLISH A GREENHOUSE GAS EMISSIONS REDUCTION TARGET FOR EACH GAS COMPANY AND ELECTRIC COMPANY AS PROVIDED IN THIS SUBPARAGRAPH.

b. FOR THE PERIOD 2024-2032, THE COMMISSION SHALL DETERMINE AN OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET BASED ON AN AVERAGE ANNUAL REDUCTION OF AT LEAST 1.8% OF THE BASELINE DETERMINED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH;

c. AT LEAST 8 MONTHS BEFORE THE FILING DEADLINE FOR GAS COMPANY AND ELECTRIC COMPANY PLANS, THE COMMISSION SHALL ISSUE AN ORDER THAT FULLY ALLOCATES AMONG THE GAS COMPANIES AND ELECTRIC COMPANIES A PORTION OF THE OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET DETERMINED UNDER SUBSUBPARAGRAPH 3 OF THIS SUBPARAGRAPH. THE COMMISSION SHALL PRIORITIZE LONG-LIVED GREENHOUSE GAS ABATEMENT MEASURES IN THE COMPANIES' PLANS BY ESTABLISHING A MINIMUM WEIGHTED AVERAGE MEASURE LIFE FOR EACH UTILITY'S PLAN.

**DEFINITIONS**

**Section 7-220 - Definitions**

**ADJUST:** 7-220(c) Beneficial Electrification definition should be edited to say "BENEFICIAL ELECTRIFICATION" MEANS THE REPLACEMENT OF DIRECT FOSSIL FUEL USE WITH ELECTRICITY IN A MANNER THAT REDUCES OVERALL LIFETIME EMISSIONS, ENERGY USE, OR <u>CUSTOMER LONG-TERM</u> ENERGY COSTS."

**ADD:** "COMMUNITY OUTREACH SPECIALIST" MEANS A PERSON OR ORGANIZATION THAT SUPPORTS THE DELIVERY OF LOW-INCOME ASSISTANCE PROGRAM SERVICES BY ACTING AS AN INTERMEDIARY BETWEEN THE DEPARTMENT AND ELIGIBLE CUSTOMERS.

**ADD:** "LOW–INCOME RESIDENTIAL CUSTOMERS" MEANS CUSTOMERS WHO QUALIFY FOR LOW–INCOME ASSISTANCE PROGRAMS ADMINISTERED BY THE DEPARTMENT, INCLUDING:

(I) THE EMPOWER MARYLAND LIMITED INCOME ENERGY EFFICIENCY PROGRAM;

(II) THE MULTIFAMILY ENERGY EFFICIENCY AND HOUSING AFFORDABILITY PROGRAM; AND

(III) THE WEATHERIZATION ASSISTANCE PROGRAM

## SB905_EEE_FWA_EMPPSC_HoCoClimateAction.org.pdf

Uploaded by: Liz Feighner
Position: FWA

HoCoClimateAction.org
Howard County, Maryland

**SB905: Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Hearing Date:** March 14, 2023
**Bill Sponsor:** Senator Feldman
**Committee:** Education, Energy, and the Environment
**Submitting:** Liz Feighner for Howard County Climate Action
**Position: Favorable with Amendments**

HoCo Climate Action is a 350.org local chapter and a grassroots organization representing more than 1,400 subscribers. It is also a member of the Climate Justice Wing of the Maryland Legislative Coalition.

HoCo Climate Action supports SB905 with amendments suggested by Maryland PIRG which is below. These amendments improve the EmPOWER program, provide consumer and rate protections and provide more support to low/moderate income families. While we believe SB689 is a more effective way to update and improve EmPOWER, adding key provisions from that bill to SB905 would earn our support.

Howard County Climate Action
Submitted by Liz Feighner, Steering and Advocacy Committee
www.HoCoClimateAction.org
HoCoClimateAction@gmail.com

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Maryland PIRG

**SB905: Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Education, Energy, and the Environment**
**Tuesday, March 14, 2023**
**Emily Scarr, Maryland PIRG**
**Favorable with amendments**

*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 supports shifting the EmPOWER program to include goals for reductions in greenhouse gas. It is urgently important, however, that any adjustments to EmPOWER maintain its primary goal: to provide benefits to ratepayers. As drafted, this bill does not. While we believe SB689 is a more effective way to update and improve EmPOWER, adding key provisions from that bill to SB905 would earn our support.

