

**STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL**

Paula M. Carmody, People's Counsel

6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.state.md.us

BILL NO.: **House Bill 933**
Energy Efficiency and Demand Management
Programs and Services - Repeal

COMMITTEE: **Economic Matters**

HEARING DATE: **March 12, 2015**

SPONSOR: **Parrott et al.**

POSITION: **Oppose**

House Bill 933 repeals in full Section 7-211 of the Public Utilities Article. This bill eliminates the State's long-standing legislative support for the development and promotion of the efficient use and conservation of energy. The Office of People's Counsel (OPC) has supported energy efficiency and conservation programs, both before and after the introduction of retail competition in Maryland. These programs can deliver reductions in energy bills by reducing energy usage for individual residential consumers. However, just as important, these programs can help to reduce total energy usage and energy costs, and therefore, energy bills for all consumers. Since repeal of Section 7-211 would inhibit the progress we have made in Maryland, particularly since 2008, OPC opposes House Bill 933.

The General Assembly recognized the important public interest in energy efficiency and conservation when it enacted Article 78 Section 28(g) (re-codified in 1998 as PUC Section 7-211). In response to the legislative directives, the Public Service Commission established a

collaborative process to identify ways for electric utilities to help customer use electricity more efficiently. In the 1990's, this process, in which utilities, OPC, Commission Staff and other stakeholders actively participated, resulted in the approval and implementation of a number of energy efficiency and conservation programs which helped to avoid or delay the construction of certain power plants. The adoption of Section 7-211 and the subsequent implementation of utility energy efficiency programs were a recognition that short-term investment of funds in energy efficiency and conservation programs would lead to long-term reduction in the amount of energy needed to be produced and consumed, translating into ratepayer benefits.

The electric customer choice law, adopted in 1999, included a provision requiring the Commission to “ensure that the adoption of electric customer choice . . . does not adversely impact the continuation of cost effective energy conservation and efficiency program.”¹ Unfortunately, the investments in residential energy efficiency and conservation programs declined precipitously in Maryland after the introduction of retail competition.² Despite the temporary loss of utility energy efficiency programs in Maryland, consensus about the value of energy efficiency and conservation programs and services has only grown since 1999.

In 2008, the General Assembly passed the EmPower Maryland Act, which codified goals of reducing state-wide both per capita electricity consumption and peak demand by 15 percent by the end of the year 2015 as a means to “provide affordable, reliable, and clean energy” for Maryland consumers.³ The Public Service Commission was directed to require each electric

¹ Chapters 3 and 4, Acts 1999, which added (b)(3) and (c) to Section 7-211.

² In February 2001, the Public Service Commission issued a “Report on Energy Efficiency and Conservation Programs” which provided historic data and analysis concerning utility energy efficiency programs. That Report demonstrated that virtually all of those programs had been terminated at the time of the Report. In fact, the PSC ordered the termination of all utility based programs, except for certain low-income programs, as of April 1, 2001.

³ PUA § 7-211(b)(2).

company to procure cost effective energy efficiency and conservation measures to achieve the goals of the 15 percent reduction, through review and approval of three year plans submitted by the electric utilities, after consultation with the Maryland Energy Administration.

OPC has been an active participant in Commission work groups and proceedings regarding all aspects of the utility plans and proposals for residential programs. The electric utilities, MEA, OPC, Commission Staff and numerous other stakeholders have devoted a tremendous amount of time and effort to develop and implement energy efficiency and demand response programs for all customer classes. OPC continues to participate, with the benefit of expert technical assistance, for a simple reason. Cost-effective programs have an important role to play in ensuring that the energy needs of residential electric customers can be met safely and reliably, while reducing the long-term costs of electricity for all consumers, not just participants in the programs. These benefits are in addition to economic and environmental benefits.

The demand response programs in particular have proven to be a very effective tool in meeting our electricity needs cost-effectively in high cost periods of peak energy usage. During periods of high peak demand, there is a significant increase in hourly pricing for electricity. The risk of this high peak demand is incorporated into competitive bids for residential customer needs. To the extent that programs reduce the peak load on a consistent basis, residential and other electricity customers benefit from lower prices. These programs have been successful in Maryland.

In sum, OPC believes that Maryland has made significant progress in the development of plans and programs to reduce energy usage and peak demand in Maryland. These programs provide benefits to all consumers. We also know that further work needs to be done to ensure

that a portfolio of programs is more widely available to all of our residential consumers. Our role is to work on development and implementation of residential programs with the utilities and other stakeholders, and to continuously evaluate the cost-effectiveness and value of those programs for residential customers. From our perspective, it would be a shame to see all of these achievements, and the tangible benefits they provide, disappear.

For these reasons, OPC respectfully urges an UNFAVORABLE REPORT.