Maillog No. 306928

ORDER NO. 90957

The 2024-2026 EmPOWER Maryland Program	* * * * * * *	BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND CASE NO. 9705

Issue Date: December 29, 2023

ORDER AUTHORIZING TRANSITION TO 2024-2026 PROGRAM CYCLE

In this Order, the Commission authorizes the transition to the next three-year program cycle for EmPOWER Maryland and approves various proposals by the program administrators to implement new energy efficiency programs for the 2024-2026 program cycle, as well as continue operating core programs, subject to conditions. The Commission also approves several new pilots and enhancements to the suite of energy efficiency programs, as discussed below. This Order benefits the public interest by encouraging continued innovation in EmPOWER Maryland's program offerings, which can result in reduced energy consumption and greenhouse gas emissions, long-term customer savings, and avoided investments in energy transmission and distribution infrastructure, among other things.

I. Background

On November 6, 7, and 8, 2023, the Commission held a legislative-style hearing in the above-captioned case[1] to review, *inter alia*, the energy efficiency, conservation, and demand response plans for the 2024-2026 EmPOWER Maryland program cycle filed by

[1] Maillog No. 304643: Notice of Comment Period and Hearings (August 18, 2023).

Southern Maryland Electric Cooperative, Inc. ("SMECO"),[2] Delmarva Power & Light Company ("Delmarva"),[3] Potomac Electric Power Company ("Pepco"),[4] Baltimore Gas and Electric Company ("BGE"),[5] The Potomac Edison Company ("Potomac Edison")[6] (collectively, "the Electric Utilities"), Washington Gas Light Company ("Washington Gas")[7] (collectively, along with the Electric Utilities, "the Utilities"), and the Maryland Department of Housing and Community Development ("DHCD").[8]

In addition to the program cycle proposals ("the Plans") filed by the Utilities and DHCD, the Commission reviewed comments on the Plans as filed by the Maryland Energy Administration ("MEA"),[9] the Maryland Energy Efficiency Advocates ("MEEA"),[10] the Maryland Office of People's Counsel ("OPC"),[11] the Maryland Energy Advocates Coalition ("MEAC"),[12] Montgomery County, Maryland ("Montgomery County"),[13] and

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[2] Maillog No. 304386: SMECO's EmPOWER Maryland Program Plan for 2024-2026 ("SMECO Plan") (August 1, 2023).

[3] Maillog No. 304394: Delmarva Power & Light Company's 2024-2026 EmPOWER Maryland Scenarios ("Delmarva Plan") (August 1, 2023).

[4] Maillog No. 304395: Potomac Electric Power Company's 2024-2026 EmPOWER Maryland Scenarios ("Pepco Plan") (August 1, 2023).

[5] Maillog No. 304397: Baltimore Gas and Electric Company's 2024-2026 EmPOWER Maryland Scenarios Filing ("BGE Plan") (August 1, 2023).

[6] Maillog No. 304398: The Potomac Edison Company Energy Efficiency and Conservation Plan for the period January 1, 2024 through December 31, 2026 (August 1, 2023); corrected by Maillog No. 304456: The Potomac Edison Company Energy Efficiency and Conservation Plan for the period January 1, 2024 through December 31, 2026 ("Potomac Edison Plan") (August 4, 2023).

[7] Maillog No. 304383: Washington Gas EmPOWER Maryland Energy Efficiency Program 2024-2026 ("WGL Plan") (August 1, 2023).

[8] Maillog No. 304379: Maryland Department of Housing and Community Development EmPOWER Maryland Limited-Income Program 2024-2026 Program Plan ("DHCD Plan") (August 1, 2023).

[9] Maillog No. 305644: Maryland Energy Administration Comments on the EmPOWER Maryland 2024-2026 Program Cycle Proposals ("MEA Comments") (October 16, 2023).

[10] Maillog No. 305648: Maryland Energy Efficiency Advocates Comments on the EmPOWER Maryland 2024-2026 Program Plans ("MEEA Comments") (October 16, 2023).

[11] Maillog No. 305649: Office of People's Counsel - State of Maryland - Comments on EmPOWER Maryland 2024-2026 Program Plans ("OPC Comments") (October 16, 2023).

[12] Maillog No. 305650: Maryland Energy Advocates Coalition PSC EmPOWER Maryland Plan Comments ("MEAC Comments") (October 16, 2023).