Utilities will soon be sending multi-year efficiency program plans to the Public Service Commission (PSC). With some tweaks to SB905, we can ensure those plans are guided by consumer guardrails on how the utilities meet their goals and profit off the program.

As drafted, SB905 guarantees that utilities profit from their energy efficiency programs, which was not an item of consensus in the EmPOWER Future Programming Work Group (FPWG). SB905 includes a provision that guarantees profit on the program and opens the door for the program to be rate based. This shift will negatively impact ratepayers with no clear benefit.

Electric and gas companies making a profit on a successful energy efficiency program is not a bad thing, but those profits should be tied to results. And the same goes for utilities failing, that should also impact their ability to profit off the program. Maryland utilities are already profiting significantly more than utilities in other top states for efficiency, as laid out in Maryland PIRG Foundation's recent report "Energy Efficiency for Everyone:"

- Currently, 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.
- For reference, 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.
- **The current profit model is going to change as the PSC shifts the utilities towards a financing model, but *requiring* a profit, as this bill does, is not in the public interest. It would be wiser to establish a performance based system that enables profits for reaching goals, incentives for beating goals, and penalties for failing to meet goals.**

This bill will reduce greenhouse gas emissions, but it is unclear if those reductions will be through home energy efficiency and to the maximum benefit of consumers. In an OpEd published from the PSC Chair in Maryland Matters, the Chair talks about this bill opening the door for using EmPOWER funds to incentivize vehicle electrification. Maryland PIRG supports vehicle electrification, but we are not convinced it is the best use of ratepayer money set aside for home energy efficiency. This is a clear example of why we need the general assembly to guide the PSC on utility program incentives.

In addition, the bill leaves the door open for continued incentives for fossil fuel heating and appliances. While some Maryland families will keep using fossil fuel powered heating and appliances for the near term, with very few exceptions, using ratepayer money to ***subsidize and incentivize*** their use is in opposition to the state's goals for building energy performance.

Finally, the bill takes goal setting away from the general assembly and shifts it to the PSC. In the 15 years the program has existed, the PSC set goals only 1 year before the General Assembly took back over the responsibility. There is no need to shift this role to the PSC, the agency should focus on what it does best: implementing the law.

**Here are our suggested revisions to the bill:**

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

**With the addition of these amendments, we would recommend a favorable report on SB905.**

(amendments on next page)

# Recommended Amendments to SB905

## ADDITIONS

**Consumer Guardrails** (behind the meter savings, prohibition on electric vehicle credits and gas appliances):

**ADD:**

1. BEGINNING JANUARY 1, 2024, AT LEAST 85% OF THE GREENHOUSE GAS EMISSIONS REDUCTIONS COUNTED TOWARD EACH GAS COMPANY'S AND ELECTRIC COMPANY'S GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH SHALL COME FROM BEHIND-THE-METER PROGRAMS.
2. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, GREENHOUSE GAS EMISSIONS REDUCTIONS FROM THE FOLLOWING SOURCES MAY NOT COUNT TOWARD THE GREENHOUSE GAS EMISSIONS REDUCTION TARGETS ESTABLISHED UNDER THIS PARAGRAPH:
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**COST EFFECTIVENESS**

1. In determining the cost-effectiveness of the plan, the Commission shall evaluate the cost-effectiveness of the residential sector sub portfolio and the commercial and industrial sector sub portfolio by utilizing, as applicable:

    i. the societal cost test, to be known as the “Primary Maryland Jurisdiction-Specific Test” in order to determine the cost–effectiveness of the program or service prospectively, including through the consideration of:

1. participant non-energy benefits;
2. utility non-energy benefits; and
3. societal non-energy benefits.

**PROMOTION OF STATE AND FEDERAL REBATES**

1.
    a. ON OR BEFORE JANUARY 1, 2024, GAS COMPANIES AND ELECTRIC COMPANIES SHALL-PROMOTE THE USE OF ANY AVAILABLE STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS AVAILABLE TO REPLACE FOSSIL-FUEL POWERED EQUIPMENT OR ELECTRIC RESISTANCE SPACE OR WATER HEATING, AND SHALL PROVIDE CONSUMER REBATES TO FACILITATE THE PROCESS.
    b. PORTABLE HEATING, COOLING, AND COOKING EQUIPMENT SHALL QUALIFY FOR REBATES UNDER THIS SUBSECTION.
2.
    a. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND ELECTRIC COMPANIES SHALL PROMOTE FUEL SWITCHING FROM GAS TO ELECTRICITY.
    b. GAS COMPANIES AND ELECTRIC COMPANIES SHALL PROMOTE THE AVAILABILITY OF STATE AND FEDERAL REBATES, TAX CREDITS AND DEDUCTIONS THAT CAN BE USED TO SUPPORT ENERGY EFFICIENCY AND FUEL SWITCHING

