

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 850 (Senator Gallion, *et al.*)
Education, Energy, and the Environment

Electric and Gas Companies - Energy Efficiency, Conservation, and Demand Response Programs - Alterations (Utility Affordability and Ratepayer Protection Act of 2026)

This bill requires the energy efficiency, conservation, and demand response programs developed by electric companies, specified gas companies, municipal electric or gas utilities, and certain rural electric cooperatives under the EmPOWER Maryland Program, and approved by the Public Service Commission (PSC), to include demonstrable bill savings to residential customers. The bill extends, from December 31, 2032, to December 31, 2040, the period during which electric and gas companies may recover, through the EmPOWER surcharge, specified unpaid and unamortized costs that existed as of December 31, 2024, or were incurred before January 1, 2028. Additionally, the bill requires PSC, by July 1, 2027, to establish, by order or regulation, caps or limits on EmPOWER surcharge assessments for residential customers to reduce costs for those customers. PSC must report to the Senate Education, Energy, and the Environment Committee and the House Environment and Transportation Committee on the implementation of the bill by July 1, 2027.

Fiscal Summary

State Effect: Although the bill increases workloads for both agencies, PSC and the Office of People’s Counsel can implement the bill with existing budgeted resources. The effect on electricity and gas prices is discussed in the Additional Comments section below. The bill is not otherwise anticipated to materially affect State finances or operations.

Local Effect: The effect on electricity and gas prices is discussed in the Additional Comments section below. The bill is not otherwise anticipated to materially affect local government finances or operations.

Small Business Effect: Meaningful. The effect on electricity and gas prices is discussed in the Additional Comments section below.

Analysis

Bill Summary/Current Law: *Under current law*, under the EmPOWER Maryland program, each electric company and each large gas company must develop and implement energy efficiency, conservation, demand response, and beneficial electrification programs to achieve specified greenhouse gas (GHG) emission reduction goals and targets, subject to PSC review and approval. The requirement does not apply to a gas company with annual gross revenues of less than 3% of the total gross annual revenues for all public service companies in the State during the same calendar year. *The bill* specifies that any such program or service developed by an electric company or large gas company and approved by PSC must include demonstrable bill savings to residential customers.

Under current law, as directed by PSC, each municipal electric or gas utility, each small gas company exempt from the above requirements, each small rural electric cooperative, and, if required by PSC, each midsize electric cooperative, must include energy efficiency and conservation, demand response, and beneficial electrification programs or services as part of their service to customers. *The bill* similarly requires that these programs and services include demonstrable bill savings to residential customers.

Under current law, PSC must encourage and promote the efficient use and conservation of energy in support of specified GHG reduction goals and targets by, among other things, requiring each electric company and each gas company to establish any program or service that PSC determines to be appropriate and cost-effective. *Under the bill*, in addition to being appropriate and cost-effective, such programs or services must also (1) demonstrably reduce residential customer bills and (2) use demand reduction or other cost-containment mechanisms to reduce energy consumption and lower residential customer bills.

Current law specifies that by January 1, 2025, and by January 1 every three years starting in 2027, PSC must, by regulation or order, require each electric company and each large gas company to develop and implement a plan that (1) covers appropriate ratepayer classes; (2) starting in 2027, covers a three-year program cycle; and (3) achieves the specified GHG emissions reduction targets established for the company. *The bill* requires the plan developed and implemented by each electric company and each large gas company to also achieve demonstrable savings to residential customers.

Current law also requires PSC to adopt rate-making policies that, through a surcharge line item (the EmPOWER surcharge) on customer bills, provide:

- full cost recovery of reasonably incurred costs for the programs and services, including full recovery on a current basis by January 1, 2028;
- by December 31, 2032, the elimination of any unpaid costs and unamortized costs that (1) existed on December 31, 2024, or were incurred before January 1, 2028, and (2) were accrued for the purposes of achieving EmPOWER goals;
- compensation for any of these unpaid costs and unamortized costs at not more than each electric and gas company's average cost of outstanding debt; and
- reasonable financial performance incentives and penalties for investor-owned electric companies and gas companies, as appropriate.

The bill extends, from December 31, 2032, to December 1, 2040, the date by which electric and gas companies may recover, through the EmPOWER surcharge, any unpaid and unamortized costs that (1) existed on December 31, 2024, or were incurred before January 1, 2028, and (2) were accrued for the purposes of achieving EmPOWER goals.

Finally, *the bill* requires PSC, by July 1, 2027, to establish caps or limits on EmPOWER surcharge assessments for residential customers to reduce costs for those customers.

Small Business Effect: The bill's requirement that programs and services implemented under the EmPOWER Maryland Program achieve demonstrable bill savings for residential customers may require some programs or services to be reconfigured or eliminated. If any programs or services are eliminated, small businesses that provide energy efficiency services may experience reduced demand.

Separately, small businesses benefit from a decrease in electricity and gas prices under the bill, as discussed below in the Additional Comments section.

Additional Comments: Electricity and gas rates decrease – or future rate increases may be minimized – as a result of the bill's changes to the EmPOWER Maryland Program. First, by extending the period during which electric and gas companies may recover specified unpaid and unamortized EmPOWER costs, PSC can spread the recovery of those costs over a longer timeframe, resulting in a lower amount recovered from customers through the EmPOWER surcharge in any given year. Second, by requiring PSC to establish caps or limits on EmPOWER surcharge assessments for residential customers, the bill reduces the amount those customers pay through the surcharge, thereby lowering their overall electricity and gas costs. However, capping the surcharge for residential customers may shift cost recovery to commercial and industrial customers, potentially increasing electricity and gas costs for those customers and resulting in other secondary effects.

Finally, to the extent that programs or services currently provided under the EmPOWER Maryland Program are reconfigured or eliminated, the EmPOWER surcharge on customer bills may decrease slightly.

Although the magnitude of the decrease in electricity and gas rates during the five-year period covered by this fiscal and policy note cannot be reliably estimated, the bill may have a significant effect on electricity and gas prices. In any case, the State, local governments, and all businesses, including small businesses, are affected by any decrease in rates that result from the bill.

Separately, PSC notes that the bill's omission of commercial and industrial customers from the requirement that EmPOWER programs and services administered by electric and gas companies achieve demonstrable bill savings for residential customers *could be* interpreted as precluding the development or approval of programs serving those customers. For context, PSC data from its 2024 annual report on the EmPOWER Maryland Program shows that the State's four investor-owned utilities and the Southern Maryland Electric Cooperative spent a total of \$330.7 million on energy efficiency and conservation programs in compliance year 2024. Of that total, \$194.3 million was allocated to programs for commercial and industrial customers, with the remaining \$136.4 million spent on programs for residential customers.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Housing and Community Development; Department of Legislative Services

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