[13] Maillog No. 305651: Comments of Montgomery County, Maryland by Garrett Fitzgerald, Section Chief - Climate Programs and State Policy, Montgomery County Department of Environmental Protection on the

the Public Service Commission Technical Staff ("Staff"),[14] as well as public comments filed through the Commission's website.[15]

The Commission also considered SMECO's Energy Perks Pilot Program Report,[16] the Limited-Income Work Group's Goals Report,[17] the Washington Gas Demand Response Pilot Report and Online Business Energy Advisor ("OBEA") Pilot Report,[18] and the status report filed by the Midstream and EmPOWER Reporting Process Improvement ("ERPI") Work Groups,[19] as well as several responses to information requests made by the Commissioners during the hearing ("bench requests").[20]

The Hearing allowed the Utilities, DHCD, and interested parties to provide additional testimony to the Commission. Upon review of the filings, testimony, requests, and recommendations presented, the Commission makes the determinations for the 2024-2026 EmPOWER Maryland program cycle set forth below.

Utility and DHCD 2024-2026 EmPOWER Maryland Plans ("Montgomery County Comments") (October 16, 2023).

[14] Maillog No. 305653: 2024-2026 EmPOWER Maryland Program Cycle EmPOWER Utility and Maryland Department of Housing and Community Development Program Proposals - Staff Report ("Staff Comments") (October 16, 2023).

[15] https://webpsc.psc.state.md.us/dms/search-public-comments.

[16] Maillog No. 303835: SMECO Energy Perks Pilot Program - Final Report ("SMECO Energy Perks Report") (June 30, 2023).

[17] Maillog No. 303847: EmPOWER Limited-Income Work Group - Goals Report (June 30, 2023).

[18] Maillog No. 305346: Goal Assessment Report: Washington Gas Demand Response Pilot and Goal Assessment Report: Washington Gas Online Business Energy Advisor Pilot (collectively, "WGL Pilot Report") (September 29, 2023). This collective report was filed in Case No. 9648 but is being addressed in this Order for Case No. 9705 given that its content pertains to Washington Gas's proposed plans for the 2024-2026 program cycle.

[19] Maillog No. 305642: Midstream and EmPOWER Reporting Process Improvement Work Group Status Report ("Midstream and ERPI Report") (October 16, 2023). This report was filed in Case No. 9648 but is being addressed in this Order for Case No. 9705 given that its content pertains to future Midstream programming.

[20] Maillog No. 306302: Maryland Energy Efficiency Advocates Response to Bench Request (November 22, 2023); Maillog No. 306306: Potomac Electric Power Company and Delmarva Power & Light Company Response to Bench Request (November 22, 2023); Maillog No. 306308: The Potomac Edison Company Response to Bench Request (November 22, 2023); Maillog No. 306330: Southern Maryland Electric Cooperative, Inc. Response to Bench Request (November 28, 2023).

II. Procedural History

A. Goal Transition

In Order No. 90261, the Commission approved the proposal by the Future Programming Work Group[21] to transition from targeted electrical or gas savings to targeted greenhouse gas ("GHG") reductions, as well as the Work Group's proposed goal structure and straw goals (i), (ii), and (iii), shown below.

> i. At least X% of a utility's total GHG abatement goal be achieved through BTM and FTM community programs funded by EmPOWER based upon a utility-specific study, and that a minimum of X% of EmPOWER-funded BTM energy efficiency programs also based upon the referenced study.
>
> ii. A maximum of X% of a utility's total GHG abatement goal would be met with either non-energy resources or FTM utility resources, subject to the Commission's approval of the specific program(s) or initiative(s).
>
> iii. Contributions to the GHG abatement goal through other initiatives, such as those that align with Public Conference ("PC") 44, could be included in each utility's specific plan. However, those initiatives must be BTM and FTM community resources that are not EmPOWER-funded and are subject to the Commission's approval.[22]

The Commission's approval of the proposal transitioned the program from a goal measurement of targeted energy savings to targeted GHG reductions for the 2024-2026 program cycle. It also reflected the intent of the Climate Solutions Now Act of 2022

[21] In Order No. 89679, issued on December 18, 2020, the Commission created the Future Programming Work Group to assist with the development of the next EmPOWER cycle beginning in 2024, including consideration of a new goal structure, among other matters.
[22] Maillog No. 241115: Order No. 90261, at 23-24 (June 15, 2022).