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1. BEGINNING ON OR BEFORE JANUARY 1, 2024, ALL GAS AND ELECTRIC COMPANY HOME ENERGY AUDITS AND HOME ENERGY CHECKUPS SHALL INCLUDE AN EVALUATION OF THE READINESS OF A HOME FOR FULL ELECTRIFICATION, INCLUDING:
    a. THE CAPABILITY OF BREAKER BOXES AND WIRING TO ACCOMMODATE HOME ELECTRIFICATION; AND
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2. EACH GAS COMPANY AND ELECTRIC COMPANY SHALL PROMOTE THE USE OF AVAILABLE STATE AND FEDERAL FUNDS AND EACH ELECTRIC COMPANY SHALL ESTABLISH REBATES FOR BREAKER PANEL AND WIRING REPAIRS, REPLACEMENTS, AND UPGRADES TO SUPPORT FULL BEHIND-THE-METER ELECTRIFICATION.

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1. A COMMUNITY OUTREACH SPECIALIST FACILITATING WHOLE–HOME RETROFITS MUST:
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    b. OFFER SERVICES IN ANY LANGUAGE NEEDED BY LOW–INCOME RESIDENTIAL CUSTOMERS IN THE AREA SERVED BY THE COMMUNITY OUTREACH SPECIALIST

## ADJUSTMENTS to HB1035

**7-222(C)(2).** Strike new cost-recovery/financial incentive language and use language from HB904: "by adopting rate–making policies under this subsection that provide full cost recovery on a current basis for new costs not later than January 1, 2027 and, in appropriate circumstances, reasonable financial incentives and penalties for gas companies and electric companies."

**Section 7-223** 7-223(A) Replace entire section as follows:

1. ON OR BEFORE JANUARY 1, 2024, BY REGULATION OR ORDER, THE COMMISSION SHALL

REQUIRE EACH GAS COMPANY AND ELECTRIC COMPANY TO DEVELOP AND IMPLEMENT A PLAN THAT:

   a. COVERS EACH RATEPAYER CLASS; AND
   b. ACHIEVES THE GREENHOUSE GAS EMISSIONS REDUCTION TARGET ESTABLISHED FOR THE GAS COMPANY OR ELECTRIC COMPANY UNDER SUBPARAGRAPH (2) OF THIS PARAGRAPH.

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   c. AT LEAST 8 MONTHS BEFORE THE FILING DEADLINE FOR GAS COMPANY AND ELECTRIC COMPANY PLANS, THE COMMISSION SHALL ISSUE AN ORDER THAT FULLY ALLOCATES AMONG THE GAS COMPANIES AND ELECTRIC COMPANIES A PORTION OF THE OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET DETERMINED UNDER SUBSUBPARAGRAPH 3 OF THIS SUBPARAGRAPH. THE COMMISSION SHALL PRIORITIZE LONG-LIVED GREENHOUSE GAS ABATEMENT MEASURES IN THE COMPANIES' PLANS BY ESTABLISHING A MINIMUM WEIGHTED AVERAGE MEASURE LIFE FOR EACH UTILITY'S PLAN.

## DEFINITIONS

**Section 7-220 - Definitions**

**ADJUST:** 7-220(c) Beneficial Electrification definition should be edited to say "BENEFICIAL ELECTRIFICATION" MEANS THE REPLACEMENT OF DIRECT FOSSIL FUEL USE WITH ELECTRICITY IN A MANNER THAT REDUCES OVERALL LIFETIME EMISSIONS, ENERGY USE, OR <u>CUSTOMER LONG-TERM</u> ENERGY COSTS."

**ADD:** "COMMUNITY OUTREACH SPECIALIST" MEANS A PERSON OR ORGANIZATION THAT SUPPORTS THE DELIVERY OF LOW-INCOME ASSISTANCE PROGRAM SERVICES BY ACTING AS AN INTERMEDIARY BETWEEN THE DEPARTMENT AND ELIGIBLE CUSTOMERS.

