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OPPOSE – House Bill 0864
HB0864 – Energy Efficiency and Conservation Plans
Senate Education, Energy, and the Environment Committee
Thursday, March 21, 2024

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 285,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, New York, West Virginia, and Maryland.

Unfavorable

Potomac Edison / FirstEnergy opposes House Bill 0864 – *Energy Efficiency and Conservation Plans*. HB-864 would require the Public Service Commission to encourage utilities to promote the efficient use and conservation of energy in support of greenhouse gas emissions reduction goals and change the way utilities are compensated.

Potomac Edison / FirstEnergy requests an Unfavorable report on HB-864 because of cost recovery issues and potentially significant increases in customer's electric bills.

While we agree that electrification, delivered through cost-effective energy efficiency programs, can help Maryland reach its greenhouse gas emission reduction goals -- our major concern with this legislation is the proposed change in section 7-222 (C)(2)(III) that specifies how utilities should be compensated for "any unpaid costs and unamortized costs" of the program. Electric utilities have been making and paying for investments in the EmPOWER program for years, under guidance of the Public Service Commission, with the premise that the utility would earn its approved rate of return through the regulatory process for these unpaid and unamortized balances. Switching from the currently approved recovery method, which is based on the utility's "Weighted Average Cost of Capital," to an "Average Cost of Outstanding Debt" method, would create a demonstrated loss for utilities.

Past investments in the EmPOWER program have already been approved by the Public Service Commission. These "unpaid costs," which were financed by the utilities with a combination of debt and equity, should be recovered accordingly. Potomac Edison does not finance operations based solely on debt, but with a combination of debt and equity -- so recovery utilizing an "Average Cost of Outstanding Debt" methodology is not logical or reflective of reality.

Specifying how utility costs are calculated and recovered is not something that should be in statute, as it is the Public Service Commission's responsibility to determine appropriate rate recovery for utility expenditures. In addition, it would not be in the state's best interest to have its utility companies highly leveraged in debt, as this can lead to increased costs to finance operations. Earning an authorized rate of return for a utility's investment in the EmPOWER program is not only necessary, but also appropriate. For these reasons, section 7-222 (C)(2)(III) should be stricken.

It should not be overlooked that the EmPOWER program will have a major impact on customers electric bills. The estimated surcharge for the average Potomac Edison residential customer could be over $30 per month during the next phase of the program. Ensuring the Public Service Commission reviews each plan to determine its cost effectiveness, impact on rates, impact on jobs, and impact on achieving greenhouse gas reduction targets, is paramount.

Helping customers with the efficient use and conservation of energy through utility programs is smart, and if done correctly, can be good for the State of Maryland. **However, issues in this bill related to cost recovery, and increases to customers' bills, leads Potomac Edison / FirstEnergy to respectfully request an Unfavorable report on HB-864.**