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:
    - 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