



TO: Members, House Economic Matters Committee
FROM: Paul Pinsky - Director, MEA
SUBJECT: HB 1035 - Electric Companies, Gas Companies, and the Department of Housing and Community Development - Energy Efficiency and Conservation Plans
DATE: March 2, 2023

MEA Position: FAVORABLE WITH AMENDMENTS

The Maryland Energy Administration (MEA) is heavily involved in the ongoing EmPOWER processes hosted by the Public Service Commission (PSC). **Of the several pieces of legislation impacting the EmPOWER program, MEA views this one most favorably** and encourages the Committee to adopt the MEA amendments prior to rendering a favorable report as amended.

Several factors are putting upward pressure on utility costs for individuals and businesses; commodity prices, transmission and distribution projects, and geopolitical conflict, among others. **HB 1035 gives the PSC Commissioners the flexibility needed to incorporate costs, environmental impacts, energy goals, and a host of other factors into the EmPOWER goal-setting process;** providing the most prudent approach to weigh the costs and benefits associated with each goal level within the context of broader State policy goals.

The language of the bill was developed with the input of stakeholders including MEA, the Department of Housing and Community Development (DHCD), and the Maryland Department of the Environment (MDE), and it is an important step in helping us reach our energy and environmental goals, as established by the Climate Solutions Now Act of 2022. It follows the established processes for EmPOWER program design and adoption, and it adds greenhouse gas abatement as part of the overall program and its associated goals.

As amended, the bill will also:

- specify the use of both the “total resource cost test” and the “societal cost test” consistent with current practice, and as recommended by the Future Programming Work Group;
- require that beneficial electrification, sometimes referred to under the more general term of “fuel switching”, is included in each utility's EmPOWER plans;
- require promotion of federal energy programs under the IRA;
- ensure that any new EmPOWER goals will produce benefits that exceed current State goals;
- limit the inclusion of program expenses in the rate base;
- limit the inclusion of benefits into the total program benefit calculations that are generated by projects that fall within the rate base; and

- clarify that greenhouse gas emission reductions will be calculated based on the lifetime of improvements.

MEA offers the amendments below to refine certain sections of the legislation, without overhauling the overall intent or effect of the bill. A separate, unofficial, interlineated copy of the bill including the MEA amendments is also attached for reference. Our agency is excited to work with the sponsor to ensure that the bill is in the best possible form prior to passage. For the foregoing reasons, MEA urges the Committee to adopt MEA’s proposed amendments and issue a **FAVORABLE REPORT AS AMENDED**.

*Amendment No. 1 is identified in the provided interlineated copy of the bill with **RED TEXT**. This amendment requires that beneficial electrification, sometimes referred to under the more general term of “fuel switching”, is included in each utility's EmPOWER plans.*

AMENDMENT NO. 1

On page 5, in line 5, after “PROMOTE” insert “BENEFICIAL ELECTRIFICATION AND”; on page 6, in line 4, after “COST-EFFECTIVE” insert “BENEFICIAL ELECTRIFICATION AND”; and on page 7, in line 32, after “SERVICES” insert “INCLUDING PROGRAMS AND SERVICES THAT PROMOTE BENEFICIAL ELECTRIFICATION”.

*Amendment No. 2 is identified in the provided interlineated copy of the bill with **ORANGE TEXT**. It removes language that may reduce program cost transparency for ratepayers.*

AMENDMENT NO. 2

On page 5 strike beginning with “OR” in line 24 down through “RESOURCES” in line 27.

*Amendment No. 3 is identified in the provided interlineated copy of the bill with **GREEN TEXT**. The amendment adds language requiring promotion of federal energy programs under the IRA.*

AMENDMENT NO. 3

On page 6, in line 6, strike “AND”; in line 23, after “SERVICES” insert “**;AND**”

(iii) PROMOTE THE AVAILABILITY OF FEDERAL REBATE PROGRAMS THAT PROVIDE BENEFITS FOR BENEFICIAL ELECTRIFICATION OR ENERGY EFFICIENCY MEASURES”.

*Amendment No. 4 is identified in the provided interlineated copy of the bill with **BLUE TEXT**. This amendment ensures that any new goals will produce benefits that exceed the requirements of the Climate Solutions Now Act of 2022.*

AMENDMENT NO. 4

On page 6, in line 14, after “CLASS” insert “**THAT MEET OR EXCEED THE TOTAL ENERGY AND ENVIRONMENTAL BENEFITS OF ANNUAL INCREMENTAL GROSS ENERGY SAVINGS OF AT LEAST THE FOLLOWING ANNUAL PERCENTAGES, CALCULATED AS A PERCENTAGE OF THE ELECTRIC COMPANY’S 2016 WEATHER-NORMALIZED GROSS RETAIL SALES AND ELECTRICITY LOSSES:**

- 1. 2.0% PER YEAR IN 2022 THROUGH 2024;**
- 2. 2.25% PER YEAR IN 2025 AND 2026; AND**
- 3. 2.5% PER YEAR IN 2027 AND THEREAFTER”.**

*Amendment No. 5 is identified in the provided interlineated copy of the bill with **MAGENTA TEXT**. Amendment No. 5 clarifies that only certain projects that are included in the exception where certain expenditures included in the rate base may be counted toward EMPOWER goals, as determined by the Commission.*

AMENDMENT NO. 5

On page 6, in line 23, after “INCLUDE” insert “**FRONT-OF-METER UTILITY**”.

*Amendment No. 6 is identified in the provided interlineated copy of the bill with **YELLOW TEXT**. It clarifies that utility EmPOWER plans should be calculated based upon lifetime greenhouse gas emission reductions.*

AMENDMENT NO. 6

On page 8, in line 1, after “INCLUDING” insert “**LIFETIME**”.

*Amendment No. 7 is identified in the provided interlineated copy of the bill with **PURPLE TEXT**. Amendment No. 7 adopts the use of both the “total resource cost test” and the “societal*

cost test” within the cost-benefit analysis process before the PSC; consistent with current practice, and as recommended by the Future Programming Work Group.

AMENDMENT NO. 7

On page 9, after line 15, insert:

“(5) IN ITS REVIEW OF PLANS UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSION SHALL:
(i) APPLY A MARYLAND-SPECIFIC COST TEST AT THE SECTOR LEVEL AS THE PRIMARY TEST FOR PLAN SCREENING;
(ii) APPLY A TOTAL RESOURCE COST TEST FOR USE AS A BASELINE AND COMPARISON BENCHMARKING TOOL; AND
(iii) UTILIZE OTHER COST-EFFECTIVENESS TESTS AS DETERMINED BY THE COMMISSION.”

*Amendment No. 8 is a technical amendment identified in the provided interlineated copy of the bill with **BLACK TEXT**.*

AMENDMENT NO. 8

On page 4, in lines 17 and 19, strike “(i)” and “(ii)”, respectively, and substitute “**(1)**” and “**(2)**”, respectively.