("CSNA"),[23] which requires increased annual incremental gross energy savings,[24] and also modifies the program's core objective from electricity reduction to "a portfolio of mutually reinforcing goals, including [GHG] emissions reduction, energy savings, net customer benefits, and reaching underserved customers."[25]

In Order No. 90546,[26] the Commission reminded the Utilities that they are still required by statute to meet annual gross energy savings benchmarks, and that, by statute, the Commission is still required to determine what programs and services appropriately, and cost-effectively, encourage and promote the efficient use and conservation of energy.[27] While these energy savings goals were established by the Legislature and are clearly stated in the EmPOWER statute, currently the Commission must determine the appropriate GHG abatement goals. Doing so thus far has not been possible given that "several unknown and unquantified variables surround the formation of the specific GHG reduction goals," with the lack of cost information being the Commission's most significant obstacle.[28] The Commission determined that, "with program offerings, cost information, and ratepayer impacts missing, undertaking the inherently complex process of setting GHG goals would be premature at this time."[29]

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[23] https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/sb0528?ys=2022RS.
[24] Based on an electric company's 2016 weather-normalized gross retail sales and electricity losses, the company is required to produce 2% gross energy savings per year from 2022 through 2024, 2.25% per year in 2025 and 2026, and 2.5% per year in 2027 and thereafter. PUA § 7- 211(g)(2).
[25] *Md. Ann. Code*, Pub. Util. Art ("PUA") § 7-211(g)(2)(v).
[26] Maillog No. 301876: Order No. 90546 at 11 (March 20, 2023).
[27] *Id*. at 12; PUA § 7-211(b)(1).
[28] "The GHG Abatement Study did not analyze program costs or rate impacts to customers. Neither did the Loper Adjustments or any of the pre-hearing filings. The absence of this important information was discussed at the February 2 hearing but was not corrected during the proceeding. While the Exelon Utilities filed post-hearing comments on March 3, 2023, that contained bill impact figures, there remains little program cost or rate impact data in the record as it pertains to GHG reduction goal-setting." Order No. 90546 at 12-13.
[29] *Id*. at 13.

B. <u>Goal Proposals</u>

In order to assist the Commission with establishing the GHG reduction goals, the Utilities were directed to develop plans for the 2024-2026 EmPOWER Maryland program cycle in accordance with stated parameters, after which the Commission would be able to weigh the specific costs, benefits, and other required factors of the plans, making adjustments as necessary prior to approving plans for the next cycle.[30] In Order No. 90546, the Commission specifically ordered the following:

> The utilities were directed to prepare three separate three-year scenarios for the 2024-2026 program cycle, all of which must be designed to achieve, at a minimum, the energy reductions required by PUA § 7-211(g)(2).[31]
>
> 1. The "2023 Scenario" was to be based on the GHG Abatement Study's Business as Usual ("BAU") scenario and intended to estimate GHG reduction from current EmPOWER programs and spending levels, in compliance with current statutory requirements. This 2023 Scenario would serve as an observable starting point, as it is the scenario based on the most certain data available. If the 2023 Scenario could not meet current statutory requirements based on the GHG Abatement Study's BAU scenario, then the 2023 Scenario should include costs and programs such that the statutory requirements would be met at the lowest possible cost.[32]
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> 2. The "Maximum Scenario" was to be based on the GHG Abatement Study's Achievable - Maximum scenario and intended to include programs and measures that would bring maximum savings when spending is unconstrained. To the extent that additional funding would be required for programs and measures, the utilities must identify, in detail, the amount of additional funding necessary and any source(s) or potential source(s) of such funds.[33]

[30] *Id*. at 14.
[31] *Id*. These targeted annual energy savings are 2.0% for 2024 and 2.25% for 2025 and 2026.
[32] *Id*. at 15.
[33] *Id*.

3. The "Middle Scenario" was to be based on parameters that fall in between the 2023 and Maximum Scenarios and intended to estimate GHG reduction levels associated with programs and measures that are amplified beyond the 2023 Scenario, while still being cognizant of funding constraints.[34]

Each scenario must contain thorough cost-benefit and bill impact analyses performed by its respective utility.[35]

Scenarios that involve the use of outside funds must designate the source, amount, and purpose of the funds.[36]

Scenarios must be modular and categorize measures by energy efficiency, demand response, and electrification, and they must differentiate between gas and non-gas appliance rebates.[37]

Scenarios must be designed to be cost-effective at the portfolio level, while meeting existing statutory energy efficiency goals, in support of state policies and objectives, and without placing undue burdens on ratepayers.[38]

