EARTHJUSTICE

August 19, 2024

VIA ELECTRONIC FILING

Andrew S. Johnston
Executive Secretary
Maryland Public Service Commission
6 Saint Paul Street, 16th Floor
Baltimore Maryland 21202-6806

Re: Limited-Income Mechanism for Utility Customers, Public Conference 59

Dear Mr. Johnston:

Attached for filing in the above-referenced docket, please find the Maryland Energy Efficiency Advocates' ("MEEA") Comments on a limited-income mechanism for utility customers.

Please contact me if you have any questions. Thank you for your attention to this matter.

Sincerely,

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On behalf of Maryland Energy Efficiency Advocates

BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND

<u>LIMITED INCOME MECHANISMS FOR UTILITY CUSTOMERS</u>	**Administrative Docket** **PC 59**

MARYLAND ENERGY EFFICIENCY ADVOCATES COMMENTS ON LIMITED-INCOME MECHANISMS FOR UTILITY CUSTOMERS

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Dated: August 19, 2024

Introduction

The Maryland Energy Efficiency Advocates (MEEA)[1] have long supported investing in EmPOWER and Maryland's energy programs that have delivered increased efficiency, stability, and reduced costs for all residents. Our advocacy has focused on the need to prioritize low-income households in receiving program benefits and to provide protections to ensure that cost impacts are borne equitably. MEEA regularly engages in EmPOWER proceedings and has supported the creation of targets for the Department of Housing and Community Development ("DHCD") low-income efficiency programs that guide the 2024-2026 program cycle. Energy programs are key components to ensuring energy affordability, safety, and comfort in the homes of all Maryland residents. MEEA knows that energy and energy efficiency investments bring benefits to households, especially for those that struggle with energy burdens.

In January 2025, MEEA filed comments recommending that, as soon as practicable, the Commission move toward a Percentage of Income Payment plan or a tiered discount plan that will provide protections across multiple dockets, programs, and cost categories. Doing so will be a part of a comprehensive look towards solutions to ensure the most equitable distribution of costs associated with upcoming energy transitions such as electrification, grid modernization, efficiency programs, and gas infrastructure costs. MEEA raised this recommendation in comments submitted to the Commission regarding the 2024–2026 EmPOWER Maryland program plans, case No. 9705. In those comments, MEEA recognizes the important benefits of EmPOWER as a whole and specifically of the DHCD limited-income programs. MEEA notes that the current program structure risks inequitable impacts on low-income households through the regressive impacts of increasing utility rates, and the unequal distribution of costs and benefits across utility territories. Those risks remain significant outside of the EmPOWER program as well. A Percentage of Income Payment plan will mitigate these costs and prevent low-income households from paying inequitably high costs for their energy usage.

In conjunction with the Commission's scheduled in person hearing, MEEA is filing the following comments to directly address the Commission questions. MEEA has deep expertise on energy burden issues from coalition advocacy and from the work of its individual member organizations which it is happy to share.

Our comments are most extensive in part 1, regarding material causes of energy burdens. In part 2, we respect the thoughtfulness and attention from the Maryland Energy Advocates Coalition (MEAC) on how the rate mechanism can be designed, and we are generally supportive and deferring to them and their advocacy.

[1] MEEA includes the following organizations that have signed in support of these comments: 350.org; CASA; Center for Progressive Reform; Economic Action Maryland; Green & Healthy Homes Initiative; Howard County Climate Action; MLC-Climate Justice Wing; National Consumer Law Center (on behalf of its low-income clients) National Housing Trust; Sierra Club Maryland Chapter; and Urban Clean Energy Advisors.

<u>Part One:</u> Material causes of low-income utility customers' energy burdens.

1. *The extent to which energy-inefficient housing or appliances contribute to energy burdens for limited-income utility customers in Maryland:*

Energy-inefficient housing and appliances contribute significantly to energy burdens for limited-income utility customers in Maryland. This is due to both conditions associated with limited-income utility customers as well as the limited options for these households to receive services that improve efficiency.

