**ORDER NO. 88514**

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| IN THE MATTER OF POTOMAC EDISON COMPANY D/B/A ALLEGHENY POWER'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND<br>CASE NO. 9153 |
| IN THE MATTER OF BALTIMORE GAS AND ELECTRIC COMPANY'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | CASE NO. 9154 |
| IN THE MATTER OF POTOMAC ELECTRIC POWER COMPANY'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | CASE NO. 9155 |
| IN THE MATTER OF DELMARVA POWER & LIGHT COMPANY'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | CASE NO. 9156 |
| IN THE MATTER OF SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | CASE NO. 9157 |
| IN THE MATTER OF WASHINGTON GAS LIGHT COMPANY'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008 | * | CASE NO. 9362 |

**Issue Date: December 22, 2017**

Energy efficiency, conservation, and demand response programs have been a cornerstone of the State's energy policy for at least the last decade, with the General Assembly vesting the Public Service Commission of Maryland ("Commission") with the statutory duty to "require each gas company and electric company to establish any program or service that the Commission deems appropriate and cost effective to encourage and promote the efficient use and conservation of energy."[1] In recognition that energy efficiency is among the least expensive ways to meet the growing electricity demands of the State, the Maryland General Assembly passed legislation to meet specific energy efficiency, conservation, and demand response targets by the end of 2015, culminating in the EmPOWER Maryland Energy Efficiency Act of 2008 ("EmPOWER").[2]

This commitment was renewed during the 2017 legislative session with the passage of Senate Bill ("SB") 184 / House Bill ("HB") 514, which codified Commission Order No. 87082 regarding post-2015 electric energy efficiency goals and the prospective cost-effectiveness framework.[3] In accordance with the EmPOWER Maryland Act, as amended by that legislation, the affected Maryland electric companies submitted to the Commission proposals on or before September 1, 2017 designed to achieve electricity and demand savings for the subsequent three calendar years.[4] In addition, energy efficiency program proposals specific to the limited-income sector, as well as natural gas efficiency program proposals, were submitted to the Commission on or before September 1, 2017 by the Maryland Department of Housing and Community Development

[1] Public Utilities Article ("PUA"), *Annotated Code of Maryland* § 7-211(f).
[2] PUA § 7-211(b).
[3] 2017 Md. Laws, Ch. 14.
[4] PUA § 7-211(h)(2).

("DHCD" or the "Department") and by certain Maryland gas companies, respectively. Additionally, the Commission received two proposals for the 2018 – 2020 program cycle filed by the Mayor and City Council of Baltimore ("Baltimore City"); one from the Office of Sustainable Energy filed on September 29, 2017,[5] and one from the City of Baltimore Department of Housing and Community Development – Division of Green, Healthy and Sustainable Homes filed on October 6, 2017.[6]

In this Order, the Commission authorizes Baltimore Gas and Electric Company ("BGE"); The Potomac Edison Company ("PE"); Potomac Electric Power Company ("Pepco"); Delmarva Power & Light Company ("Delmarva"); Southern Maryland Electric Cooperative, Inc. ("SMECO" or the "Cooperative");[7] and Washington Gas Light Company ("WGL") (collectively, the "Utilities") to begin transitioning into the next three-year program cycle of EmPOWER Maryland. The Commission also authorizes the Department to continue its implementation of the EmPOWER Maryland limited-income programs during the 2018 – 2020 program cycle. Thus, we direct the Utilities and DHCD to continue effectively and aggressively executing their programs, consistent with the modifications and guidance provided herein. We also direct the Utilities and DHCD

[5] ML#217120: *EmPOWER Maryland Program Plan 2018-2020* ("City OSE Proposal") (Sept. 29, 2017).
[6] ML#217259: *EmPOWER Maryland Program Plan 2018-2020* ("City DHCD GHSH Proposal") (Oct. 6, 2017); ML#217480: *Supplemental Tables* (Oct. 20, 2017).
[7] In this Order, we approve the Cooperative's 2018 – 2020 Proposal, as supplemented on November 14, 2017. The supplemental filing is responsive to a Commission bench data request issued during the proceeding on October 27, 2017 and proposes funding expansions of programs under consideration already as part of the original September 1, 2017 proposal. The November 14, 2017 supplemental proposal increases the cost-effectiveness of the Residential sub-portfolio from a 1.42 to a 1.45 TRC, as well as the cost-effectiveness of the Commercial and Industrial sub-portfolio from a 1.17 to a 1.34 TRC. No responsive comments were filed in the five weeks since SMECO submitted its supplemental proposal.

to make related compliance filings, including tariff pages and surcharge provisions, consistent with this Order.[8]

**2015 – 2017 Program Cycle Semi-Annual Hearings**

On October 25 – 26, 2017, the Commission held a legislative-style hearing in the above-captioned cases to review, *inter alia*, the semi-annual EmPOWER Maryland reports filed by: PE,[9] BGE,[10] Pepco,[11] Delmarva,[12] SMECO,[13] WGL,[14] and DHCD,[15] for the first and second quarters of 2017. The Commission also reviewed the comments pertaining to the semi-annual reports filed by: the Office of People's Counsel ("OPC");[16] and the Commission's Technical Staff ("Staff").[17]

The parties' reports and comments analyzed the performance of the Utilities' portfolios during the previous two quarters and offered recommendations for programmatic improvements, as well as commentary regarding outstanding directives from prior Commission orders. With the exception of one budget extension request filed

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[8] We note that several of the Utilities have filed tariff pages to update the 2018 EmPOWER surcharges already, which will be addressed separately following the issuance of this Order.
[9] ML#216291: *Potomac Edison's 2017 Semi-Annual EmPOWER Maryland Report for the period of January 1 – June 30* ("PE Report") (July 31, 2017).
[10] ML#216312: *BGE's Semi-Annual Report for the First and Second Quarters – January 1 through June 30, 2017 in Case No. 9154* ("BGE Report") (July 31, 2017); ML#217031: *Errata to Baltimore Gas and Electric Company's Q1/Q2 2017 Semi-Annual Report* ("BGE Errata") (Sept. 27, 2017).
[11] ML#216307: *Case No. 9155 - Pepco's EmPOWER Maryland Report* ("Pepco Report") (July 31, 2017).
[12] ML#216309: *Case No. 9156 – Delmarva Power & Light's EmPOWER Maryland Report* ("Delmarva Report") (July 31, 2017).
[13] ML#216300: *Case No. 9157 – Southern Maryland Electric Cooperative, Inc.'s Q1/Q2 2017 Semi-Annual EmPOWER Maryland Report* ("SMECO Report") (July 31, 2017).
[14] ML#216525: *Washington Gas Light Company – Semi-Annual EmPOWER Maryland Report for the period of January 1 – June 30, 2017* ("WGL Report") (Aug. 15, 2017).
[15] ML#216313: *Maryland Department of Housing & Community Development's 2017 Q1/Q2 Semi-Annual EmPOWER Maryland Report* ("DHCD Report") (July 31, 2017); ML#214001: *Second Errata of 2017 Q1/Q2 Semi-Annual EmPOWER Maryland Report* ("DHCD Second Errata") (Oct. 20, 2017).
[16] ML#217297: *Office of People's Counsel – EmPOWER MD 2017 Q1-Q2 Semi-Annual Review Report Comments – Case Nos. 9153-9157 & 9362* (Oct. 10, 2017).
[17] ML#217298: *2017 Semi-Annual EmPOWER Maryland Programmatic Report for the First and Second Quarters* (Oct. 10, 2017).

by DHCD and addressed through a separate Commission order,[18] the parties' filings did not discuss requests for program modifications or budget adjustments given that the 2015 – 2017 EmPOWER Maryland program cycle was more than 90% complete by the date of the fall semi-annual hearing.

By this Order, we accept and note the semi-annual reports filed by the Utilities and DHCD pertaining to the first and second quarters of 2017.

**<u>2018 – 2020 Program Cycle Proposals</u>**

On October 26 – 27 and October 30 – 31, 2017, the Commission also reviewed, *inter alia*, the 2018 – 2020 EmPOWER Maryland program cycle proposals filed by: PE,[19] BGE,[20] Pepco,[21] Delmarva,[22] SMECO,[23] WGL,[24] DHCD,[25] and Baltimore City. The Commission also reviewed the comments pertaining to the program cycle proposals filed by: the Office of People's Counsel ("OPC");[26] the Maryland Energy Efficiency

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[18] *See* Order No. 88504 (Dec. 13, 2017).

[19] ML#216694: *Potomac Edison's Energy Efficiency and Conservation Plan for the period of January 1, 2018 through December 31, 2020* ("PE Proposal") (Aug. 31, 2017).

[20] ML#216312: *BGE's EmPOWER Maryland Program Filing for 2018 – 2020 in Case No. 9154* ("BGE Proposal") (Sept. 1, 2017); ML#216983: *BGE's Errata to EmPOWER Maryland 2018 – 2020 Program Filing* ("BGE Proposal Errata") (Sept. 22, 2017).

[21] ML#216725: *Case No. 9155 - Pepco's EmPOWER Maryland Plan 2018 – 2020* ("Pepco Proposal") (Sept. 1, 2017).

[22] ML#216726: *Case No. 9156 – Delmarva Power & Light's EmPOWER Maryland Plan 2018 – 2020* ("Delmarva Proposal") (Sept. 1, 2017).

[23] ML#216300: *Case No. 9157 – Southern Maryland Electric Cooperative, Inc.'s EmPOWER Maryland Plan 2018 – 2020* ("SMECO Proposal") (Sept. 1, 2017); ML#217798: *Southern Maryland Electric Cooperative, Inc. – Supplemental 2018-2020 EmPOWER Maryland Plan* ("SMECO Supplemental Proposal") (Nov. 14, 2017).

[24] ML#216730: *Washington Gas Light Company – EmPOWER Maryland Regulatory Plan for 2018 – 2020* ("WGL Proposal") (Sept. 1, 2017).