**ADD:** "LOW–INCOME RESIDENTIAL CUSTOMERS" MEANS CUSTOMERS WHO QUALIFY FOR LOW–INCOME ASSISTANCE PROGRAMS ADMINISTERED BY THE DEPARTMENT, INCLUDING:

(I) THE EMPOWER MARYLAND LIMITED INCOME ENERGY EFFICIENCY PROGRAM;

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(III) THE WEATHERIZATION ASSISTANCE PROGRAM

**PSC EmPOWER Reform CCAN testimony.pdf**
Uploaded by: Quentin Scott
Position: FWA

**Testimony in Support SB905 with Amendments**
**Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Senate Education, Energy, and the Environment Committee**
**3/14/2023**

**Quentin Scott, Federal Director**
**Chesapeake Climate Action Network Action Fund**

On behalf of the Chesapeake Climate Action Network Action Fund, I urge a favorable report with amendments for SB905.

The EmPOWER program has been a success, which saved Marylanders billions of dollars in energy cost and reduced at least 9.6 million metric tons of carbon dioxide, since 2008. However, it's time to update the EmPOWER program to reflect our state's new priorities. Shifting from electric savings to greenhouse gas savings while increasing benefits to ratepayers should be the goal of EmPOWER reform. We believe the following amendments to SB905 would achieve exactly that.

**Suggested revisions to the bill:**

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
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# Recommended Amendments to SB905

## ADDITIONS

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   b. PORTABLE HEATING, COOLING, AND COOKING EQUIPMENT SHALL QUALIFY FOR REBATES UNDER THIS SUBSECTION.

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   a. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND ELECTRIC COMPANIES SHALL PROMOTE FUEL SWITCHING FROM GAS TO ELECTRICITY.
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   a. THE CAPABILITY OF BREAKER BOXES AND WIRING TO ACCOMMODATE HOME ELECTRIFICATION; AND
   b. ANY OTHER MEASURES THAT ARE NECESSARY FOR HOME ELECTRIFICATION.
2. EACH GAS COMPANY AND ELECTRIC COMPANY SHALL PROMOTE THE USE OF AVAILABLE STATE AND FEDERAL FUNDS AND EACH ELECTRIC COMPANY SHALL ESTABLISH REBATES FOR BREAKER PANEL AND WIRING REPAIRS, REPLACEMENTS, AND UPGRADES TO SUPPORT FULL BEHIND-THE-METER ELECTRIFICATION.

**COMMUNITY OUTREACH:**

1. A COMMUNITY OUTREACH SPECIALIST FACILITATING WHOLE–HOME RETROFITS MUST:
   a. PROVIDE A SINGLE POINT OF CONTACT FOR LOW–INCOME RESIDENTIAL CUSTOMERS, CONTRACTORS, AND MULTIFAMILY PROPERTY OWNERS WHO RENT TO LOW–INCOME RESIDENTIAL CUSTOMERS; AND
   b. OFFER SERVICES IN ANY LANGUAGE NEEDED BY LOW–INCOME RESIDENTIAL CUSTOMERS IN THE AREA SERVED BY THE COMMUNITY OUTREACH SPECIALIST

## ADJUSTMENTS to HB1035

**7-222(C)(2).** Strike new cost-recovery/financial incentive language and use language from HB904: "by adopting rate–making policies under this subsection that provide full cost recovery on a current basis for new costs not later than January 1, 2027 and, in appropriate circumstances, reasonable financial incentives and penalties for gas companies and electric companies."