<u>Renters</u>

- A higher percentage of limited-income households rent their properties rather than own property. This creates a split incentive for landlords and tenants where landlords are less likely to make the higher quality repairs, appliance purchases, and energy efficiency investments given that the structure is not occupied by the owner.
- With higher turnover and less security, tenants are often cautious about advocating for their needs. These issues are prevalent in both subsidized and "naturally occurring affordable housing."
- Energy efficiency upgrades may be costly, require related interventions, or otherwise be a low priority for landlords. Some building owners may even decline free services out of worries about triggering other required upgrades they have not addressed.
- Even well-meaning owners often have limited resources to make upgrades, particularly when considering the needs of multiple units or properties. This can lead to maintenance backlogs or owners choosing to pay for least-cost options.

From the field: MEEA member organization CASA provides housing organizing capabilities throughout Maryland. In CASA's experiences from direct outreach in apartment communities that predominantly serve low-income tenants, they have seen that tenants often have utility bills that are disproportionate to the size of the unit. Key findings on energy inefficiency include that housing organizers report that units with high utility costs are usually in disrepair. This includes windows that are not sealed, cracks in the wall, and antiquated air conditioning units. Tenants with high utility bills often report the apartment being way too cold during the winter and way too hot in the summer. Naturally occurring affordable housing units where CASA organizes often have not received any maintenance in years. In addition to this, property owners that do respond to failing appliances replace them with the cheapest and used options, which might solve problems of functionality but fail to address energy efficiency.

Owner-Occupied Homes

- Much of the stock of affordable housing is affordable because of the older and less maintained condition of the home before the owner purchases it, a process known as "filtering." This means homes occupied by low-income families often are less efficient, require significant maintenance, and in many cases are not up to code for safety, efficiency, electrical work, or plumbing.
- Racial segregation and discrimination have significant effects on housing conditions. Because of policies like red-lining, disinvestment, and neighborhood disruptions that have harmed communities of color, especially Black communities, individuals living in these communities have had home values suppressed and burdens increased. These communities also have been denied access to financial resources such as mortgages that play a significant role in enabling wealth building and upkeep of homes through generations. The same issues of discrimination, disruption, and disinvestment also contribute to lower average incomes for these communities, further limiting the ability to invest in home needs.
- Additionally, many of the low-income owner-occupied single-family homes in the state are occupied by seniors. Many of these individuals worked hard to own their homes and they are a tremendous asset for both the individual, family, and community. It is also often the case that low-income seniors did not have the disposable income in prior years to be proactive with home maintenance. It is common for senior-occupied homes to have years of deferred maintenance, some of which may have been an issue from the time of the home purchase, much of which contributes to energy inefficiency.

From the field: MEEA member organization Green & Healthy Homes Initiative provides energy efficiency and healthy housing services to low-income households in Baltimore City. GHHI works with many seniors, especially through the Baltimore Housing Upgrades to Benefit Seniors (HUBS) program. As a result of interventions that address safety and energy efficiency, GHHI hears from homeowners that they can now age in place without having to move and that they can have grandkids visit. Helping these seniors with home interventions helps keep the family and community connected.

Receiving Services for Energy Efficiency

- As will be discussed below, low-income households have been underserved by the state efficiency programs. From the perspective of energy burden and equity, low-income households should be the priority. The personal benefits are likely most significant, and the household ability to pay for interventions without assistance is most limited. Yet, the state efficiency programs have not adequately prioritized or served this population.
- A study from APRISE for DHCD in December 2022 found that only between four and seven percent of eligible customers in each utility territory were served by EmPOWER's limited-income programs between 2013 and 2020[2]. We are glad for the new goals for DHCD to achieve savings in limited income households and for the ongoing efforts of the department to align programs and increase service. Yet the state is coming out of a period of low levels of energy efficiency service delivery meaning many homes have not had basic energy efficiency interventions.

