

# Maryland PIRG



**HB864: Energy Efficiency and Conservation Plans**  
**Economic Matters Committee**  
**Thursday, February 29, 2024**  
**Emily Scarr, Maryland PIRG**  
**FAVORABLE**

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

Maryland PIRG, and our partners, enthusiastically support HB864. In addition we know the Public Service Commission, the Office of the People's Counsel, the Moore Administration and Agencies have worked on a set of technical amendments to the bill. Based on what we worked on with these stakeholders over the summer, we expect to support these amendments when they are final, but have not yet seen them. We support, for example, directing the PSC to establish greenhouse gas reduction goals for the utilities with a clear set of parameters. We would not support amendments to shift the EmPOWER program funding being moved into the rate base.

We thank Vice-Chair Crosby, Del, Qi and this entire committee for advancing similar legislation in 2023. We are also deeply appreciative of the work done by the PSC, the OPC, the Moore Administration and Agencies, and legislative leadership in both chambers to find consensus around technical amendments to the bill.

The bill would build on EmPOWER Maryland, the state's successful energy efficiency program by helping homeowners and businesses save money through energy efficiency

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rebates, aligning the program with the state's climate goals, and maximizing the use of federal energy efficiency funds available from the Inflation Reduction Act.

While the legislature has made clear it intends to shift away from fossil fuels to power our homes and buildings, EmPOWER is not currently in line with the state's plan. Because its goals are currently measured in electrical savings, EmPOWER does not adequately prioritize some of the most efficient electric equipment, like electric heat pumps, which are [two to three times](#) more efficient than gas furnaces even amid the depths of winter weather.

**Our goal is simple – adjust the program to prioritize reducing pollution while maintaining the program's focus on efficiency – because the cleanest energy of all is the energy we don't use.** As the electric and gas utilities update their rebates and incentives to help reduce energy use and greenhouse gas pollution, it remains critical that the program maintain its primary goals: to provide benefits to Marylanders.

HB864 includes guardrails to ensure that the utilities deliver savings directly to ratepayers, and are held accountable to their goals. For example, we're pushing the utilities to prioritize long lasting savings like insulation and good windows over quick fixes.

Now is the time to do this work. There are billions of dollars in new federal funding to help people improve the efficiency of their homes and transition to clean, efficient electric power and home heating.

#### **Bill components:**

- **Keeps what EmPOWER does best** by continuing to offer free or discounted energy audits, help weatherize homes, and provide rebates for efficient heating and appliances.
- **Aligns EmPOWER with Maryland climate goals -**
  - Shifts program goals from electrical savings to greenhouse gas emissions reductions goals, directing the Public Service Commission to set specific goals for each utility with a set of clear parameters. We support agency amendments to direct PSC to set the utilities' goals with a set of clear parameters.
  - Enables electric utilities to provide incentives for switching to clean, efficient electric appliances and home heating, which will open up access for the use of federal incentives. Electric appliances and equipment are tremendously more efficient and less polluting than gas appliances. We support agency amendments to make these incentives a requirement.
  - Does not mandate the use of electric appliances, but it ensures consumers who want to make the switch have access to state and federal incentives.
  - Makes these changes to both the utility run portion of EmPOWER and the Department of Housing run programs directed at low-income households.

- **Delivers more savings to customers -**
  - Establishes a clear benchmark of 85% for what percent of goals are met though in home energy efficiency measures (behind the meter).
  - Directs the Department of Housing to staff multilingual community outreach specialists to promote the programs and help low-income households access federal and state incentives.
  - Brings down costs to utility customers by lowering the rate of return to utilities on existing EmPOWER debt.

**We respectfully request a favorable report.**

350 Montgomery County + Advance Maryland + AIA Maryland + Audubon Mid-Atlantic + Baltimore Jewish Council + Blue Water Baltimore + CASA + Center for Progressive Reform + Ceres + Chesapeake Climate Action Network + Chesapeake Climate Action Network Action Fund + Citizens' Climate Lobby (Maryland) + Climate Reality Greater Maryland + Climate XChange Maryland + DoTheMostGood + EarthJustice + Earth Ministry of the River Road Unitarian Universalist Congregation + Economic Action Maryland + Elders Climate Action Maryland Chapter + Environmental Justice Ministry Cedar Lane Unitarian Universalist Church + Green & Healthy Homes Initiative, Inc + Indivisible Howard County MD + Institute for Market Transformation + Interfaith Partners for the Chesapeake + Interfaith Power & Light (DC.MD.NoVa) + Justice & Witness Action Network - Maryland (Central Atlantic Conference, United Church of Christ) + League of Women Voters of Maryland + Maryland Energy Advocates Coalition + Maryland Catholics for Our Common Home + Maryland Legislative Coalition + Maryland Legislative Coalition Climate Justice Wing + Maryland PIRG + National Aquarium + National Consumer Law Center, on behalf of its low-income clients + One Montgomery Green + Potomac Conservancy + Potomac Riverkeeper Network + Progressive Maryland + Rebuild Maryland Coalition + ShoreRivers + The Nature Conservancy Maryland/DC Chapter + Third Act Maryland + Unitarian Universalist Legislative Ministry of Maryland + United Nations Association of the National Capital Area + Waterkeepers Chesapeake

## BACKGROUND

The EmPOWER Maryland Energy Efficiency Act of 2008 created the [EmPOWER program](#) to incentivize energy efficiency and conservation efforts. EmPOWER includes a utility run program of rebates, weatherizations and other efficiency updates, as well as similar programs targeted at limited income consumers, which are run by the state's Department of Housing and Community Development (DHCD). In 2023 Gov. Moore signed [a new law to improve the DHCD run program](#).