[25] ML#216733: *Maryland Department of Housing & Community Development's EmPOWER Maryland Program Limited-Income Program Plan 2018-2020* ("DHCD Proposal") (Sept. 1, 2017).

[26] ML#217296: *Office of People's Counsel – EmPOWER Maryland 2018 – 2020 Proposed Plan Comments – Case Nos. 9153-9157 & 9362* ("OPC Comments") (Oct. 10, 2017).

Advocates;[27] Montgomery County, Maryland;[28] American Council for an Energy-Efficient Economy ("ACEEE");[29] the Abell Foundation;[30] Maryland Building Performance Association ("MDBPA");[31] MedImmune/Astra Zeneca;[32] the Maryland Alliance of Energy Contractors and the Heating and Air Conditioning Contractors of Maryland, Inc. (the "Alliance");[33] Aegis Energy Services, Inc.;[34] Civic Works;[35] Unison Energy, LLC;[36] the Maryland Energy Administration ("MEA");[37] and the Commission's Technical Staff ("Staff").[38]

Subject to the modifications and terms discussed below, we approve the Utilities' and DHCD's proposals to continue the core EmPOWER Maryland programs into the 2018 – 2020 program cycle. We also approve several new programs, pilots, and enhancements to the suite of energy efficiency portfolios, and look forward to and encourage additional innovation in EmPOWER Maryland program offerings as the 2018 – 2020 program cycle progresses. Although we deny Baltimore City's request to employ EmPOWER funding for the two proposed programs, we encourage the City to work with the parties to explore whether aspects of its proposals could be included in the utility and DHCD offerings.

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[27] ML#217292: *Comments on EmPOWER Maryland 2018-2020 Plans* ("MD EE Advocates Comments") (Oct. 10, 2017).
[28] ML#217268: *Comments on EmPOWER MD 2018 – 2020 Plans* ("Montgomery County Comments") (Oct. 9, 2017).
[29] ML#217290: *Comments on the DHCD 2018 – 2020 Proposal* (Oct. 10, 2017).
[30] ML#217273: *Comments on EmPOWER Home Performance with Energy Star Program* (Oct. 10, 2017).
[31] ML#217265: *Comments on 2018-2020 Utility Plans* (Oct. 9, 2017).
[32] ML#217267: *EmPOWER Maryland Program Filing 2018-2020* (Oct. 9, 2017).
[33] ML#217291: *Comments on BGE's and Pepco's EmPOWER Maryland Plans for 2018 – 2020* ("Alliance Comments") (Oct. 10, 2017).
[34] ML#217279: *Comments of Aegis Energy Services, Inc.* (Oct. 10, 2017).
[35] ML#217278: *Comments on the EmPOWER Maryland Report Filings* (Oct. 10, 2017).
[36] ML#217326: *Comments on the 2018 – 2020 Proposals* (Oct. 11, 2017).
[37] ML#217349: *Motion to file late and Comments* ("MEA Comments") (Oct. 13, 2017).
[38] ML#217298: *Comments on the 2018 – 2020 EmPOWER Maryland Plans* ("Staff Comments") (Oct. 10, 2017).

## I. *Energy Efficiency Program Impacts and Oversight*

In accordance with the EmPOWER Maryland Act, the Commission first determines whether a program is designed to promote the efficient use and conservation of energy, and then monitors and analyzes the impact of each program to ensure the realization of a return on the ratepayers' investment.[39] In reaching its determination, the Commission is charged with considering, among other things, the impact on rates resulting from the implementation of the proposed EmPOWER portfolio. We are encouraged by our review of the instant proposals insofar as the majority of utility surcharges are projected to decrease, level-off, or experience minimal growth during the 2018 – 2020 program cycle.[40] We are further encouraged by Staff's analysis regarding various mechanisms by which a Marylander could completely offset the average residential monthly EmPOWER surcharge through participation in one or more program offerings, such as through the: replacement of 12 incandescent bulbs in a residence with light emitting diodes ("LEDs"); participation in dynamic pricing events; or participation in an appliance recycling event.[41] We note, however, that while we have deemed the majority of the proposals before us to be both cost-effective and appropriate, there is a tipping point on the horizon with respect to the appropriate magnitude of overall programmatic costs and the effectiveness attached to those costs moving forward, of which the Utilities and all parties should remain cognizant as we progress through the remainder of this program cycle and into the next. Thus, the Utilities and DHCD are

[39] PUA § 7-211(i).
[40] Staff Comments at 9. We note that the comparative ramp-up in BGE's surcharge is due to the inclusion, for the first time, of the Company's behavioral and dynamic pricing programs in the EmPOWER cost recovery mechanism. *Id.* at 23.
[41] *Id.* at 11-12.

directed to utilize budget adjustment requests judiciously during the 2018 – 2020 program cycle.

Further, we note our intent to focus on certain metrics to a greater degree during upcoming semi-annual reviews, particularly surrounding a comparison of the cost-to-achieve ($ per lifecycle kWh) realized by individual programs and the variances thereto across the service territories, between program cycles, and against utility forecasts. To that end, we direct Staff to identify, using that criteria, any cost-to-achieve outliers within the Utilities' portfolios approved by this Order, and to work with the applicable Utilities to provide a detailed accounting of the noted variations in a report to be filed by Staff no later than April 18, 2018.[42]

In addition, with respect to our continued monitoring of the EmPOWER portfolios, we remind parties that the imminent transition into a new program cycle does not obviate past Commission directives in these proceedings unless specifically noted otherwise in this Order or in a future one. To that end, several parties requested changes to the current oversight structure in conjunction with the 2018 – 2020 proposals, as well as an affirmation that the flexibilities already extended to the Utilities with respect to the implementation of their Commercial and Industrial ("C&I") portfolios would continue.

In Order No. 84569, we delegated to Staff the ability to authorize a utility's request to adjust customer incentive levels up to a maximum of plus or minus 10%, provided that the adjustments are consistent with optimizing cost-effectiveness and

[42] For example, in its comments Staff noted that PE's projected cost-to-achieve for its Residential Lighting Program is 588% higher than for its same program during the 2015 – 2017 program cycle, and represents a cost-to-achieve that is approximately $0.05 higher than the other Utilities' 2018 – 2020 proposals. *Id.* at 61. The explanation provided in Staff's comments indicates that PE is forecasting higher costs with lower lifecycle energy savings. *Id.* Staff's April 18, 2018 report should provide one additional layer of detail and cover similar examples of so-called "cost-to-achieve outliers."

program attractiveness.[43] In Order No. 87575, we extended to all Utilities the flexibility to describe and award C&I customer incentives in "up to $X amounts" (as opposed to prescribed uniform amounts), as well as the ability to reallocate previously-approved funds between programs within their C&I sub-portfolio (subject to appropriate Staff notice).[44] In affirming the continuation of these C&I sub-portfolio flexibility mechanisms, we also approve the extension of these flexibility mechanisms to the Utilities' Residential sub-portfolios, subject to certain modifications as detailed below.

*First*, we continue to delegate to Staff the ability to authorize a utility's request to adjust customer incentive amounts within the Residential and C&I sub-portfolios, and we increase the maximum adjustment level to 15%, as recommended by Staff.[45] This flexibility mechanism remains limited by the requirement that adjustments to customer incentive amounts in excess of 15% must receive advance Commission approval through the semi-annual hearing process, and by the condition that increases to the customer incentive amounts do not correspond to a *de facto* increase in the Commission-approved three-year budget for the affected program. *Second*, we extend the "up to $X" incentive structure flexibility mechanism to the Utilities' Residential sub-portfolios, subject to the process requirements outlined by Staff.[46] *Third*, we extend to the Utilities' Residential sub-portfolios the requested budget reallocation authority, albeit a narrower version than permitted in the C&I context. Specifically, the Utilities may reallocate previously-approved monies within their respective Residential sub-portfolios up to 15% of the

[43] Order No. 84569 (Dec. 22, 2011) at 7. Adjustments beyond the specified cap must receive advance Commission approval.
[44] Order No. 87575 (May 26, 2016) at 15-16.
[45] Staff Comments at 13.
[46] *Id.* at 14.

amount filed in the approved ES tables, subject to providing Staff with 10 business days' advance notice and reflecting such shifts in subsequent semi-annual reporting templates.[47]

Although we affirm and extend these flexibility mechanisms to encourage the cost-effective and efficient implementation of the Utilities' Residential and C&I sub-portfolios, we are not persuaded to approve certain other utility requests, largely because we find that either the existing flexibility mechanisms already address the identified issue sufficiently, or that the item would not suffer from the same regulatory delay, rapid market changes, or customer demand issues used to justify the requests that we have approved.[48] Thus, we deny PE's request to allow unilateral adjustments to tier levels associated with its Appliance Rebates, Residential New Construction, and Heating, Ventilation, and Air Conditioning ("HVAC") Programs, since the "up to $X" incentive structure we have already approved provides the Utilities flexibility to eliminate incentives for certain measures that may no longer qualify as Energy Star. Further, we find value in maintaining the uniformity of tier levels across the State, and note that PE can join with the other Utilities to make an *ad hoc* tier adjustment request if one becomes warranted in the future.[49] Similarly, we deny SMECO's requested ability to explicitly decrease its Small Business Program incentives to 50% for new and advanced measures, since the "up to $X" incentive structure already affords the appropriate flexibility thereby rendering the Cooperative's request largely moot.[50] Finally, we deny BGE's request to

[47] The Utilities' Residential Behavioral Programs are excluded from eligibility under this flexibility mechanism.
[48] *See, e.g.* Staff Comments at 14.
[49] PE Proposal at 62, 96, and 108.
[50] SMECO Proposal at 96.

deviate from the approved budget adjustment request protocol with respect to its Combined Heat and Power ("CHP") Program by instead permitting such requests to be heard during Administrative Meetings at the company's discretion.[51] While we appreciate that customer participation could exceed expectations, we deny BGE's request on the grounds that the existing flexibility afforded to Utilities allows for the reallocation of funds between programs within a sub-portfolio. We also note the existing ability of Staff to request an Administrative Meeting hearing for any budget request deemed by Staff to warrant our interim attention.[52]