**Section 7-223** 7-223(A) Replace entire section as follows:

1. ON OR BEFORE JANUARY 1, 2024, BY REGULATION OR ORDER, THE COMMISSION SHALL REQUIRE EACH GAS COMPANY AND ELECTRIC COMPANY TO DEVELOP AND IMPLEMENT A PLAN THAT:
    a. COVERS EACH RATEPAYER CLASS; AND
    b. ACHIEVES THE GREENHOUSE GAS EMISSIONS REDUCTION TARGET ESTABLISHED FOR THE GAS COMPANY OR ELECTRIC COMPANY UNDER SUBPARAGRAPH (2) OF THIS PARAGRAPH.
2. 
    a. FOR EACH 3-YEAR PROGRAM CYCLE, THE COMMISSION SHALL ESTABLISH A GREENHOUSE GAS EMISSIONS REDUCTION TARGET FOR EACH GAS COMPANY AND ELECTRIC COMPANY AS PROVIDED IN THIS SUBPARAGRAPH.
    b. FOR THE PERIOD 2024-2032, THE COMMISSION SHALL DETERMINE AN OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET BASED ON AN AVERAGE ANNUAL REDUCTION OF AT LEAST 1.8% OF THE BASELINE DETERMINED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH;
    c. AT LEAST 8 MONTHS BEFORE THE FILING DEADLINE FOR GAS COMPANY AND ELECTRIC COMPANY PLANS, THE COMMISSION SHALL ISSUE AN ORDER THAT FULLY ALLOCATES AMONG THE GAS COMPANIES AND ELECTRIC COMPANIES A PORTION OF THE OVERALL STATEWIDE GREENHOUSE GAS EMISSIONS REDUCTION TARGET DETERMINED UNDER SUBSUBPARAGRAPH 3 OF THIS SUBPARAGRAPH. THE COMMISSION SHALL PRIORITIZE LONG-LIVED GREENHOUSE GAS ABATEMENT MEASURES IN THE COMPANIES' PLANS BY ESTABLISHING A MINIMUM WEIGHTED AVERAGE MEASURE LIFE FOR EACH UTILITY'S PLAN.

## DEFINITIONS

**Section 7-220 - Definitions**

**ADJUST:** 7-220(c) Beneficial Electrification definition should be edited to say "BENEFICIAL ELECTRIFICATION" MEANS THE REPLACEMENT OF DIRECT FOSSIL FUEL USE WITH ELECTRICITY IN A MANNER THAT REDUCES OVERALL LIFETIME

EMISSIONS, ENERGY USE, OR <u>CUSTOMER LONG-TERM</u> ENERGY COSTS.”

**ADD:** “COMMUNITY OUTREACH SPECIALIST” MEANS A PERSON OR ORGANIZATION THAT SUPPORTS THE DELIVERY OF LOW-INCOME ASSISTANCE PROGRAM SERVICES BY ACTING AS AN INTERMEDIARY BETWEEN THE DEPARTMENT AND ELIGIBLE CUSTOMERS.

**ADD:** “LOW–INCOME RESIDENTIAL CUSTOMERS” MEANS CUSTOMERS WHO QUALIFY FOR LOW–INCOME ASSISTANCE PROGRAMS ADMINISTERED BY THE DEPARTMENT, INCLUDING:

(I) THE EMPOWER MARYLAND LIMITED INCOME ENERGY EFFICIENCY PROGRAM;

(II) THE MULTIFAMILY ENERGY EFFICIENCY AND HOUSING AFFORDABILITY PROGRAM; AND

(III) THE WEATHERIZATION ASSISTANCE PROGRAM

**CONTACT**
**Quentin Scott, Federal Director**
quentin@chesapeakeclimate.org, **773-859-8321**

# FWA EmPOWER SB 905_MDLCV.pdf
Uploaded by: Rebecca Rehr
Position: FWA

MARYLAND LEAGUE OF CONSERVATION VOTERS



March 14, 2023

**FWA: SB 905 Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**

Chair Feldman and Members of the Committee:

Maryland LCV is writing to express support for SB 905, with amendments.

2008's landmark EmPOWER law, and the revision passed in 2017, are fundamental pillars of Maryland's energy efficiency policy. Efficiency initiatives are the most cost-effective way to meet Maryland's energy needs and for 15 years, EmPOWER has consistently saved Marylanders money while reducing per-capita energy demand.[1] However, as climate change becomes an increasingly pressing issue, EmPOWER also represents an opportunity for renewed emphasis on greenhouse gas (GHG) abatement and a key program in helping Maryland meet its GHG emissions reductions targets passed in the Climate Solutions Now Act (CSNA).

As drafted, this bill acknowledges a coming shift in EmPOWER metrics from electricity savings to greenhouse gas reduction measurements, but it also removes the prior legislatively set goals and has the utilities creating their own plans for energy efficiency and GHG emissions reductions goals without specifying or including any annual goals. In fact, there are no numerical targets in the bill at all, including for GHG emissions reductions and behind-the-meter programs, which increases the likelihood of a delay in implementing these programs and gives no certainty of targets that meet consumers' needs or acceptable progress towards CSNA targets. Further, the bill does not require utilities to incorporate fuel switching in their plans even as the evidence grows that electrification is a critical way to reduce GHG emissions and improve indoor air quality.

