SIERRA CLUB

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.