Although we deny BGE's requested CHP budget management flexibility, we do acknowledge that unnecessary instances of funding uncertainty, especially for previously-approved and already-committed monies, can strain program participation given the longer lead times and capital expenditure commitments associated with CHP projects. Thus, we are persuaded to mitigate the uncertainty that could result during a future program cycle transition by authorizing the Utilities to continue funding for CHP projects that are pre-approved by December 31, 2020 in a similar manner as authorized in Order No. 87285 with respect to the instant program cycle transition.[53] Along these same lines, we concur with Staff's recommendation to extend to all Utilities the authority to pay C&I customer incentives (for non-CHP projects) through the end of 2021, provided that the corresponding project was pre-approved by December 31, 2020.[54] In the case of both the CHP and non-CHP C&I program customer incentive extensions granted herein, we

[51] BGE Proposal at Attachment 7.
[52] *See* Order No. 85775 (Aug. 9, 2013) at 5-6.
[53] Order No. 87285 (Dec. 8, 2015) at 14-15. Thus, the Utilities may pay construction incentives through December 31, 2022 and production incentives through December 31, 2024 for CHP projects that are pre-approved by December 31, 2020. The attribution of resulting energy savings should follow the guidance articulated in Order No. 87285.
[54] Staff Comments at 16.

remind the Utilities that the funding used to pay such incentives must be derived from the program cycle budget during which the project was pre-approved.

## II. *Residential Electric Utility Energy Efficiency and Conservation Programs*

Residential Energy Efficient Products Program

The Utilities propose to condense several standalone programs into a larger program entitled Energy Efficient Products ("EEP"), after identifying opportunities for shared marketing and administrative costs during the 2018 – 2020 program cycle; although, the Utilities will continue to report metrics at the sub-program level.[55] The core programs condensed by the electric Utilities to create the new EEP Program include the Residential Lighting, Appliance Rebates, and Appliance Recycling Programs. Additionally, PE proposed to include a cost-effective Consumer Electronics sub-program within its EEP suite that would be implemented via a midstream approach, similar to programs offered by its affiliates in other states.[56]

We approve the EEP Program as proposed by the Utilities, inclusive of the Consumer Electronics sub-program proposed by PE,[57] given the Programs' significant energy savings and participation numbers projected to occur during the 2018 – 2020 program cycle, which range from roughly 25,000 MWh (PE) to over 270,000 MWh (BGE) in projected energy savings and approximately 71,000 (Delmarva) to over 580,000 (BGE) forecasted participants.[58] We do, however, accept several of the

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[55] *Id.* at 15.
[56] *Id.* at 69.
[57] Delmarva also proposed to include in its EEP Program a Schools sub-program; however, we accept Staff's recommendation to move the Schools sub-program into the Home Optimization and Retrofit Program to be consistent with another utility offering. *Id.* at 58. Thus, Delmarva's proposed Schools sub-program is not approved as a component of the EEP Program, but rather is addressed later in this Order.
[58] *Id.* at 57.

stakeholders' recommendations pertaining to the implementation of the new EEP Program, as detailed below.[59]

With respect to the Lighting sub-program, we accept Staff's recommendation that it will closely monitor the roll-out by Delmarva, Pepco, PE, and SMECO of the ceiling fans and occupancy sensor offerings, and work with BGE in future semi-annual filings to incorporate these measures as appropriate.[60] We also accept Staff's recommendation that the Utilities file a joint report one year after implementing the midstream incentive approach for the Appliance Rebates sub-program to better inform the Commission as to the progress and results of the new model.[61]

Further, as noted by OPC, the new midstream program delivery approach facilitated by the Energy Star Retail Products Platform ("RPP") represents a significant departure from traditional downstream or point-of-sale customer discounts, and thus warrants new marketing techniques for these promotions.[62] We concur and thus direct the EmPOWER Marketing Work Group led by Staff, to convene on this topic, so that midstream incentive approaches deployed throughout the EmPOWER portfolios are properly framed in a manner that permits end-use customers to still attribute the realized savings to EmPOWER Maryland.[63] A report detailing the proposed marketing strategies

[59] We find it unnecessary to adopt Staff's recommendation regarding limitations on budget reallocations across the sub-programs (Staff Comments at 16), because we have extended already in this Order the ability of the Utilities to shift monies between programs (or sub-programs) within the Residential sub-portfolio up to 15% of the amount filed in the approved ES Tables – exclusive of the residential behavioral programs.
[60] *Id.* at 62.
[61] Staff Comments at 66. The report, which the Utilities are directed to file no later than April 10, 2019, should also discuss whether the Utilities' measure offerings should be standardized and expanded, per OPC's recommendation, to include all measure types supported by the Energy Star Retail Products Platform. OPC Comments at 34.
[62] OPC Comments at 34-35.
[63] The Work Group should consider, at a minimum, the inclusion of focused EmPOWER messaging in the training materials used for new and returning contractors.

to be deployed in conjunction with the implementation of midstream incentive models across the EmPOWER portfolios should be filed by Staff on behalf of the Work Group no later than April 25, 2018.

Lastly, with respect to the Appliance Recycling sub-program, we commend the innovative approach to program accessibility proposed by BGE, Delmarva, and Pepco, in which the companies will extend the opportunity for customers to schedule a Quick Home Energy Check-up ("QHEC") at the same time as the customer's scheduled appliance recycling window.[64] These developments follow the Utilities' recent implementation of in-store scheduling of appliance pick-up during the time of new product purchase, which we concur with OPC is a positive step that should be expanded during the upcoming program cycle.[65] As noted by Staff, efforts to increase accessibility and thus participation in both programs is a laudable and desirable goal, particularly given that the historically under-performing Appliance Recycling Program (in terms of participation) is one of the more cost-effective offerings.[66] Thus, we strongly encourage PE and SMECO to consider adopting similar approaches, and for all of the Utilities to consider an expansion of the cross-marketing opportunities to any other applicable programs within the Residential sub-portfolio. Information and lessons-learned regarding potential crossover and spillover participation rates associated with the implementation of this approach during the first six months of the new program cycle should be detailed by the affected Utilities in their respective semi-annual reports filed on or about July 31, 2018.

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[64] Staff Comments at 66.
[65] OPC Comments at 41.
[66] *Id.*

Residential Home Optimization and Retrofit Program

For the 2018 – 2020 program cycle, the Utilities propose to condense the core program offerings of HVAC, QHEC, and Home Performance with Energy Star ("HPwES") under a single umbrella entitled the Home Optimization and Retrofit ("HOR") Program. Depending on the utility, the HOR suite also reflects new or modified sub-program offerings, including: Schools (Delmarva and PE); EE Kits (SMECO[67] and PE); and Thermostat Optimization (all). We commend the Utilities for their attempts to streamline program implementation and reduce administrative costs through the proposed consolidation, and further applaud the incorporation of additional offerings that may extend the reach of EmPOWER into previously-underserved markets.

As noted by Staff, when compared to the sum for the projections of the current sub-programs, the Utilities' HOR Program forecasts are expected to outperform their 2015 – 2017 program cycle counterparts in most metrics.[68] Therefore, we approve the HOR Programs as proposed by the Utilities,[69] given the Programs' significant energy savings and participation numbers projected to accrue during the 2018 – 2020 program cycle.[70] Our approval of the HOR Programs is subject to certain guidance adapted from stakeholder comments received during the course of these proceedings, as detailed below.

*First*, in approving the Schools Sub-program proposed by both Delmarva and PE, we are cognizant of the significant variations between the two companies' forecasts for

[67] SMECO proposed to include the EE kits as a component of its EEP Program. *See* SMECO Supplemental Proposal at 9. Although we approve the deployment of EE kits, we direct the Cooperative to report the EE kits as a sub-program of the HOR Program to preserve consistency in reporting and evaluation with respect to similar programs offered by other Utilities.
[68] Staff Comments at 71.
[69] This approval includes authorization of the Schools sub-programs proposed by Delmarva and PE; the EE Kits sub-programs proposed by SMECO and PE; the new Home Energy Improvement sub-program proposed by SMECO, and the Thermostat Optimization sub-programs proposed by all Utilities.
[70] Staff Comments at 72.

energy savings per participant and cost-to-achieve.[71] We direct Staff to closely monitor these metrics during the implementation of the Schools sub-program in the 2018 – 2020 program cycle. To the extent that the reported results continue to yield such disparate values between the Delmarva and PE sub-programs, Staff is directed to identify the source of the disparities and report to us at a subsequent semi-annual hearing regarding any recommended course corrections, as appropriate.[72]

*Second*, regarding our approval of the EE kits proposed by SMECO and PE, we note the potential overlap the sub-program could generate with other EmPOWER offerings, particularly with our approval of PE's Schools sub-program. Thus, we agree with Staff's recommendation that PE should adopt specific measures to ensure that there is no unwarranted duplication of EE kits directed to one residence as a result of the measure being deployed through multiple HOR sub-programs.[73] PE should describe its chosen protocol designed to prevent duplication between the Schools and EE Kits sub-programs in its forthcoming semi-annual report.

*Third*, with respect to the Utilities' Thermostat Optimization sub-programs, we adopt the three recommendations offered by Staff as a condition of our approval.[74] Thus, PE is directed to report the Thermostat Optimization sub-program metrics separately from its HVAC sub-program results so as to facilitate better statewide comparison of data moving forward. Further, each Utility offering smart thermostats through multiple programs is directed to describe the interaction of the measures with the Utility's demand

[71] *Id.* at 93.
[72] This request remains a standing directive to Staff for the duration of the 2018 – 2020 program cycle, meaning that the requested information should be provided as part of the semi-annual report comments covering the time period in which the issue emerged – to the extent that disparate values are indeed reported.
[73] *Id.* at 94.
[74] *Id.* at 92.

response portfolio as part of the forthcoming January 31, 2018 semi-annual reports. Additionally, we convene a Thermostat Optimization Work Group, led by Staff, to determine how to coordinate smart thermostats across the energy efficiency and demand response programs statewide. There are multiple programs under which smart thermostats are being incentivized and the Work Group is tasked with ensuring that the smart thermostats work well among the different programs and are not duplicative for customers who receive services from multiple Program Administrators. Staff, on behalf of the Thermostat Optimization Work Group, is directed to include updates on this topic on a rolling basis in its semi-annual report comments throughout the 2018 – 2020 program cycle.

