

DATE: January 31, 2023

BILL NO.: Senate Bill 144

COMMITTEE: Senate Education, Energy, and the Environment Committee

TITLE: Public Utilities - Energy Efficiency and Conservation Programs - Energy Performance Targets and Low-Income Housing

SPONSORS: Sen. Feldman

Letter of Information

Description of Bill:

Senate Bill 144 requires the Department of Housing to develop a plan that will hit annual energy savings targets for low income populations served by its energy efficiency programs. In the first year, that savings target is 0.53% of the total energy usage by households at or below 250% of the Federal Poverty Level (FPL). The plan submitted by the Department will save 0.72% in 2025, and finally 1% in 2026.

Background and Analysis:

The Department currently receives approximately \$83 million for a 3-year cycle (or about \$27 million annualized) from the Public Service Commission through the EmPower program. The Department also receives approximately \$3.5 million in federal funding through the Weatherization Assistance Program and another \$14 million in Maryland Energy Affordability Program funds. The Department also finances a large number of multifamily housing projects with requirements above Maryland building code, which has the potential to provide savings as well. This combination of funds results in approximately 14,000 MWh of estimated savings annually.

As a result of discussions with the Public Service Commission, advocates, and members of the General Assembly on this matter, and in some ways spurred by the introduction of this bill in past sessions, in 2021 the Department commissioned Cadmus, our energy programs' independent evaluator, to look into energy savings and costs. The study identified the average household energy usage (12,456 kWh) and the number of households at 250% FPL (587,000 households) in Maryland. To achieve a 0.53% reduction in energy use of all low-income households, the Department would need to report 38,803,000 kWh (38,803 MWh) savings, while the future 1% energy savings target will require annual savings of 73,212 MWh.

To achieve these savings, the Department estimates that we would require approximately \$71 million in new funding for the first calendar year of implementation, rising to approximately \$113 million in the second year, and \$175 million in the third year. Because our energy efficiency programs are largely funded by the EmPower ratepayer surcharge, in the absence of other scalable funding sources, we estimate that much of this burden would be shouldered by the ratepayers.

	2021 Calculations at 250% FPL (data based on Cadmus Report)	Total Funds Required to Achieve Energy Savings Targets	New Funds Required to Achieve Energy Savings Targets
Household Energy Use	12,456 kWh	-	-
Number of Households	587,000 < 250% FPL	-	-
Savings Goal = 1% reduction in target population energy usage	72,212 MWh	\$198.3 million	\$175 million
Savings Goal = 0.72% reduction in target population energy usage	52,016 MWh	\$136 million	\$113 million
Savings Goal = 0.53% reduction in target population energy usage	38,803 MWh	\$94.5 million	\$71 million

Note: These estimates may not align precisely with the fiscal note estimates due to our energy program fund sources operating variously on Federal fiscal year, State fiscal year, and calendar year.

It is worth noting that this bill expands the programs for which energy savings may be calculated, to include other areas of our agency that may not be energy programs, but may achieve energy savings. However, at this time, we are unable to calculate what that impact may be.

Conclusion

As a state agency mission-focused on serving low- to moderate-income households and improving quality of life for all Marylanders, we take pride in our contributions to improving household and statewide energy efficiency. The Department is running ahead of its greenhouse gas emissions reduction targets and incorporates energy savings measures into our construction financing programs. However, while we are a financier of energy efficiency measures, it is not for us to set the State's overall energy policies. Recognizing that cost is but one component of this decision, we hope you will find this information helpful in your deliberations.