



P.O. Box 278
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Committee: Economic Matters

Testimony on: HB1035 “Electric Companies, Gas Companies, and the Department of Housing and Community Development – Energy Efficiency and Conservation Plans”

Position: Opposed

Hearing Date: March 2, 2023

The Maryland Chapter of the Sierra Club urges an unfavorable report on HB1035. The bill, drafted by the Maryland’s Public Service Commission (PSC), seeks to update and reorient Maryland’s EmPOWER energy efficiency program to address both energy efficiency and the substantial greenhouse gas (GHG) emissions that result from the use of fossil fuels in Maryland buildings.

We agree that EmPOWER has an important role to play in reducing Maryland’s GHG emissions, however, the PSC’s proposal is deficient in several respects. We instead urge a favorable report on HB904, which also is before this Committee and, as explained more fully in our testimony for that bill, sets forth specific reforms to EmPOWER that will support reducing GHG emissions in an efficacious manner.

As enacted in last year’s Climate Solutions Now Act, Maryland’s climate goals include a 60% reduction in GHG emissions by 2031 (compared to the 2006 level) and net-zero emissions by 2045. Addressing GHG emissions from buildings is essential since the use of fossil fuels in buildings accounts for about 13% of Maryland’s total GHG emissions.

The PSC bill identifies broad goals and leaves the implementation details to the utilities, to be identified in plans they would submit to the PSC for approval. The bill does not specify the methods to be used by utilities, or to be made available to building owners, to reduce GHG emissions, and does not set an overall emissions reduction goal. A core element of EmPOWER is that it incentivizes building owners to adopt efficiency measures by providing rebates (e.g., for new, more efficient furnaces); EmPOWER does not mandate that efficiency measures be undertaken. Yet, the PSC bill provides little guidance on how EmPOWER rebates may or should be reoriented to the task of reducing GHG emissions. Indeed, the discretion delegated to electric and gas utilities may allow utilities to implement programs that continue to provide incentives for climate-warming fossil fuels in homes and businesses.

There is no guarantee that the PSC bill will benefit ratepayers. It does not require that most of the benefits of the EmPOWER program go to ratepayers, who fund the program. The bill will allow utilities to rate-base efficiency and GHG-reduction measures. At a time when some utilities are proposing to raise rates over \$10 per month, this would require ratepayers to pay returns to utilities over a long period of time. Ratepayers further would pay for incentives that utilities would receive by achieving utility-defined EmPOWER goals, while the bill does not include any potential utility penalties for failure to perform.

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

In contrast, HB904 specifically identifies how EmPOWER rebates and other features of the program should be reoriented to incentivize homeowners and businesses to take cost-effective measures to reduce GHG emissions from their buildings. The bill sets specific GHG-reduction goals for EmPOWER, which the General Assembly said last year in the Climate Solutions Now Act is a key component of EmPOWER reform. These goals are based on lifecycle emissions, which means that they will encourage long-term sustainable solutions.

HB904 provides for utilities to offer rebates for high efficiency electric heating and appliances (facilitating fuel switching from fossil fuel to electric heating and appliances), ends EmPOWER rebates for gas appliances, and helps residences prepare to become all-electric (but does not require that gas appliances be purchased). It provides performance incentives to utilities to meet the new goals of the EmPOWER program, as well as penalties for failure to perform. It also helps ensure that the ratepayers who are paying for EmPOWER directly receive most of the benefits.

Finally, we note that the PSC asserts that its bill reflects the consensus of a work group the PSC convened following the enactment of the Climate Solutions Now Act to discuss EmPOWER reforms. We do not agree. The work group included about 170 stakeholders with diverse and inconsistent viewpoints. The PSC's bill would deal with the different viewpoints by granting substantial discretion to utilities and delaying decisions until future regulatory actions. For the reasons explained above, this falls well short of the EmPOWER reforms needed at this time to meet Maryland's climate goals.

The Maryland Sierra Club urges an unfavorable report on HB1035.

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