*Lastly,* we commend the continued innovation and engagement of all stakeholders with respect to the evolution of the QHEC and HPwES programs, and encourage the maintenance of an active Residential Retrofit Work Group during the 2018 – 2020 program cycle consistent with OPC's recommendation.[75] While feedback received thus far regarding the mid-2017 transition to a performance-based incentive structure in the HPwES sub-program was generally positive, we received numerous requests to suspend the 400 kWh minimum electricity savings threshold used to qualify eligible participants in the new structure.[76] We find this request persuasive given the unintended consequences highlighted by Civic Works with respect to the reduction in equitable

[75] OPC Comments at 47. We remind parties that "[i]f the work group is convened pursuant to a Commission directive, the party responsible for filing the resulting report will be identified in the corresponding order; *otherwise, any stakeholder is welcome to lead work group discussions in the absence of a specific directive*." (emphasis added). Order No. 88402 (Sept. 26, 2017) at 10.
[76] *See, e.g.* Civic Works Comments at 3-4; MDBPA Comments at 1.

access to HPwES program opportunities,[77] and thus suspend the minimum electricity savings threshold requirement pending further Commission review and action. Specifically, we will review the savings threshold requirement, and any recommended replacement thereto, at our fall 2018 semi-annual hearings in the context of the progress report recommended by Staff, which the Utilities are directed to file no later than August 17, 2018. The Utilities' progress report should detail the first full year of implementing the performance-based incentive structure for the HPwES sub-program, how the transition went, and the metrics associated with the new incentive structure in comparison to the old incentive structure of $2,500 cap and 50% of program costs.[78]

Stakeholders remained similarly engaged with respect to recommendations for the mature QHEC sub-programs. Staff suggests that the Utilities strive to reach a penetration rate of at least 33% of households in their respective service territories, in line with the projections made by Pepco for the 2018 – 2020 program cycle,[79] and OPC suggests that the sub-program should be targeted to renters in both small multifamily buildings and single family homes.[80] We find merit in both suggestions; although, we stop short of mandating such actions so as not to stifle any further innovation in this space, such as the approach proposed by SMECO and approved by us herein. As the core EmPOWER programs continue to mature and saturate the market, we encourage both innovation in new program offerings, as well as creative approaches to implementing existing offerings in an effort to reach previously underserved markets. SMECO's proposed consolidation of its HPwES and QHEC sub-programs into a streamlined Home Energy Improvement

[77] *Id.*
[78] Staff Comments at 82.
[79] Staff Comments at 76-77.
[80] OPC Comments at 46.

Program ("HEIP") proposes to accomplish just that by addressing the long-held concern that QHEC has not been as effective in generating other program leads as once thought possible.[81] We direct our Staff and the other Utilities to closely monitor the implementation of SMECO's HEIP, and to consider whether a similar approach should be adopted in the other service territories.[82]

Residential New Construction Program

The Residential New Construction Program flourished during the 2015 – 2017 program cycle following implementation of a revised incentive structure based on housing type. All of the Utilities are projected to exceed their energy savings forecasts for the 2015 – 2017 program cycle with fewer homes than forecast, meaning that the Utilities are achieving higher energy savings per home than projected.[83] Due to this demonstrated success, we approve the continuation of the Residential New Construction Program through the 2018 – 2020 program cycle for all Utilities. We also approve the inclusion of the New Home Concierge Service proposed by BGE, Delmarva, and Pepco, subject to the limitation that the service target new Energy Star homes only. BGE, Delmarva, and Pepco are directed to file a joint progress report no later than April 10, 2019 regarding implementation of the New Energy Star Home Concierge Service so that stakeholders and the Commission can evaluate whether the service should be extended into the other service territories.

[81] *Id.*
[82] This question should be addressed, at least initially, as part of the Utilities' August 17, 2018 progress report pertaining to the implementation of the performance-based incentive structure for the HPwES sub-program. Information regarding budget and participation impacts that would result from the elimination of the $100 HPwES audit fee should be presented.
[83] Staff Comments at 95.

Residential Behavior-based Program

Through the Behavior-Based Program, residential customers are encouraged to make and sustain behavioral changes that yield demonstrable energy savings. And, although there is a control group for each utility that receives no treatment in order to measure and verify the savings, the behavioral programs represent a widely accessible opportunity for customers to engage in an EmPOWER energy efficiency program on a regular basis.[84] While we generally support the continuation of these cost-effective program offerings into the next program cycle, we note that there is a related report, as indicated below, due for our consideration in April, 2018 that is slotted to address some of our outstanding concerns.

Given that behavior-based programs have grown to become one of the largest contributors of annual energy savings to the Utilities' Residential sub-portfolios, we find that it is appropriate to resolve our previously-identified areas of concern prior to authorizing the full deployment of the Residential Behavior-Based Programs for the duration of the 2018 – 2020 program cycle. Thus, while we approve the Utilities' requested continuation of the Residential Behavior-Based Program into the 2018 full programmatic year, as proposed, we hold in abeyance our consideration of the 2019 – 2020 programmatic year budgets until such time that we have issued an order pertaining to the spring 2018 semi-annual hearings (during which time we will have had the opportunity to review the Behavioral Work Group's April 10, 2018 report required by Order No. 88402). It is our expectation that the Behavioral Work Group's forthcoming

[84] *Id.* at 99.

report will address at length the questions posed for consideration in Order No. 88402,[85] and as such will strive to present creative options for our consideration relating to alternative cost recovery models for behavioral programs.[86]

Residential Family Farms Program

Delmarva proposes to include a new program offering in its 2018 – 2020 program cycle Residential sub-portfolio, targeted to family farms in its service territory that are on residential tariffs.[87] We are pleased with the initiative demonstrated by Delmarva with respect to identifying and proposing a solution to this issue of inequitable access to EmPOWER funding opportunities, and thus approve the Residential Family Farms Program for the 2018 – 2020 program cycle. We look forward to similar proposals, as appropriate, from the other Utilities.[88] Further, we encourage Delmarva to consult with the Administration regarding any lessons-learned by MEA during the implementation of the Mathias Agricultural Program so as to maximize the results and effectively target the Residential Family Farms Program.[89]

Residential Dynamic Pricing Program

The voluntary Dynamic Pricing Programs implemented by BGE, Delmarva, and Pepco are expected to yield significant demand and energy savings during the 2018 – 2020 program cycle, and represent a widely accessible opportunity for ratepayers of the

[85] *See* Order No. 88402 (Sept. 26, 2017) at 4-5.
[86] Such options range from amortization schedules linked to the persistence of associated energy savings, to the transitioning of behavioral program-related online portal costs into future base rate proceedings.
[87] Staff Comments at 102.
[88] We note that "SMECO continues to research a farm program, but does not have a complete program offering [at the time of its November 14, 2017 filing]. SMECO will update the Commission through future filings." SMECO Supplemental Proposal at 4.
[89] MEA Comments at 9.

companies to participate in a smart grid-enabled EmPOWER program.[90] We approve the continuation of the Residential Dynamic Pricing Programs, and further direct SMECO to investigate the adoption of a comparable program in its service territory before the conclusion of this program cycle, given the imminent completion of the Cooperative's advanced metering infrastructure deployment. SMECO is directed to provide no later than April 10, 2018 an initial feasibility assessment of deploying a dynamic pricing program in its service territory.

## III. *C&I Electric Utility Energy Efficiency and Conservation Programs*

C&I Small Business Program

We approve without modification the Small Business Programs proposed by the Utilities, which are projected to yield substantive energy savings and cost-effective results across the board during the 2018 – 2020 program cycle.[91] We commend Delmarva for its proposed adoption of the on-bill financing component – the Small Business Energy Advance ("SBEA") – which has proven to drive deeper energy savings per project during the course of its implementation in the BGE and Pepco service territories.[92] The availability of no-cost financing for energy efficiency upgrades at small businesses should be a priority statewide, given its tendency to drive deeper energy savings per project as well as the resulting ability for the Utilities to decrease the up-front monetary incentives without jeopardizing participation goals. Thus, we strongly urge PE and SMECO to consider adopting the SBEA model as part of their respective Small

[90] Staff Comments at 104.
[91] *Id.* at 106 - 107.
[92] *Id.*

Business Programs before the conclusion of the 2018 – 2020 program cycle, and look forward to a discussion of this request during the spring 2018 semi-annual hearings.

C&I Efficient Buildings Program

The Efficient Buildings Program constitutes the third administrative consolidation opportunity recognized by the Utilities in the 2018 – 2020 program cycle proposals, and is to be comprised of three core sub-programs: Prescriptive, Custom, and Retro-commissioning. The Efficient Buildings Programs are projected to achieve significant energy savings and garner healthy participation numbers statewide during the 2018 – 2020 program cycle, with projected cost-to-achieve values decreasing between 3% and 71% across the Utilities when compared to the 2015 – 2017 program cycle results.[93] Thus, we approve without modification the Efficient Buildings Programs proposed by the Utilities for the 2018 – 2020 program cycle.

C&I Combined Heat and Power Program

The Combined Heat and Power ("CHP") Program has operated as a standalone offering in the BGE, Delmarva, and Pepco service territories since 2012, while PE and SMECO have historically chosen to incent CHP projects through rebates in the C&I Custom Program. Transitioning into the 2018 – 2020 program cycle, SMECO proposes to mirror the standalone program approach utilized by the majority of the Utilities; however, the Cooperative did not include cost-effectiveness projections or detailed programmatic budgets (beyond the customer incentive category) in its Proposal.[94] The four Utilities requesting to implement the standalone CHP Program during the upcoming

[93] *Id.* at 109.

