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PUBLIC SERVICE COMMISSION

February 27, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: HB 864 - Favorable with Amendments — Energy Efficiency and Conservation Plans

Dear Chair Wilson and Committee Members:

The Public Service Commission (PSC) is tasked with the implementation of the State of Maryland's energy efficiency programs, also known as EmPOWER. The PSC requests a favorable report for HB 864 and requests some amendments to best operationalize HB 864. HB 864 transitions the current energy efficiency programs, operated by the utilities and Department of Housing and Community Development (DHCD), from an energy efficiency goal structure to a greenhouse gas (GHG) reduction goal structure. This will allow Maryland to optimize the successful EmPOWER program to better serve the State's climate goals.

The recommendation to transition the EmPOWER Maryland program to a greenhouse gas reduction goal was supported by the Commission led workgroup that included a diverse group of stakeholders. Proposals to establish GHG reductions goals for EmPOWER have also been made by the Maryland Commission on Climate Change and within the Maryland Department of the Environment's State Climate Plan.

The PSC provides the following amendments for the Committee's consideration.

- 1) HB 864 uses calendar year 2020 and statewide power consumption to establish a baseline that greenhouse gas reductions will be measured against. The Commission requests that these be modified to be based on calendar year 2016 and to be based on participating utility consumption. This will ensure the baseline and subsequent goals are not impacted by the dramatic shift of power usage during the Covid pandemic, and avoid the need to translate a statewide number into both utility and customer class goals. If the baseline is modified, then the stated goal within the legislation will need to be re-determined. To achieve this, the legislation should specify that the Commission determine the GHG equivalent reduction of the Climate Solutions Act Now goals to ensure consistency with existing Maryland goals. The equivalent modifications would be needed for DHCD's goal language as well, and to ensure DHCD's goal aligns with the HB 169 legislation passed in 2023.

- 2) HB 864 establishes a new three year EmPOWER cycle at the start of 2025. Instead of starting a new three-year program cycle at the beginning of 2025, the Commission requests that the program be transitioned to a GHG goal within the existing program cycle for the remaining two years. It is anticipated this can be achieved within the existing program if the program goals are established by the Commission as GHG equivalencies of existing EmPOWER goals. This will minimize delays in better optimizing EmPOWER to help meet the State's climate goals.
- 3) While HB 864 allows for beneficial electrification programs within EmPOWER, the Commission requests the bill be amended to require that the utility plans **must** provide beneficial electrification programs.
- 4) HB 864 requires certain utilities to establish EmPOWER programs that have not previously provided EmPOWER programs. The impacted utilities are smaller and there is a concern that that it may not be cost effective to operate full scale EmPOWER programs. Therefore, the Commission would support an amendment that would permit some or all these utilities to be exempted from EmPOWER, while still requiring them to have energy efficiency programs.
- 5) HB 864 adds moderate income customers to DHCD's goal and thus programs. This may necessitate an expansion and spend on DHCD's programs which they are already expanding to meet the new goals established in legislation in 2023. The Commission would support an amendment that permits DHCD to continue to serve low-income customers while requiring the utilities to develop programs exclusively targeted to moderate income customers not covered by DHCD.

The Public Service Commission asks that you consider these comments when reviewing the language proposed in HB 864 and requests a Favorable report. Please direct any questions you may have to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa1@maryland.gov.

Sincerely,



Frederick H. Hoover, Chair
Maryland Public Service Commission