Scenarios must be developed with a minimum of 80 percent of the goal savings derived from BTM measures and FTM community resources. The utilities may request a greater percentage of FTM measures, subject to Commission review and approval prior to implementation.[39]

The Commission also required that electricity savings targets be measured compared to the baseline of utility sales in 2016, that GHG be measured on a lifecycle basis as CO2

[34] *Id*.
[35] *Id*. at 16.
[36] *Id*.
[37] *Id*.
[38] *Id*.
[39] *Id*. at 17.

equivalent using the methods and calculations used by the GHG Abatement Study[40] with the Loper Adjustments,[41] and that assumptions used must be universal across the utilities.[42]

On May 1, 2023, the Evaluation Measurement & Verification ("EM&V") Work Group filed a status report regarding the development of assumptions that were to be used in the 2024-2026 plans. The Work Group explained that they were developing the methods and assumptions, that they were being uniformly applied across the utilities, and that any variances are known and understood to be reasonable. The EM&V Work Group requested the Commission's permission to continue the updating process.[43]

C. Cost Recovery

An additional change from past program cycles to the 2024-2026 cycle is in the cost recovery method to be utilized. Historically, the Commission has approved a surcharge on customer bills by which the utilities recover operating costs and a return on their investments for each of their respective EmPOWER programs. In order to minimize that monthly surcharge, costs were amortized over time, resulting in a substantial balance to be paid. The 2024-2026 EmPOWER Maryland program cycle will involve a significant change to this cost recovery method in order to eliminate that balance and shorten the timeframe that a utility may recover operating costs.

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[40] On October 20, 2021, the Commission approved the Work Group's Request to Issue a request for Proposal for a Potential Study to Assist the Development of Future EmPOWER Maryland Goals, with the Study intended to provide the Commission with key data to assist with setting the GHG abatement goal. The GHG Abatement Study was filed on January 6, 2023 (Maillog No. 300751).

[41] Certain adjustments to the GHG Abatement Study were made by the Commission's independent evaluator, Loper Energy, in order to better reflect the EmPOWER Maryland program. Order No. 90546 at 6.

[42] *Id*. at 14. "Utility administrators and stakeholders offered no objections to the proposal of aligning underlying planning metrics, assumptions, and calculations with those developed by the Maryland Department of the Environment ("MDE") as part of its plan to meet statewide GHG reduction targets through the superseded Maryland Greenhouse Gas Reduction Act ("GGRA"). This set of assumptions has come to be known as the 'MDE Policy Case.'" WGL Plan at 10.

[43] Maillog No. 302709, Case No. 9648: 2021-2023 EmPOWER Maryland Program (June 9, 2023).

In Order No. 90456, the Commission directed the Utilities to pay down the unamortized balance through the monthly surcharge and move to a one-year expense method with 33 percent of the 2024 program costs being expensed, 67 percent of the 2025 costs being expensed, and all costs being expensed in 2026 and thereafter. The Commission also directed that the remaining uncollected balance of the 2024 and 2025 program costs be amortized over five years, resulting in the unamortized balance being paid off by 2029.[44]

Also in Order No. 90456, the Commission stated, "[I]n preparation for the next EmPOWER program cycle, the Commission will consider alternative approaches for compensating utility program administrators, including the use of performance incentive mechanisms."[45] Shortly thereafter, in Order No. 90546, the Commissions stated that it "expects EmPOWER program administrators to propose performance-based cost recovery approaches in addition to traditional recovery approaches."[46]

III. 2024-2026 EmPOWER Program - Utility and Work Group Proposals

The Utilities developed their 2024-2026 EmPOWER Maryland Plans by grouping programs primarily into the following sectors: Residential Programs, Non-Residential (commercial and industrial, or "C&I") Programs, Demand Response ("DR")[47] Programs, Other Programs (those not funded through the EmPOWER Program but whose savings are counted towards EmPOWER savings), and Program, Investigation, Development, &

[44] Order No. 90456 (December 29, 2022).
[45] *Id*. at 21.
[46] *Id*. at 19.
[47] DR programs are designed to allow utilities to adjust customer-owned thermostats during high-demand events to decrease usage and increase bill savings.

Design ("PIDD")[48] activities. Unless otherwise noted, all utility program and activity offerings are made in all three of the required scenarios.