The bill also walks back the PSC's inclusion of "non-energy programs" in its cost effectiveness analysis, which means critical non-energy benefits would not be included in the full accounting of EmPOWER.

Several strengthening amendments are need to ensure this bill makes progress on several improvements to the EmPOWER program:

- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (i.e. behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.

[1] https://energy.maryland.gov/pages/facts/empower.aspx

- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a multilingual Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.

We support SB 905 with amendments that address these topics. Thank you for your consideration.

# SB905 – Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans

## Testimony before

## Senate Education, Energy, and the Environment Committee

## March 14, 2023

## Position:  Favorable with Amendments

Mr. Chair, Mdm. Vice Chair and members of the committee, my name is Richard Deutschmann, and I represent the 750+ members of Indivisible Howard County.   We are providing written testimony today in ***support of SB905 with Amendments***, to provide improvements to the EMPOWER program.  Indivisible Howard County is an active member of the Maryland Legislative Coalition (with 30,000+ members).  We appreciate the leadership of Chair Feldman for sponsoring this important legislation.

We are in support of transforming the EMPOWER program, to better align with state climate and greenhouse gas reduction goals.   To that end, we support this bill, with the following amendments:

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebase or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.
- A cost effectiveness test, which includes societal benefits, to guide PSC decision making.
- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.
- Some additional definitions will need to be added to the bill.

Thank you for your consideration of this important legislation.

**We respectfully urge a favorable with amendments committee report.**

Richard Deutschmann
Columbia, MD 21045

# National Housing Trust Testimony SB905.pdf
Uploaded by: Todd Nedwick
Position: FWA

**National Housing Trust**

**Testimony on:**
**SB905: Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans**
**Education, Energy, and the Environment**
**Tuesday, March 14, 2023**
**Position: FAVORABLE WITH AMENDMENTS**

**Submitted by:**
Todd Nedwick, Senior Director of Sustainability Policy

National Housing Trust (NHT) is a non-profit that creates and preserves affordable homes to provide opportunity, advance racial equity, reduce economic disparities, and strengthen community resilience through practice and policy. As an affordable housing developer, NHT has preserved 450 affordable housing units in Maryland. As a policy advocate for sustainable housing, NHT has actively participated in proceedings before the MD Public Service Commission to ensure that EmPOWER programs deliver benefits to affordable housing providers and residents.

NHT has successfully implemented energy efficiency upgrades in our MD properties thanks largely to support through EmPOWER. Maryland has one of the country's best affordable housing retrofit programs- the Multifamily Energy Efficiency and Housing Affordability program or MEEHA. MEEHA is administered by DHCD and funded through EmPOWER.

However, MEEHA's impact is limited for two reasons. One, the program is vastly underfunded. The program's budget in 2020 accounted for just 2% of the overall EmPOWER program budget. Second, the program does not prioritize replacing fossil fuel-burning heating systems with high-efficiency electric heat pumps. Prioritizing high-efficiency electric appliances over gas-burning appliances is critical to ensuring that affordable housing providers can access the resources needed to meet the state's Building Energy Performance Standard.

The revisions suggested below will strengthen EmPOWER by maximizing incentives available to residential housing and ensuring that funding is available to help meet the state’s decarbonization goals.

**Suggested revisions to the bill:**

- Consumer protection guardrails to ensure rate payer funds are used to maximize in-home energy efficiency through an 80 - 85% goal for in-home energy savings (aka behind-the-meter), and to clarify that neither vehicle electrification or gas appliance incentives will count towards the goal.
- Ratepayer protection to ensure the programs will be expensed through surcharges with the allowance for reasonable profits instead of added to ratebases or guaranteeing profits.
- A clear goal for overall greenhouse gas reductions and direction to PSC on assigning specific goals to each utility.

- The establishment of a Community Outreach program under DHCD to help increase utilization of state and federal energy efficiency programs.
- Direction to electric utilities and DHCD to provide incentives for beneficial electrification.
- Inclusion of electrical readiness in home energy audits.
- Direction to utilities and DHCD to promote state and federal energy efficiency rebates.