Energy Burden Data

- Overall, the data shows energy affordability is a prevalent issue across Maryland. One analysis found that in 2022, home energy bills required 37% of income for Marylanders with incomes below 50% of the Federal Poverty Level.[3] The percentage of income required to cover energy costs is also called the energy burden. The energy burden gradually decreases as household income increases. Marylanders with incomes 185% - 200% of the Federal Poverty Level had energy burdens of 8%.[4] Another analysis of residential energy affordability found that around 400,000 Marylanders have an energy burden over 6%, which is the threshold researchers use to define high burden.[5] It is important to note that non-low-income households have an energy burden around 3%.[6] A large number of low-income Marylanders are currently struggling to pay their energy bills and are thus at risk of disconnection. [7]
- Some alarming statistics on energy burden from American Council for an Energy Efficient Economy (ACEEE)[8] highlight how these can be especially challenging in particular areas: Median energy burden is 3.0%, and the median low-income energy

[2] APPRISE. Maryland Energy Affordability Study Final Report. December 2022.

[3] Fisher, Sheehan & Colton, The Home Energy Affordability Gap 2022, Maryland (April 2023), available at http://www.homeenergyaffordabilitygap.com/.

[4] Id.

[5] Arjun Makhijani, et al, Energy Affordability in Maryland: Integrating Public Health, Equity and Climate, Executive Summary (Feb. 2023), available at https://www.psehealthyenergy.org/wp-content/uploads/2023/02/Energy-Affordability-in-Maryland-2023_-Final-Report-1.pdf.

[6] See e.g., Dept. of Energy, "Low-Income Community Energy Solutions" at https://www.energy.gov/scep/slsc/low-income-community-energy-solutions.

[7] See terminations and arrearage data by utility available at https://www.psc.state.md.us/termination-arrearages/.

[8] ACEEE. Energy Burdens in Baltimore. September 2020. https://www.aceee.org/sites/default/files/pdfs/aceee-01_energy_burden_-_baltimore.pdf

burden is 10.5% in the Baltimore metropolitan area. A quarter of low-income households have an energy burden above 22% in the Baltimore metropolitan area, which is more than seven times higher than the median energy burden. 23% of Baltimore households (237,681) have a high energy burden (above 6%). 11% of Baltimore households (120,345) have a severe energy burden (above 10%). 34% of Black households (110,194) and 21% of Hispanic households (8,988) in the Baltimore metropolitan area experience a high energy burden (above 6%). Based on the groups in the study, low-income (10.5%), low-income multifamily households (7.5%), and older adults (4.1%) experienced the highest median energy burdens in Baltimore.

- Without a concerted effort to address low-income energy affordability, rate increases and important policy objectives such as the transition to a decarbonized energy system will only make it harder for struggling households to stay connected to essential utility service.

3. Accessibility or barriers to programs or funding for limited-income utility customers in Maryland to make energy-efficiency upgrades:

Challenges with reaching limited-income utility customers can be organized into three categories: barriers in the homes and limited program funding to address them, recruitment and outreach barriers, and barriers from home ownership structure.

<u>Barriers in the Homes</u>

- In middle- and upper-income homes, efficiency upgrades can be simple: a rebate on a high efficiency heating system that incentivizes an individual to buy the more efficient model; adding insulation to an attic in good condition; or air sealing a home where there is space around the door frame. But for low-income homes, programs need to cover the full cost of services and be prepared to face barriers to weatherization which are often in the form of health and safety issues. To revisit the above examples, a rebate will be most helpful to a low-income household if it covers the full cost of a product up-front not just the difference between models; insulation can only be put in the attic if there are no leaks, pests, or asbestos; and air sealing is only safe to do if the home has remediated any mold issues and has a good moisture management system.
- The issues are much more prevalent in low-income households for all of the reasons described in Part 1 section 1 and more. Because state efficiency programs have limited budgets for these health and safety issues and the state does not have a model of adequately braiding in other programs to address the barriers, a high percentage of homes are deferred from receiving efficiency services.

- In EmPOWER's low-income weatherization program for single family homes, between January 2018 and March 2020, 30% of inbound customers were deferred, largely due to required repairs which needed to be performed before weatherization could take place.
- As programs serve more households, it will become more and more necessary to have adequate resources to address the needs in these homes. These homes are also where the greatest benefits can be realized for both energy and non-energy benefits to households.