As directed, the Utilities developed their 2023 Scenarios to largely reflect current EmPOWER programs and spending levels, but with increased energy efficiency standards reflected as necessary. The Middle Scenarios reflect a continuation of the 2023 Scenarios, with possible electrification measures as well as increased incentives, marketing, and outreach to further drive participation in energy efficiency programs, and the Maximum Scenarios reflect an advanced version of the Middle Scenario. Any additional changes in the progression from one scenario to the next are noted in the discussion of the respective program.

A. Washington Gas

Washington Gas did not identify its preferred scenario, but recommended against approval of its Maximum Scenario, given that the Company views its aggressive energy savings targets to be "unachievable" as compared to the 2023 and Middle Scenarios, in addition to the Maximum Scenario resulting in the highest surcharge increase for customers.[49]

> The table below shows the differences between the savings, costs, and cost-effectiveness of Washington Gas's three proposed scenarios.[50]

[48] PIDD activities are designed to investigate new programs, measures, and enhancements to portfolios in order to increase energy efficiency and value to customers.
[49] WGL Plan at 26.
[50] *Id*. at 31.

		2023	Middle	Maximum
WGL	Gross Therm	5,126,807	6,079,057	9,481,012
	GHG Savings	408,360	448,868	808,537
	Total Cost	$ 46,822,257	$ 57,633,054	$ 120,911,112
	MJST	3.81	3.54	2.17
	TRC	2.54	2.33	1.41

1. Program Sectors

a. Proposed Residential Programs

Home Energy Savings is designed to reduce the initial cost barrier for customers purchasing and installing qualifying high-efficiency products such as storage and tankless water heaters, boilers, furnaces, gas clothes dryers, and combination water/space heating equipment.[51]

Residential Behavioral Conservation provides customers with detailed information on their energy use and personalized energy saving guidance, as well as access to an on-line portal containing low or no-cost options for energy reduction.[52]

Residential New Construction incentivizes home builders to install high-efficiency gas equipment in their new home builds in accordance with the latest ENERGY STAR certification standards, thereby providing customers with energy and operational cost savings.[53]

Residential Coordinated are collaborative programs with electric utilities with shared service territories[54] to incorporate gas savings into existing EmPOWER programs. Washington Gas plans to extend the current program's incentive cost-sharing model and accrual of gas therm savings from comprehensive home audits, direct install measures, and whole-home retrofit projects completed within dual-fuel residences.[55]

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[51] Formerly referred to as the Residential Existing Home Program. *Id*. at 32.
[52] WGL Plan at 36.
[53] *Id*. at 39-40.
[54] Pepco, BGE, SMECO, and Potomac Edison. *Id*. at 43.
[55] The existing residential retrofit programs involved in Washington Gas's Residential Coordinated Programs are Quick Home Energy Check-up ("QHEC"), Home Performance ("HP"), and Home Energy Improvement Program ("HEIP"). WGL Plan at 43.

b. Proposed C&I Programs

Prescriptive Business Solutions provides incentives for the purchase and installation of new energy efficient gas equipment and other types of non-equipment energy saving measures.[56]

Custom Business Solutions offers customers incentives for more complex or unique energy efficiency technologies, measures, and systems that are not covered by the Prescriptive Business Solutions Program, with projects falling into either the retrofit, end of useful life, or new construction/major renovation category.[57]

c. Proposed DR Programs

Residential DR is a continuation of the 2021-2023 program cycle DR Pilot that utilized the Bring Your Own Thermostat ("BYOT") model eliminating the need for Washington Gas to provide hardware or installation service and allowing customers to choose their device.[58]

d. Proposed PIDD

Boiler Energy Management System ("EMS") Pilot would be administered by implementer Runwise and would utilize indoor temperatures in addition to the typically used outdoor temperatures to run central heating systems more efficiently. Washington Gas proposes the following implementation costs as part of its C&I PIDD budget under the 2023, Middle, and Maximum Scenarios: $596,000 in 2024, $256,000 in 2025, and $246,000 in 2026 for a total of $1,098,000.[59]

Hybrid Heat Pump Pilot would utilize an electric air source heat pump installed with a natural gas furnace for heating during colder temperatures to ensure sufficient heating capacity when temperatures drop below the electric heat pump's most efficient level. Washington Gas proposes the following implementation costs as part of its Residential PIDD budget under the Middle and Maximum Scenarios:

[56] *Id*. at 50.
[57] *Id*. at 56.
[58] *Id*. at 62.
[59] *Id*. at 69-71.