[94] SMECO Supplemental Proposal at Table ES-4. Instead, SMECO proposed to continuing accounting for non-customer incentive costs associated with its CHP Program under the C&I Custom sub-program. Staff Comments at 120 – 121.

program cycle jointly propose slight modifications to the existing incentive structure, so that the installation incentive is offered in two tranches: for the first megawatt of capacity, a CHP project will receive $1,200 / kW; and for any capacity in excess of 1 MW, the project will receive $900 / kWh.[95] No changes are proposed to the existing production incentive or project incentive cap amounts; although, the Utilities explicitly note their intent to limit a participant to receiving incentives for one CHP project every 5 years.[96]

We are encouraged by the progress-to-date in this Program demonstrated by BGE, Delmarva, and Pepco, and are pleased with the Cooperative's decision to follow suit and pursue a standalone program. We look forward to the roll-out of SMECO's CHP Program, and direct the Cooperative, along with the other Utilities, to work closely with MEA to develop CHP project leads and maximize non-ratepayer funding streams during the 2018 – 2020 program cycle. We also direct SMECO to file cost-effectiveness projections for the 2018 – 2020 program cycle as part of its January 31, 2018 semi-annual report, and to work in conjunction with our Staff and MEA to identify appropriate marketing channels, such as local and regional hospitals, to pursue during the roll-out of its standalone CHP Program. Although we approve the revised CHP Program incentive structure as it pertains to the installation incentive tranches, we are persuaded to some extent by the comments of several intervenors who noted that the proposed 5-year eligibility criterion is overly restrictive and interferes with the realization of otherwise cost-effective projects.[97] Thus, we modify the eligibility criterion to instead limit a

[95] Staff Comments at 121.
[96] *Id.*
[97] MedImmune/Astra Zeneca Comments at 1-3.

participant to receiving incentives for one CHP project (per service territory) once per program cycle.[98] Lastly, we recognize the important role MEA plays in developing and financing CHP projects throughout the State and we encourage the agency to dedicate more funding to its CHP grant program, if possible.

C&I Midstream Products Program

BGE and SMECO first offered the Midstream Products Program, limited to lighting measures, during the 2015 – 2017 program cycle. Along with Delmarva and Pepco, the four Utilities propose to implement the Midstream Products Program during the 2018 – 2020 program cycle, and plan to offer an expanded list of measures beyond lighting.[99] Subject to the marketing guidance associated with midstream incentive delivery approaches articulated earlier in this Order, we approve without modification the Utilities' proposal to offer the Midstream Products Program during the 2018 – 2020 program cycle.

C&I Energy Efficient Communities Program

Delmarva and Pepco propose to implement a new Energy Efficient Communities Program during the upcoming program cycle, specifically targeting smaller governments such as local, county, and municipal customers. We commend the companies' innovation and progress toward providing equitable access to EmPOWER programs across all market sectors, and thus approve the proposed Energy Efficient Communities Program for the 2018 – 2020 program cycle, subject to the inclusion of high efficiency

[98]Due to the long lead times associated with CHP projects, the incentives may be derived from a program cycle budget pre-dating the cycle during which the project receives the payment. This eligibility criterion is intended to limit a participant to receiving incentives derived from a specific program cycle budget one time, regardless of the year during which the incentive is actually distributed.
[99] Staff Comments at 123.

LED street lighting as an eligible measure. We direct the companies to coordinate with MEA in its Maryland Smart Energy Communities Program to gather lessons-learned and ensure that no duplicative efforts ensue.

## IV. ***Electric Utility Demand Response Programs***

Four of the Utilities – BGE, Delmarva, Pepco, and SMECO – have operated Residential Demand Response ("DR") Programs since the inception of EmPOWER. The Residential DR Program is available to customers with controllable air conditioning load in the summer in each of the four service territories, and to water heater customers in BGE's service territory during the winter.[100] No changes are proposed to the incentive structure; although, the Utilities are exploring options for incorporating third-party smart thermostats as measures in the Program, which has resulted in increased participation projections during the 2018 – 2020 program cycle, particularly in the BGE service territory.[101] We approve, without modification, the Residential DR Programs proposed by BGE, Delmarva, Pepco, and SMECO for the 2018 – 2020 program cycle.

Similarly, the Small Commercial DR Program proposed by Delmarva and Pepco, and the Large Commercial DR Program proposed by SMECO, reflect no changes to the incentive structure utilized during the 2015 – 2017 program cycle. We approve, without modification, the Small Commercial DR Programs proposed by Delmarva and Pepco, and the Large Commercial DR Program proposed by SMECO, for the 2018 – 2020 program cycle.

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[100] *Id.* at 128.
[101] *Id.*

## V. *Other Electric Utility Programs with Savings Attributable to EmPOWER*

The Utilities implement various programs for which the energy efficiency and peak demand reductions are reported as part of EmPOWER, but the costs associated with these measures are not recovered through the EmPOWER surcharge. These energy management tools, the majority of which are existing programs, are approved insofar as we authorize the Utilities to continue reporting the savings attributable to these "other programs" in conjunction with the EmPOWER templates. We do not alter, nor have the Utilities requested changes to, any existing cost recovery mechanisms associated with the "other programs."

We do, however, note the concerns articulated by some stakeholders regarding the evaluation, measurement, and verification ("EM&V") of the energy savings derived from these "other programs."[102] While we do not go so far as to adopt the stakeholder recommendation that the "other programs" be vetted by the third-party EM&V consultant in the same manner as with respect to the EmPOWER-funded programs,[103] we will require more granular reporting of these "other programs" in EmPOWER semi-annual filings moving forward so that the underlying energy savings assumptions are properly recorded and transparent. The onus is on the utility to demonstrate the verification of claimed energy savings associated with the "other programs" as part of the associated cost recovery mechanism; for example, in the context of a base rate proceeding.

## VI. *Program Investigation, Design, and Development Proposals*

Pursuant to Order No. 85323 issued on January 23, 2013, guidelines were established through a work group process that govern the reporting and cost recovery

[102] MD EE Advocates Comments at 32.
[103] *Id.* at 33.

mechanism associated with new program investigation, design, and development ("PIDD").[104] A certain amount of each of the Utilities' 2018 – 2020 program cycle budgets is earmarked in support of PIDD, with similar funding used to explore a variety of concepts during the 2015 – 2017 program cycle, to varying degrees of success.[105] We again affirm our support for innovation and new program development in the EmPOWER portfolio, and thus approve the requested PIDD budgets of each utility; although, we decline to approve certain proposed uses of the funding, as described below, and instead direct the affected Utilities to explore other options for deploying PIDD funds during the 2018 – 2020 program cycle.

Smart Home PIDD Pilot

Although each proposal approaches the concept of a Smart Home Pilot slightly differently, four of the Utilities propose to undertake some form of an offering in which a central device has the capability to control other devices.[106] We concur with Staff that smart home technologies represent an emerging area ripe for exploration by the Utilities,[107] and encourage the participating Utilities to test out as many different home automation technologies during the Pilot as feasible. The Smart Home hub is a concept experiencing rapid innovation with a number of technology-company market participants, and energy management is just one aspect of the suite of control devices that comprise a "smart home." Participating Utilities should design their programs to be neutral platforms that can be easily integrated into the various competing, both current and

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[104] ML#147553: *Forecasting Costs Associated with New Program Investigation, Design, and Development* (May 23, 2013).
[105] Staff Comments at 134.
[106] *Id.* at 135.
[107] *Id.* at 136.

future, smart home hub offerings. This will facilitate the participating Utilities' ability to incorporate "early-adopter" customers with existing home automation hubs into the Pilot, if a customer expresses interest in doing so. The Smart Home Pilots proposed by BGE, Delmava, Pepco, and SMECO are approved for the 2018 – 2020 program cycle.

Fuel Cell PIDD Pilot

We decline to approve use of PIDD funds to support a fuel cell pilot in the Delmarva service territory. The enabling statute restricts use of EmPOWER surcharge funds to supporting programs that promote the efficient use and conservation of energy,[108] and we are not convinced that the fuel cell technology at issue represents anything other than a shifting of demand between two fuel sources. While the fuel cell technology may in and of itself represent an efficient system, we find that the appropriate use of EmPOWER funds is in support of programs or services that support an overall strategy of efficient energy use and/or conservation.

Locational Efficiency Studies PIDD Pilot

We also decline to approve use of PIDD funds to conduct the locational efficiency studies proposed by Delmarva and Pepco. While we support the concept that, depending on the location in which energy efficiency measures are undertaken, there can be different values to the grid and customers because of congestion and pricing variations, we again conclude that EmPOWER surcharge funds are not an appropriate source of funding for these studies. Instead, we encourage all of the Utilities – particularly those with smart grid capabilities – to undertake locational efficiency studies in advance of the

[108] PUA § 7-211.

next EmPOWER program cycle, but to seek cost recovery through an alternative pathway.

Customer Action PIDD Pilot[109]

The Customer Action Pilot ("CAP") is proposed by PE as a mechanism by which the Company could take credit for incremental energy efficiency savings not accounted for in other utility or DHCD-implemented EmPOWER programs. The Company contends that non-participant actions should be recognized as contributing to EmPOWER progress, and PE further posits that the CAP represents an investment in market research that could serve as the basis for a future statewide program or a future potential study.[110]

In short, we concur with the opposition expressed by stakeholders such as the Maryland Energy Efficiency Advocates, who contend that approval of PE's CAP would constitute an expensive ($900,000) use of ratepayer funds for a purpose that is inconsistent with Maryland law.[111] Specifically, the authorizing statute requires "each electric company to *procure or provide* for its electricity customers cost-effective energy efficiency and conservation programs and services with *projected and verifiable* electricity savings"[112] (*emphasis added*) – an obligation that we find the CAP cannot legally satisfy on several levels. Non-participant savings cannot by their very definition be attributed to a utility-procured or provided EmPOWER program, and also cannot be projected or appropriately verified given the lack of an identifiable control group.