From the field: As GHHI has proven through its programs and research, comprehensive housing services deliver tremendous benefits to cost savings, health, stability, and improved economic opportunity– kids grow up healthier and make it to school more often, parents don't have to take time off of work, and seniors can stay in their homes aging in place and pass their home to the next generation in good condition.

Recruitment and Outreach Barriers

- DHCD receives a large number of client referrals through OHEP's energy assistance program, Network Partners, and other referring organizations. As reported in DHCD's 2021-2023 EmPOWER plan filing,[9] a high percentage (80-85%) of these leads do not convert to on-site projects for various reasons— DHCD writes "clients may become unresponsive or do not fully understand the value in energy efficiency programs, and many renters cannot gain landlord consent for participation." About 27% of the monthly leads are immediately deemed ineligible because they have already been weatherized. The rest are referred to the programs.
- Taking steps (as DHCD is doing) to improve the quality of these referrals so that a higher percentage can be converted into projects will improve service delivery and the accessibility of the efficiency programs.

Home Ownership Structure Barriers

- For rental properties, programs typically require landlord permission to complete necessary work. In many cases tenants are reluctant to request upgrades in terms of weatherization efforts and new energy efficient appliances, due to fears of landlord retaliation. Landlords may not be interested in having work done on the home, even if costs are subsidized because they worry about changes to the property or other issues arising during the scoping process.
- Documenting eligibility for services can be a challenge for homeowners. Eligibility requires verifying household income and home ownership status. Programs can require

[9] 2021-2023 EmPOWER Maryland Limited Income Program Plan Prepared by DHCD August 2020.

extensive paperwork with personal information, and some of that documentation is not readily available, particularly if the home has been owned for a long time or inherited.

From the field: CASA members and tenants in these apartment communities with whom CASA has engaged have shared that property owners do not like any sort of complaints and that fears of lease non-renewals due to asking for too much may occur. Furthermore, through CASA's housing organizing efforts, CASA has heard from property owners that if they were to engage in these upgrades and renovations, they will be "forced" to increase rents and leave tenants at risk of unaffordable rent hikes. Luckily, CASA has advocated and won rent stabilization programs in Montgomery and Prince George's County. The recent iteration of EmPOWER Reform also outlines that DHCD must adopt regulations that prevent property owners from using state weatherization incentives and then displacing tenants and increasing rents.

Part 2 The efficacy of mechanisms as well as other approaches that could reduce the energy burden on limited-income customers.

1. Eligibility and enrollment considerations:

- Program coordination is key to reducing the administrative burden for agencies, partners, and clients receiving services. OHEP, EmPOWER, and utilities should work to coordinate program delivery to ensure there is a streamlined process for entering programs.
- Programs should have both categorical eligibility and accessible pathways to apply directly to the program. There should also be opportunities for community organizations to help with outreach.

2. Whether such mechanisms should be implemented statewide or utility-by-utility:

- In general, MEEA supports a statewide program so that households have access to the same options across utility territories.
- We do recognize that some utility territories may have unique needs, and we support the Commission leaving an option for limited exceptions that utilities can bring forward in special cases.

3. Whether such mechanisms should apply to supply, distribution, or both:

- The mechanism should apply to the whole bill. This will best address the issue of energy burdens as households experience them.

4. Whether such mechanisms should apply seasonally or annually:

- The mechanism should apply annually. Even though the state is summer-peaking for electricity usage, many homes lack air conditioning, and as electrification shifts household usage there may be significant variance in peak seasons.

5. Prospective costs and funding sources for such mechanisms:

- As MEEA has noted in EmPOWER comments, we worry about regressive costs having inequitable impacts on low- and moderate-income households.
- MEEA also recognizes the urgent need now for helping reduce energy burdens and urges the Commission not to delay implementation of a program while waiting for the most equitable long-term funding options to be available.

Next Steps

- MEEA respectfully asks the PSC to treat the issue of energy affordability and moving towards a low-income rate mechanism as a priority.
- MEEA is open to a workgroup on the topic and would plan to participate. If a workgroup is formed, MEEA respectfully asks for the PSC to give the workgroup clear direction and structure.

Dated: August 19, 2024.

Respectfully submitted,

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