$1,790,335 in 2024, $1,293,429 in 2025, and $706,764 in 2026 for a total of $3,790,528.[60]

Tree Planting Pilot would incentivize residential customers to plant non-invasive or native trees on their property as a means to reduce GHG emissions. Washington Gas proposes the following implementation costs as part of its Residential PIDD budget under the Maximum Scenario: $643,533 in 2024, $598,320 in 2025, and $537,649 in 2026 for a total of $1,779,502.[61]

2. Cost Recovery

The tables below reflect Washington Gas's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
WGL	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	$ 2.15	$ 2.95	$ 3.92	$ 5.02	$ 3.20	$ 4.42	$ 5.64	$ 3.82	$ 5.66	$ 7.46
Non-Residential	WGL did not provide average usage for Non-Residential Customers									

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
WGL	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	0%	37%	82%	133%	49%	105%	162%	78%	163%	246%
Non-Residential	0%	25%	66%	102%	38%	89%	139%	158%	497%	1005%

Washington Gas did not propose a specific performance incentive mechanism ("PIM"). It did, however, provide primary objectives, goals, and a general structure of what it contends would make for a successful additional cost recovery approach.[62] Washington Gas states, among other things, that an ideal PIM would provide rewards calculated on a

[60] The Hybrid Heat Pump Pilot Program is not offered as part of the 2023 Scenario. *Id*. at 73-76.
[61] The Tree Planting Pilot Program is not offered as part of the 2023 or Middle Scenarios. WGL Plan at 73-76.
[62] *Id*. at 21-22.

sliding scale when the Company achieves targeted savings and spends at least a specified fraction of the budget without exceeding a certain multiple of the budget.[63]

B. SMECO

SMECO requests that the Commission approve its 2023 Scenario based on the Company's position that it satisfies the statutory energy reduction targets and achieves meaningful GHG emissions reductions while still balancing the near-term bill impacts to customers.[64] SMECO does not recommend adoption of its Maximum Scenario, stating that "it will drive up EmPOWER surcharge impacts on its members to an unsustainable level."[65]

> The table below shows the differences between the savings, costs, and cost-effectiveness of SMECO's three proposed scenarios.[66]

		2023	Middle	Maximum
SMECO	Gross MWh (w Electrification)	228,860	225,501	281,674
SMECO	GHG Savings	332,324	596,045	705,139
SMECO	Total Cost	$ 108,954,623	$ 133,488,916	$ 199,135,971
SMECO	MJST	2.19	1.96	1.94
SMECO	TRC	1.19	1.04	1.02

1. Program Sectors

a. Proposed Residential Programs

Residential Products Programs:

- **Appliance Rebates** provides rebates for a variety of energy efficient products at participating retail stores as well as through SMECO's Online Store.

[63] *Id*.
[64] SMECO Plan at 5.
[65] *Id*. at 69.
[66] *Id*. at 5-6.

- **Appliance Recycling** offers members the opportunity to recycle certain old, inefficient appliances in an environmentally responsible way.[67]

Home Retrofit Programs:

- **Home Energy Improvement Program ("HEIP")** offers home energy analysis, incentivized home retrofit upgrades, and HVAC services including tune ups and smart thermostat installations.

- **Residential HVAC** incentivizes the purchase of energy efficient HVAC equipment.

- **My Energy Target** provides members with a custom energy use target derived from Advanced Meter Infrastructure ("AMI") data.[68]

Residential New Construction encourages builders to construct ENERGY STAR-certified homes by offering incentives, training, and customized support.[69]

Home Energy Reports provide members with information on their energy use and personalized energy saving advice.

Schools and Education increases energy literacy among students, teachers, and families as well as opportunities for energy savings.[70]

Residential Electrification offers rebates for electrification of space and water heating systems, as well as smaller appliances.[71]

Energy Perks operates as a loyalty program that offers points redeemable for benefits to members for participation in energy efficiency programs.

Residential DR Transition intends to bring existing DR participating households into one of SMECO's Smart Temps

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[67] *Id.* at 13.
[68] *Id*. at 19-25.
[69] *Id*. at 25-28.
[70] Savings and incentive costs associated with the Schools and Education Program are attributed to both the residential and C&I Programs, depending upon the measures being implemented. *Id*. at 31-35.
[71] This program is offered only in the Middle and Maximum Scenarios. *Id*. at 7.

programs in order to improve members' DR experience and decrease opt outs.[72]

b. Proposed C&I Programs

Business Solutions:

- **Prescriptive** is designed to help C&I members maximize energy savings and manage energy costs through an extensive list of proven energy conservation measures.