[109] Commissioner Michael T. Richard dissents in part from the Commission's decision with respect to the Customer Action PIDD Pilot.
[110] ML#217779: *Potomac Edison – CAP Pilot Comments* (Nov. 14, 2017) at 2.
[111] MD EE Advocates Comments at 39.
[112] PUA § 7-211(g)(2).

Further, while we acknowledge that such research *could* inform a future potential study, this does not translate into our approval of PIDD (or other EmPOWER) funding for such an endeavor. Similar to our denial of the proposed Locational Efficiency studies, we find that while there may be value in such research, the funding is more appropriately derived from another source – such as monies made available to MEA through the Strategic Energy Investment Fund ("SEIF"), for example. Indeed, we encourage MEA and other stakeholders to pursue a refreshed baseline and potential study during the next several years given that SB 184 / HB 514 tasked the Commission with determining by July 1, 2022 the advisability of maintaining the current energy savings methodology and trajectory.[113] To the extent that energy efficiency savings are occurring outside the context of a specific EmPOWER program, this will affect the potential for realization of future energy efficiency opportunities in the State and thus is relevant to the determination of our 2024 and beyond savings trajectory. Moreover, to the extent that such energy efficiency savings are occurring outside of the EmPOWER portfolios currently, this is accounted for in the reduced gross retail sales baselines by which the Utilities' evaluated savings goals are determined.

## VII. *Natural Gas Utility Energy Efficiency and Conservation Programs*

<u>Residential Natural Gas Energy Efficiency Programs</u>

WGL is proposing to further develop its Residential sub-portfolio offerings during the 2018 – 2020 program cycle through the expansion of two existing programs (Residential Prescriptive and Residential Behavioral Conservation) and the addition of three new programs (Residential New Construction, Residential Coordinated, and

[113] 2017 Md. Laws, Ch. 14 § 3.

Limited Income). If approved, the suite of Residential programs would yield over 5.7 million annual therm savings.[114]

We approve without modification the Company's proposed Residential New Construction and Limited Income Programs for the 2018 – 2020 program cycle. We also approve WGL's proposed Residential Prescriptive Program, albeit subject to the recommendation by Staff that we deny, without prejudice, the inclusion of the duct sealing and smart thermostat measures as potentially duplicative of electric companies' offerings.[115] As noted by Staff, the Company should participate in the Thermostat Optimization Work Group established by this Order prior to any future attempts to include smart thermostats as an eligible measure under its Residential Prescriptive Program.[116]

We do not, however, approve the proposed expansion of the Residential Behavioral Conservation Program in light of the decisions made herein with respect to the comparable behavioral programs offered by the electric Utilities. Instead, while we authorize WGL to proceed with the Residential Behavioral Conservation Program at the same participation level targeted during the 2015 – 2017 program cycle (*i.e.* roughly half of the proposed 2018 – 2020 program cycle participation target),[117] we hold in abeyance the Company's proposed program expansion request until such time that we have issued an order pertaining to the spring 2018 semi-annual hearings (during which time we will

[114] Staff Comments at 144 – 146.
[115] *Id.* at 149.
[116] *Id.*
[117] Staff Comments at 152.

have had the opportunity to review the Behavioral Work Group's April 10, 2018 report required by Order No. 88402).[118]

Additionally, we decline to approve at this time the proposed Residential Coordinated Program given the apparent under-development of the implementation plan and absence of valid metrics.[119] We note our endorsement, however, of the underlying model in which the natural gas company serves as a "supporting utility" and purchases from the electric companies the natural gas therm savings derived from existing and expanded energy efficiency programs.[120] Thus, we adopt the procedural schedule outlined in Staff's comments with respect to the development and implementation of the Residential Coordinated Program, as follows:

- March 1, 2018: WGL shall draft a memorandum of understanding ("MOU") to be entered into with the appropriate electric utilities. WGL and the applicable electric utilities will be given three months to execute the memorandum.
- June 1, 2018: WGL shall execute the MOU.
- June 15, 2018: WGL shall coordinate with the Natural Gas and Electric Coordination Work Group to determine measures and programs that will fall under the larger Coordinated program.
- July 31, 2018: WGL files the finalized plans and updated ES Tables as part of its semi-annual report for the Commission's consideration at the fall 2018 hearings, for 2019 implementation.

[118] Thus, WGL is directed to actively participate in the Behavioral Work Group's activities leading up to the April 10, 2018 report, since we will be revisiting cost recovery mechanisms for the natural gas behavioral program as well during our review of the report.
[119] Staff Comments at 154.
[120] *Id.* at 152.

C&I Natural Gas Energy Efficiency Programs

WGL is also proposing to further develop its C&I sub-portfolio offerings during the 2018 – 2020 program cycle through the expansion of one existing program (C&I Prescriptive) and the addition of three new programs (C&I Custom, C&I New Construction, and C&I Coordinated). If approved, the suite of C&I programs would yield over 1.3 million annual therm savings.[121] We approve without modification the Company's proposed C&I Prescriptive, C&I New Construction, and C&I Custom programs; although, we concur with Staff that the participation forecast for WGL's C&I Custom Program should be updated and re-filed in conjunction with its January 31, 2018 semi-annual report.[122] We do not, however, approve the Company's proposed C&I Coordinated Program, finding that the proposal suffers from the same defects identified in its counterpart residential offering. Thus, we direct WGL to abide by the same procedural schedule outlined above and detailed in Staff's comments with respect to the development and implementation of the C&I Coordinated Program.[123]

## VIII. *Limited-Income Energy Efficiency Sub-Portfolio*

For the 2018 – 2020 program cycle, the Department requests Commission approval to continue its Limited-Income Energy Efficiency Program ("LIEEP") for single family units and its Multifamily Energy Efficiency and Housing Affordability ("MEEHA") Program for multifamily housing, with modifications from the previous program cycle. In addition to the LIEEP and MEEHA programs, DHCD is also seeking

[121] *Id.* at 144 – 146.
[122] *Id.* at 160.
[123] *Id.* at 163.

approval to offer a Maryland Energy Efficiency Tune-up ("MEET") Program during the 2019 and 2020 program years.

While we acknowledge at the outset our Staff's recommendation to transition the Limited-Income Energy Efficiency sub-portfolio to the Utilities or a third-party implementer,[124] we decline to do so, primarily on the basis of the demonstrable progress and improved accountability displayed by the Department during the most recent semi-annual hearings. We are confident in our Staff's ability to provide the necessary guidance in support of DHCD's continued growth as an energy efficiency program implementer, and state definitively our expectation that the same improvement trajectory recently demonstrated by the Department will continue into the 2018 – 2020 program cycle, particularly with respect to the timely and accurate completion of DHCD's reporting obligations.

Limited-Income Energy Efficiency Program

The Department proposed several modifications to the existing LIEEP structure to take effect during the 2018 – 2020 program cycle, many of which we authorize DHCD to pursue, including its proposals related to: integrated marketing, enhanced customer intake, automated lead management process, expanded leveraging of funds, and revised program documents and guidance.[125] We also authorize DHCD to modify the LIEEP measure price list in an effort to realign the measures with the scope of the work and market prices, and to categorize measures according to new Building Performance Index regulations; although, any *future* revisions to the LIEEP measure price list submitted as part of the Department's 2018 – 2020 program cycle proposal must be vetted by the

[124] Staff Comments at 180.
[125] *Id.* at 167 – 170.

Limited-Income Work Group and receive advance Commission approval prior to implementation. Further, we approve DHCD's proposed introduction of a tiered LIEEP job classification system, inclusive of the removal of the deferred job measure caps.

The Department proposed several modifications to LIEEP that we do not approve, however, including the transition from a savings-to-investment ("SIR") ratio requirement of 1.1 per job, to instead require a SIR of 1.1 as an average ratio across the entire Program. We concur with Staff that maintaining the requirement of a 1.1 SIR *per job* is an important safeguard of the ratepayers' investment, especially given that the Limited-Income Sub-portfolio as a whole does not have a mandatory cost-effectiveness requirement.[126] We also agree with Staff that it would be inappropriate to waive the SIR requirements, or the minimum age or efficiency of existing equipment requirements, as part of the Department's laudable attempts to provide accelerated assistance to critical medical needs applicants.[127] Thus, while DHCD may strive to fast track critical medical needs applicants, it must do so within the appropriate accountability framework approved for LIEEP. We direct DHCD to separately track and report on LIEEP spending that is "fast-tracked" to critical medical needs applicants as part of its quarterly and semi-annual EmPOWER reports.

Lastly, we deny the Department's requested authority to reallocate monies between the LIEEP and MEEHA Programs, and similarly we deny the requested authority to shift previously-approved LIEEP or MEEHA Program funds between service territories. As noted by Staff, the LIEEP and MEEHA Programs target different market segments and would present real challenges in the invoicing and reconciliation

[126] *Id.* at 174 – 175.
[127] *Id.* at 170.

administrative processes due to the vastly different construction timelines associated with the two Programs.[128] Further, since some of the MEEHA Program funds are collected from non-residential tariffs, a reallocation of monies from MEEHA to LIEEP could yield inter-class cross subsidies. . Instead, we direct DHCD to abide by the budget adjustment protocol first outlined in Order No. 85775 in the event that it becomes necessary to make such a request during the 2018 – 2020 program cycle.[129]

Maryland Energy Efficiency Tune-up

DHCD proposes the introduction of a tune-up program under LIEEP. The Maryland Energy Efficiency Tune-up ("MEET") Pilot is being presented as a two-year initiative to begin January 1, 2019 and end on December 31, 2020. In recognition of Staff's concerns that the MEET Pilot may hinder greater participation in whole house weatherization services, as well as concerns about the realization of the projected energy savings associated with the Pilot, we limit our approval to a targeted deployment in Baltimore City.[130] The Department is encouraged to investigate lessons learned and opportunities for engagement of the City as a program implementer, based on the City's experience with a comparable program funded by the Customer Investment Fund in 2014. Following completion of the MEET Pilot, the Department is directed to submit an EM&V assessment conducted by an independent third-party evaluator no later than July 31, 2020.