As outlined in [Maryland PIRG Foundation's 2023 report](#), energy efficiency is one of the smartest investments the state can make.

## BENEFITS OF ENERGY EFFICIENCY

- **Reducing costs for consumers and ratepayers.** By reducing the amount of energy people consume and reducing the amount of infrastructure needed to provide that energy, efficiency improvements help ratepayers pay less on their utility bills. That's because [energy efficiency improvements are often a cheaper way for utilities to meet electricity demand than generating and distributing electricity](#).
- **Protecting public health by reducing pollution from burning fossil fuels.** Burning fossil fuels, both indoors and out, [produces air pollution](#) that can cause a range of health

problems, from damage to the lungs and heart to cancer to mental health and cognitive issues.

- **Reducing greenhouse gas emissions.** By reducing fossil fuel combustion in buildings and from power plants, as well as the leaks of pollutants like methane associated with fossil fuel extraction and infrastructure, [energy efficiency reduces greenhouse gas](#) emissions and thus helps fight global warming and climate damage.
- **Making it easier to transition to renewable energy.** By reducing the amount of energy required to meet the needs of the public, energy efficiency reduces the total amount of dirty fossil fuel generation that must be replaced by clean renewable sources in order to protect public health and prevent the worst impacts of climate change. Energy efficiency also reduces the number of costly upgrades to electricity transmission and distribution systems that are needed, significantly [easing the transition to renewable energy and reducing the time, costs and other resources required to make it](#).

## A HISTORY OF SUCCESS

According to the [Maryland Public Service Commission](#), since 2008, EmPOWER Maryland has:

- Created lifetime savings of over \$12.7 billion from an investment of \$3.5 billion in efficiency.
- Reduced greenhouse gas emissions by the equivalent of at least 9.6 million metric tons of carbon dioxide, equal to taking 2 million cars off the road for a year.
- Provided Marylanders with free or discounted energy audits, weatherization, and efficient appliances and provided businesses with discounts and incentives for energy efficient upgrades.

## TIME FOR AN UPDATE

Space heating and cooling accounts for [more than half](#) of home energy use, yet most Marylanders are using old, inefficient technology to heat and cool their homes. [Almost half of Marylanders](#) still use fossil fuels for heating and 25% are using electric furnaces and highly inefficient baseboard heat.

Maryland [has made clear its intention to shift away from fossil fuels to power our homes and buildings](#) to help reach ambitious goals to reduce greenhouse gas emissions 60% from 2006 levels by 2031. Yet, EmPOWER Maryland doesn't sufficiently provide incentives to support households switching from gas to highly efficient electric heat pumps and still subsidizes inefficient gas-burning furnaces.

A heat pump is an all-in-one electric HVAC system that can both heat and cool a building. This equipment is highly efficient. The latest models use an average of [18% less electricity](#) for cooling than central AC units in the Mid-Atlantic and are [two to three times](#) more efficient than gas furnaces even amid the depths of winter weather. They are now suitable for [all Maryland climates](#) and they can last [15 years](#) or more.

According to a [recent report from RMI, GHGI, CCAN and CASA](#), in Maryland, fossil fuel equipment in residential and commercial buildings emits more than three times as much health-harming NOx as all the state's power plants put together.

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## RIGHTSIZING UTILITY PROFITS

The financing model for EmPOWER in place through 2023 has raised the costs for ratepayers over time without maximizing energy savings. Maryland utilities have profited significantly more than utilities in other top states for efficiency, driving up costs to ratepayers.

- In recent years Pepco has earned a return equivalent to about 16% of its budget while BGE and Potomac Edison earned returns equivalent to over 20% of their annual budgets.
- For reference, efficiency administrators in Massachusetts, Vermont and Rhode Island, all earn returns equivalent to 5% or less of their program budgets.
- Maryland 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 PSC has rightfully moved away from this funding mechanism for the program, but it will take a number of years for ratepayers to pay off existing debt. Fortunately, the legislature can reduce the rate of the return on that remaining debt, saving ratepayers in a big way. In the future we want to ensure that profits, if any, are in-line with other top performing states and any financial incentives should be tied to performance. If ratepayers are funding incentives, utilities should also be penalized for substandard performance.

## Home Heating Fuel Source by County

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