- **Custom** is intended for more complex systems and projects not otherwise available under C&I Programs.[73]

Building Operation and Performance ("BOP") improves the efficiency of existing equipment and systems in order to extend the service life of equipment, thereby achieving measurable energy savings at little to no capital cost to members.[74]

Instant Savings for Business ("ISB") is a midstream program that provides instant discount pricing to commercial members for purchase on qualifying energy efficient products.[75]

Combined Heat and Power ("CHP") uses energy efficient technology that generates electricity and captures the heat that would otherwise be wasted to provide useful thermal energy.

Small Business Solutions ("SBS") offers financial incentives, technical assistance, and energy efficiency information to small business members whose energy usage averages less than 60 kW each month through a dedicated service provider.[76]

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[72] *Id*. at 38-40.
[73] *Id*. at 40-44.
[74] *Id*. at 44-46.
[75] *Id*. at 46-49.
[76] *Id*. at 53-56.

C&I Electrification offers incentives for electric equipment in C&I buildings replacing or partially replacing fossil fuel equipment.[77]

c. Proposed DR Programs

SmartTemp DR is a Bring Your Own Device ("BYOD") program that continues the SmartTemp Pilot Program from the the 2021-2023 cycle, allowing members to opt for the SmartTemp or FlexTemp program, which offers smaller and shorter adjustments to thermostats than the SmartTemp program.[78]

d. Other Proposed Programs

Conservation Voltage Reduction ("CVR") is being restarted from SMECO's 2018-2020 program cycle in order to bolster program savings while limiting further EmPOWER surcharge increases on its members.[79]

e. Proposed PIDD

Smart Homes Phase 3 Pilot is a continuation of SMECO's 2018-2020 Smart Home Pilot (which explored the use of home automation beyond thermostats and behavioral engagement) and the 2021-2023 Smart Home Phase 2 Pilot (also known as the FlexTemp Pilot, which focused on sub-hourly control of thermostats and the use of event triggers such as energy prices or GHG reductions). Phase 3 will explore the overall orchestration of multiple grid-connected devices with a focus on connected water heaters.[80]

Afforestation and Tree Planting Pilot offers members a financial incentive to plant approved trees within appropriate planting zones within SMECO's service territory in order to integrate carbon storage, among other benefits, into the Company's broader vegetation management efforts.[81]

[77] This program is offered only in the Middle and Maximum Scenarios. *Id*. at 7.
[78] SMECO is pausing its C&I DR program for the 2024-2026 cycle. SMECO Plan at 56-58.
[79] *Id*. at 65.
[80] *Id*. at 59-62.
[81] The Afforestation and Tree Planting Pilot is not offered in the 2023 Scenario. *Id*. at 62-64.

2. Cost Recovery

The tables below reflect SMECO's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
SMECO	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	$ 11.68	$ 17.71	$ 19.04	$ 23.38	$ 20.90	$ 23.47	$ 28.94	$ 24.13	$ 28.48	$ 35.29
Commercial	$ 36.52	$ 56.52	$ 60.63	$ 80.95	$ 79.86	$ 87.13	$ 120.56	$ 83.40	$ 95.10	$ 143.32

		Average Increase Surcharge Payment (%) (Percent change in total bill will be lower)								
		2023 Scenario			Middle			Maximum		
SMECO	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	0%	52%	63%	100%	79%	101%	148%	107%	144%	202%
Commercial	0%	55%	66%	122%	119%	139%	230%	128%	160%	292%

SMECO did not provide any data or recommendation pertaining to performance-based cost recovery.

C. Delmarva

Delmarva notes that, across its three scenarios, the energy efficiency programs are consistent; however, the Middle and Maximum Scenarios also offer appliance and commercial electrification, and the Maximum Scenario also includes programmatic enhancements to delivery and outreach, as well as higher incentives.[82]

Delmarva recommends that the Commission adopt its 2023 Scenario because it achieves the ambitious statutory targets while maintaining customer affordability. Delmarva notes that the Commission could also consider its proposed Middle Scenario, as it mimics the 2023 Scenario with the addition of electrification programs, the cost of which Delmarva recommends be recovered in base rates.[83]

[82] Delmarva Plan at 6.
[83] *Id.*

The table below shows the differences between the savings, costs, and cost-effectiveness of Delmarva's three proposed scenarios.[84]

		2023	Middle	Maximum
Delmarva	Gross MWh (w Electrification)	284,973	303,923	406,562
	GHG Savings	419,828	555,007	771,594
	Total Cost	$ 134,837,187	$ 158,738,439	$ 311,835,844
	MJST	2.46	2.32	2.22
	TRC	1.14	1.08	1.09

1. Program Sectors

a. Proposed Residential Programs

Energy Efficient Products Programs:

- **Appliance Rebates** is designed to increase purchases of ENERGY STAR-certified appliances and other efficient residential products sold through in-store retail channels as well as Delmarva's on-line marketplace.