[128] *Id.* at 167.
[129] Order No. 85775 at 5-6.
[130] Staff Comments at 175.

Multifamily Energy Efficiency and Housing Affordability Program

The Department proposed several modifications to the existing MEEHA Program structure to take effect during the 2018 – 2020 program cycle. We authorize DHCD to pursue its proposed modifications related to the introduction of a standardized price list and the provision of training to contractors working on MEEHA Projects, subject to the recommendations outlined in Staff's comments.[131] We also authorize the Department's proposal to fund the cost of energy audits upfront for retrofit projects as an innovative approach to increase its application-to-job percentages. As a condition of our approval, we direct DHCD to file an assessment in conjunction with its January 31, 2019 semi-annual report detailing the first 12 months of data on the application-to-job conversion rates attributable to this program modification.

We do not, however, approve DHCD's remaining two proposed modifications to its MEEHA Program implementation structure. We deny, without prejudice, the Department's request to include master-metered properties as eligible units in the MEEHA Program, at least until such time that the data requested by Staff to conduct a complete analysis is provided in full.[132] The Department's request to reduce the current SIR of 1.1 on all projects to 0.9 on retrofit projects is similarly denied. With respect to both of the rejected program modifications, we concur with Staff that the proposals, at least in their current state, interfere with the careful consideration of the use of EmPOWER funds on MEEHA projects that is necessary to ensure that such monies are deployed in the most prudent and cost-effective manner possible.[133]

[131] *Id.* at 183 – 184.
[132] *Id.* at 183.
[133] *Id.* at 184.

Cost Recovery Work Group

As noted by Staff, there has been some debate as to how to properly facilitate the recovery of monies used to fund the EmPOWER Maryland programs. Currently, we utilize a five-year amortization structure to recover the costs of energy efficiency programs, which also includes a return component, revenue requirement offsets from outside sources like PJM, and a true-up of the previous year's surcharge collections.[134] One related issue that has not yet been explored is the question of whether the cost recovery model for the limited-income programs is appropriate, given that the Utilities do not implement the limited-income sub-portfolio. Specifically, at least one stakeholder has posed the question as to whether the Utilities should earn a return on investments in the limited-income sub-portfolio, since the Utilities are merely acting as a pass-through agent on behalf of the Department in this instance.[135] Therefore, we direct the Limited-Income Work Group to convene on this topic for the purpose of discussing appropriate cost recovery mechanisms and models for the funding associated with the limited-income sub-portfolio. Staff, on behalf of the Limited Income Work Group, is directed to file a report detailing an assessment of the current limited-income sub-portfolio cost recovery model and any recommendations for adjustments thereto no later than December 1, 2018.

## IX. *Other EmPOWER Matters*

Baltimore City Proposals

We received two proposals for the 2018 – 2020 program cycle filed by the Mayor and City Council of Baltimore; one from the Office of Sustainable Energy ("OSE"), and one from the City of Baltimore Department of Housing and Community Development –

[134] *Id.* at Appendix A.
[135] October 27, 2017 Tr. at 575.

Division of Green, Healthy and Sustainable Homes ("DHCD – GHSH"). The City's OSE proposal constituted a $6 million request to fund the Community Energy Savers Grants and Loans programs, while the City's DHCD – GHSH proposal represented a $12.045 million request to fund several Baltimore Energy Challenge programs, including: Community Engagement, Energy Assistance, Energy Efficiency, and Weatherization programs.[136] Both the OSE and DHCD – GHSH proposals are comprised of programs that we awarded significant monies to through the Customer Investment Fund ("CIF") started in 2014 as a condition of the Exelon / Constellation merger.[137] Thus, we clearly saw merit in the City's proposed programs as a prerequisite to making the CIF award, just as we continue to see immense value in the innovative implementation approaches relied on by the City to ensure that energy efficiency offerings reach the most vulnerable of its residents.

We must concur, however, with Staff,[138] OPC,[139] and others who expressed reservations regarding the approval of EmPOWER funds to support the continuation of the City's energy efficiency programs. While it is possible that some of these reservations – such as questions surrounding the duplicative nature of certain measures or services – could be alleviated through additional review time,[140] it is equally possible that no workable solution to the surcharge equity issues raised during our semi-annual hearings would emerge in a timely manner. Therefore, we deny the City's OSE and DHCD – GHSH proposals as filed; although, we encourage BGE, the Department, Staff,

[136] Staff Comments at 187, 189.
[137] Order Nos. 85187, 87306, and 87991.
[138] Staff Comments at 187 – 191.
[139] OPC Comments at 4 – 5.
[140] Staff Comments at 190.

OPC, and other interested parties to convene a work group with the applicable Baltimore City agencies to discuss whether aspects of the City's proposals could be folded into approved utility and DHCD offerings during the 2018 – 2020 program cycle. Conversations regarding the integration of best practices from the Baltimore City programs should continue at the work group level as the 2018 – 2020 program cycle gets underway, with every effort made to qualify the City as an implementation contractor for approved utility and DHCD programs in the near-term.

EmPOWER Marketing Work Group

In Order No. 87575, we directed Staff to convene the EmPOWER Marketing Work Group for purposes of assessing opportunities to enhance the transparency of EmPOWER billing, benefits reporting, and marketing activities. Over the past 18 months, the Work Group has proposed and evaluated new messaging to be incorporated into customer bills, as well as comparable messaging to be included in six other mediums no later than the first billing cycle of the second quarter of 2018.[141] The driving principle behind these initiatives is that we find it imperative to convey to our ratepayers the connection between the program's surcharge funding source, the program's potential, and information on how to participate in the EmPOWER program offerings.[142]

In this same vein, we now task the Work Group with turning to issues of co-branding; the need to refresh the EmPOWER Maryland logo should be at the forefront of such activities. While we support the Utilities taking ownership over their EmPOWER programs and creating professional marketing strategies that have proven effective, we agree with stakeholders such as MEA that the EmPOWER Maryland logo should be

[141] Order No. 88402 (Sept. 26, 2017) at 9.
[142] *Id.*

prominently featured in the Utilities' marketing materials;[143] a *co*-branding approach should be pursued in a manner that generates support of the statewide EmPOWER energy efficiency initiatives. Thus, Staff, on behalf of the Marketing Work Group, and in consultation with interested parties, is directed to develop co-branding guidelines and standards, as well as a recommendation for the new EmPOWER Maryland logo, for our imminent consideration and inclusion in all marketing materials beginning with the third quarter of 2018. The Work Group's report may be heard at an Administrative Meeting in the near-term, but should be filed for our consideration no later than April 3, 2018.

**IT IS THEREFORE,** this 22nd day of December, in the year Two Thousand and Seventeen, by the Public Service Commission of Maryland,

**ORDERED:**

(1) That Staff is directed to file no later than April 18, 2018 a report detailing any cost-to-achieve outliers identified by Staff in the approved 2018 – 2020 program cycle proposals of BGE, Delmarva, Pepco, PE, SMECO, and WGL;

(2) That Staff is authorized to approve a utility request to adjust customer incentive levels up to a maximum of plus or minus 15% for a program in the Residential or C&I sub-portfolio, subject to the conditions outlined herein;

(3) That the Utilities are authorized to utilize an "up to $X" incentive structure for programs in the Residential or C&I sub-portfolio, subject to the conditions outlined herein;

[143] October 30, 2017 Tr. at 808 – 810 (Chairman Hughes / Dr. Tung).

(4) That the Utilities are authorized to reallocate previously-approved funds between programs within the same sub-portfolio, subject to the conditions outlined herein – namely that in the Residential sub-portfolio context, such reallocations are limited to 15% of the amounts delineated in the approved ES Tables and are precluded with respect to the Residential Behavioral Programs;

(5) That PE's request to unilaterally adjust the tier level and incentive amounts applicable to its Appliance Rebates, Residential New Construction, and HVAC Programs is denied;

(6) That SMECO's request to decrease small business incentives to 50% for new and advanced measures is denied;

(7) That BGE's request to pursue budget increases for its CHP Program during future Administrative Meetings is denied, subject to the previously-articulated exception defined in Order No. 85775;

(8) That the Utilities are authorized to pay construction incentives through December 31, 2022 and production incentives through December 31, 2024 for CHP projects that are pre-approved by December 31, 2020 using funds from the Commission-approved incentive budget corresponding to the program cycle during which the CHP project application was pre-approved, subject to the energy savings attribution guidance articulated in Order No. 87285;

(9) That the Utilities are directed to pay Commission-approved incentives for all non-CHP C&I project applications pre-approved by the Utilities before December 31, 2020 and completed no later than June 30, 2021 using funds from the Commission-

approved incentive budget corresponding to the program cycle during which the non-CHP C&I project application was pre-approved;

(10) That the Residential Energy Efficient Products Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(11) That the Utilities are directed to file a report no later than April 10, 2019 detailing the progress and results of the new midstream incentive approach to the Residential Appliance Rebates and Residential HVAC sub-programs;

(12) That Staff, on behalf of the EmPOWER Marketing Work Group, is directed to file a report no later than April 25, 2018 detailing the proposed EmPOWER marketing strategies to be deployed in conjunction with the new midstream incentive approaches approved by this Order;

(13) That the Home Optimization Retrofit Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(14) That PE is directed to include a description in its January 31, 2018 semi-annual report of the protocol adopted by the Company to ensure that energy efficiency kits are not inappropriately duplicated for a residence, given our approval of both the EE Kits and Schools sub-programs;

(15) That PE is directed to report its Thermostat Optimization sub-program metrics separately from its HVAC sub-program results in future semi-annual report filings during the 2018 – 2020 program cycle;

