TO: Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee
FROM: MEA
SUBJECT: HB 1273 - Maryland Strategic Energy Investment Fund and Customer-Sited Solar Program - Alterations
DATE: February 20, 2025

MEA Position: FAVORABLE

This bill will:

- add building and transportation sector electrification to the allowable uses of the Strategic Energy Investment Fund (SEIF),
- expand the use of non-solar carve-out alternative compliance payments (ACP) to include households with low to moderate income and clarify the definition of "households with low to moderate income", and
- streamline reporting requirements while better aligning those requirements with state goals.

The inclusion of electrification

The state is moving to an electrified future. Through the CSNA in 2022, the General Assembly communicated its urgent intent to move the state towards electrification, in both transportation and buildings – and to do so equitably. Among other things, the bill tasked the Maryland Department of the Environment (MDE) with formulating a plan across all sectors[1] to achieve CSNA's GHG reduction requirements, and to issue a Building Energy Performance Standards (BEPS) regulation.[2] The CSNA also mandated that all state agencies consider the likely impact of its decisions on disproportionately affected communities.[3]

Governor Moore's Clean Energy Executive Order of 2024, among other things, directed the Maryland Department of the Environment to propose rules for a zero-emission heating equipment standard and a clean heat standard, and requires all State agencies to "address the disproportionate

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[1] The MDE published Maryland's Climate Pollution Reduction Plan in December 28, 2023, which concluded that, under the Plan, "fossil fuel use in Maryland will decrease around 80% between now and 2045." (p.15)

[2] Issued September 6, 2024, the draft regulation COMAR 26.28 Building Energy Performance Standards, states that the CSNA requires MDE to develop BEPS for covered buildings that: achieve a 20% reduction in net direct GHG emissions on or before January 1, 2030, as compared with 2025 levels for average buildings of similar construction; attain net-zero direct GHG emissions on or before January 1, 2040; and include energy use intensity targets by building type.

[3] Md. Code, Environ. Art. § 2-1305

impacts of climate change for underserved and overburdened communities, including the application of Justice40 goals, initiatives, and funding."[4]

Additionally, the General Assembly now requires participating gas and electric utilities to incorporate customer-beneficial electrification measures (such as electric heating and cooling methods) into their EmPOWER programs.[5]

Low- to Moderate Income Households

Expanding the permissible uses of non-solar carve-out ACP to include low- to moderate-income (LMI) households is part of leaving no Marylander behind. Though, currently, this ACP can be used in LMI neighborhoods, there is no relief for LMI residents who do not live in a qualifying census tract. This small change will permit the Maryland Energy Administration (MEA) to reach more Marylanders who need assistance the most as the state transitions to becoming the greenest in the nation.

At the same time, MEA is seeking to clarify the definition of LMI within the SEIF statute. Currently, the definition requires MEA to utilize an "average median" income level to determine eligibility. The issue here is that "average" and "median" are two distinct mathematical functions. MEA would clarify that, instead, *area* median income should be used. This will also serve to better allocate funding for Marylanders who most need it based on income levels for different areas of the state, because the cost of living varies across the state. This will also align SEIF guidelines for usage with the federal standards for the US Department of Housing and Urban Development as well as Inflation Reduction Act rebate programs. This departmental bill would therefore align our state and federal residential programs.

MEA Reporting

HB1273 would limit the detailed accounting of amounts disbursed from the fund to those in excess of $10,000. This would significantly reduce the administrative burden of producing the report –the appendices of which are currently hundreds of pages– while still including the great majority of MEA's most significant grants. The bill also removes the requirement to identify persons or addresses receiving multiple grant awards. Lastly, the report is altered to require an estimate of greenhouse gas savings rather than electricity savings from programs, projects, activities, and investments.

The annual SEIF Report production has simply become extremely taxing to produce as the number of grants and rebates has climbed in recent years. Though MEA is committed to transparency, the level of detail required in the SEIF report detracts from the "big picture" of what the report should encompass. Removing relatively small grants and rebates from the reporting as well as removing the need to notate multiple award recipients will greatly reduce the voluminous nature of the appendices to

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[4] EXECUTIVE ORDER 01.01.2024.19 (June 2024)

[5] Chapter 539, Laws of Maryland 2024; PUA 7-220. While Columbia Gas is exempt from this law, Potomac Edison, which provides electric service in parts of Columbia Gas' Maryland service territory, is not. See Case No. 9705, Revised EmPOWER plans.

the report, instead allowing the individual program reviews including greenhouse gas emissions reductions to shine through. Switching the reporting to include an estimation of greenhouse gas reductions better aligns with current state goals overall, as electrification efforts are likely to cause increased demand in electricity, rather than "electricity savings".

For these reasons, MEA urges the committee to issue a **favorable report**.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).