(16) That each Utility offering smart thermostats through multiple programs is directed to describe the interaction of the measures with the Utility's demand response portfolio as part of the forthcoming January 31, 2018 semi-annual reports;

(17) That Staff, on behalf of the Thermostat Optimization Work Group, is directed to include updates on the statewide integration and coordination of smart thermostat offerings on a rolling basis in its semi-annual report comments throughout the 2018 – 2020 program cycle;

(18) That the 400 kWh minimum electricity savings threshold used to qualify eligible participants in the HPwES sub-programs is suspended until such time that the Commission issues an Order stemming from the fall 2018 semi-annual hearings;

(19) That the Utilities are directed to file no later than August 17, 2018 a progress report detailing results from the first year of transitioning into a performance-based incentive structure for the HPwES sub-program, consistent with the guidance provided herein;

(20) That the Residential New Construction Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(21) That the proposal by BGE, Delmarva, and Pepco to include a New Home Concierge Service as part of the Residential New Construction Program is approved for the 2018 – 2020 program cycle, subject to the eligibility limitation described herein;

(22) That BGE, Delmarva, and Pepco are directed to file a joint report no later than April 10, 2019 regarding the implementation of the Residential New Energy Star Home Concierge Service;

(23) That the Residential Behavior-based Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 program year, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(24) That the Residential Family Farms Program as proposed by Delmarva is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in its filing;

(25) That the Residential Dynamic Pricing Program as proposed by BGE, Delmarva, and Pepco is approved, subject to the metrics and budgets included in the respective Utilities' filings;

(26) That SMECO is directed to file no later than April 10, 2018 an initial feasibility assessment of deploying a Dynamic Pricing Program in its service territory during the 2018 – 2020 program cycle;

(27) That the Small Business Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings;

(28) That the C&I Efficient Buildings Program as proposed by BGE, Delmarva, Pepco, PE, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings;

(29) That the C&I Combined Heat and Power Program as proposed by BGE, Delmarva, Pepco, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(30) That SMECO is directed to file 2018 – 2020 program cycle cost-effectiveness projections for its C&I Combined Heat and Power Program in conjunction with its January 31, 2018 semi-annual report;

(31) That the C&I Midstream Products Program as proposed by BGE, Delmarva, Pepco, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings;

(32) That the Energy Efficient Communities Program as proposed by Delmarva and Pepco is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings, and as modified herein;

(33) That the Residential Demand Response Program as proposed by BGE, Delmarva, Pepco, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings;

(34) That the Small Commercial Demand Response Program as proposed by Delmarva and Pepco is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the respective Utilities' filings;

(35) That the Large Commercial Demand Response Program as proposed by SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in SMECO's filings;

(36) That the proposal by BGE, Delmarva, Pepco, PE, and SMECO to report energy efficiency and demand savings attributable to certain "other programs" as described herein is approved for the 2018 – 2020 program cycle, subject to the metrics included in the respective Utilities' filings;

(37) That the Program Investigation, Design, and Development budgets proposed by BGE, Delmarva, Pepco, PE, SMECO, and WGL are approved for the 2018 – 2020 program cycle, subject to the metrics included in the Utilities' filings, and as modified herein;

(38) That the Smart Home PIDD Pilot as proposed by BGE, Delmarva, Pepco, and SMECO is approved for the 2018 – 2020 program cycle, subject to the metrics included in the respective Utilities' filings;

(39) That the Fuel Cell PIDD Pilot as proposed by Delmarva is denied;

(40) That the Locational Efficiency PIDD Pilot as proposed by Delmarva and Pepco is denied;

(41) That the Customer Action PIDD Pilot as proposed by PE is denied;

(42) That the Residential Limited Income Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Company's filings;

(43) That the Residential New Construction Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Company's filings;

(44) That the Residential Prescriptive Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Company's filings, and as modified herein;

(45) That the Residential Behavioral Conservation Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the modified participation metrics described herein;

(46) That the Residential Coordinated Program as proposed by WGL for the 2018 – 2020 program cycle is denied, without prejudice;

(47) That WGL is directed to abide by the procedural schedule outlined herein with respect to the further development of a Residential Coordinated Program;

(48) That the C&I New Construction Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Company's filings;

(49) That the C&I Prescriptive Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Company's filings;

(50) That the C&I Custom Program as proposed by WGL is approved for the 2018 – 2020 program cycle, subject to the budgets included in the Company's filings, and the re-filing of the associated projected participation metrics;

(51) That the C&I Coordinated Program as proposed by WGL for the 2018 – 2020 program cycle is denied, without prejudice;

(52) That WGL is directed to abide by the procedural schedule outlined herein with respect to the further development of a C&I Coordinated Program;

(53) That the Limited-Income Energy Efficiency Program as proposed by DHCD is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Department's filings, and as modified herein;

(54) That the Maryland Energy Efficiency Tune-up Pilot as proposed by DHCD is approved for 2019 – 2020, targeted to limited-income participants residing in Baltimore City and subject to the metrics and budgets included in the Department's filings;

(55) That DHCD is directed to file no later than July 31, 2020 an EM&V assessment completed by an independent third-party evaluator with respect to its Maryland Energy Efficiency Tune-up Pilot approved herein;

(56) That the Multifamily Energy Efficiency and Housing Affordability Program as proposed by DHCD is approved for the 2018 – 2020 program cycle, subject to the metrics and budgets included in the Department's filings, and as modified herein;

(57) That DHCD is directed to file an assessment in conjunction with its January 31, 2019 semi-annual report detailing the first 12 months of data on the application-to-job conversion rates attributable to the MEEHA Program modification that permits the Department to fund the cost of energy audits upfront for certain retrofit projects;

(58) That Staff, on behalf of the Limited Income Work Group, is directed to file a report detailing an assessment of the current limited-income sub-portfolio cost recovery model and any recommendations for adjustments thereto no later than December 1, 2018;

(59) That the proposal filed by the Mayor and City Council of Baltimore's Office of Sustainable Energy to fund a Community Energy Savers Grants and Loans program for the 2018 – 2020 program cycle is denied;

(60) That the proposal filed by the Mayor and City Council of Baltimore's Department of Housing and Community Development – Division of Green, Healthy and Sustainable Homes to fund its Baltimore Energy Challenge programs for the 2018 – 2020 program cycle is denied;

(61) That Staff, on behalf of the EmPOWER Marketing Work Group, is directed to file no later than April 3, 2018 a report detailing co-branding guidelines and protocol, as well as a recommended new EmPOWER Maryland logo, for use in all marketing materials beginning with the third quarter of 2018; and

(62) That all other motions and programs not granted herein are denied.

*W. Kevin Hughes*

*Michael T. Richard*

*Anthony J. O'Donnell*

*Odogwu Obi Linton*

*Mindy L. Herman*

Commissioners[144]

[144] Commissioner Michael T. Richard concurs in part and dissents in part from the Commission's decision.

**Statement of Commissioner Michael T. Richard Concurring in Part and Dissenting in Part on the Customer Action Pilot**

I join in recognizing the many important energy efficiency and savings achievements attributable to Maryland's EmPOWER program. This next program cycle continues these positive trends by capitalizing on best-practices and, in some cases, improving administrative efficiencies.

Marylanders have invested significantly in getting us to where we are today, paying over $2 billion for programs since EmPOWER's inception, and in this next program cycle these same customers will be paying an additional $1 billion. And as we approve a continuation of customer investments, this Order correctly notes that we are reaching a "tipping point" with regard to the "overall programmatic costs and the effectiveness attached to those cost," and that "core" programs may soon be unable to deliver cost-effective results at the same rate of success that has propelled EmPOWER to date. It is for this reason that I highlight recommendations made by the Maryland Energy Administration ("MEA"), our State's energy office, which I read as a call to *hasten* efforts to promote innovation in future program development, to enhance EM&V using Advance Metering Infrastructure to ensure cost-benefit accuracy, and to transition to cost-recovery and incentive methodologies that maximize utility customer dollars without simply paying utilities for financing program operations. I believe that it is never too early to begin developing and implementing these paradigm changes.

Now more than ever, the Program Investigation, Design, and Development ("PIDD") programs are essential to continuing EmPOWER's success trends, and I concur strongly with the Commission's affirmation and approval of PIDD budgets. Potomac

Edison's ("PE's") Customer Action Program ("CAP") *Pilot* is an example of an innovative program concept that was endorsed and "lauded" by MEA. The program had the potential to better establish baselines to help quantify future energy savings from utility programs and value provided through other means. It would have been "provide[d]" under the supervision and direction of PE and would have been developed with methodologies to allow for "projected and verifiable" electricity savings, as is required by PUA 7-211(g). I believe the Order to be overly rigid in its interpretation of the EmPOWER statute in rejecting this program pilot and, for this reason, I dissent in part. In my view this program fits within the language and intent in PUA 7-211(g) and, with Commission guidance and oversight, the proposed CAP work group could have provided just the type of attention to utility customer cost savings EmPOWER endeavors to achieve. I believe this type of program could be an important component of a future EmPOWER cycle and I encourage MEA and Maryland utilities to work collaboratively to continue to develop program concepts like this.

Finally, MEA makes an important observation that "approximately $60 million annually" of customer EmPOWER contributions goes towards servicing the debt associated with these programs and "suggests that this money could be more productively deployed on meeting the State's energy efficiency goals." In this regard, I concur with the direction the Commission is giving to direct the Limited-Income Work Group to convene to discuss program cost-recovery issues, and note that the Behavioral Work Group's report due in April of 2018 is directed to consider cost recovery issues. However, I would have preferred the Order also endorse MEA's comprehensive review of cost-recovery, assessment of other-states' best practices, and consideration of new utility incentive models and mechanisms to transition towards maximizing Marylanders' energy efficiency returns on their investments. Regardless of this Order, MEA has the authority and mandate to lead the important Cost-Recovery work group initiative, and to make specific recommendations to the Commission during the cycle semi-annual reviews and in preparation for the 2021-2023 program cycle, and I encourage MEA to do so.

*Michael T. Richard*
Commissioner