- **Appliance Recycling** incentivizes customers to remove old, inefficient appliances from the grid and recycle them properly.[85]

Home Retrofit Programs:

- **Home Performance** offers increased residential comfort and energy efficiency by incentivizing home improvement projects for existing homeowners.

- **Quick Home Energy Check-Up ("QHEC")** helps residential customers learn about energy use management and provides tailored energy efficiency opportunities through contractor home visits.

- **HVAC Rebates** provides incentives for the purchase of high energy-efficient HVAC equipment.

- **School and Education** provides fifth grade and high school teachers energy and energy efficiency-related

[84] *Id*. at 4-5.
[85] *Id*. at 16-20.

teaching materials, as well as take-home kits for students.[86]

Efficiency for Affordable Housing ("EAH") pursues retrofit energy efficiency savings in limited-income and rent-controlled areas in coordination with DHCD.[87]

Residential New Construction encourages builders to construct ENERGY STAR-certified homes by offering incentives, training, and customized support.[88]

Behavioral Program will continue to leverage AMI data and advanced modeling techniques to generate Home Energy Reports ("HERs") that provide customers with personalized usage comparisons, tips, and program recommendations based on the customer load profile and housing characteristics.[89]

Residential Building Electrification offers rebates to offset costs for customers to convert existing fossil fuel-based equipment fully or partially to high-efficiency electric equipment, with measures being offered through existing delivery channels of other programs.[90]

b. Proposed C&I Programs

Efficient Business Solutions:

- **Prescriptive** provides prescriptive rebates for energy efficient measures that do not require complex analysis or participation rules.

- **Custom** serves large retrofit, new construction, or major renovation projects that cannot be easily captured through prescriptive energy savings measures.

- **Retrocommissioning & Building Tune-Up** includes monitoring-based commissioning, building analytics, and Operations and Maintenance ("O&M") training as well as virtual commissioning

[86] *Id*. at 20-29.
[87] *Id*. at 33-36.
[88] *Id*. at 29-32.
[89] *Id*. at 36-38.
[90] Residential Building Electrification is not included in Delmarva's 2023 Scenario. *Id*. at 38-41.

and virtual strategic energy management ("VSEM").[91]

Small Business provides C&I customers with comprehensive energy assessment, increased incentives, and direct installations.[92]

Commercial Midstream provides distributors with incentives to stock and sell HVAC equipment, kitchen appliances, smart strips, and some LED fixtures and luminaires.[93]

Customer Engagement Portal ("CEP") is designed to drive behavioral savings and increase customer engagement in commercial accounts.[94]

CHP uses energy efficient technology that generates electricity and captures the heat that would otherwise be wasted to provide useful thermal energy.[95]

Energy Efficient Communities engages local, municipal, and county government customers in a partnership to support and expedite energy efficiency efforts.[96]

Commercial Building Electrification introduces electrification measures into the existing non-residential energy efficiency offerings, focusing initially on small business opportunities in space and water heating as well as commercial equipment, with measures being offered through existing delivery channels of other programs.[97]

c. Proposed DR Programs

Residential DR is designed to reduce energy demand for residential customers during peak energy-use periods in the control season, with primary customer engagement being through EnergyWise Rewards.[98]

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[91] *Id*. at 43-49.
[92] *Id*. at 49-52.
[93] *Id*. at 54-57.
[94] *Id*. at 60-62.
[95] *Id*. at 57-60.
[96] *Id*. at 52-54.
[97] Commercial Building Electrification is not included in Delmarva's 2023 Scenario. *Id*. at 63-64.
[98] *Id*. at 65-68.

Small Commercial DR provides commercial accounts an opportunity to contribute to load reductions during peak usage periods for compensation.[99]

d. Other Proposed Programs

CVR is an FTM measure intended to reduce electric energy use and electric peak demand with costs tracked and recovered outside of the EmPOWER program.[100]

Peak Energy Savings Credit is a residential dynamic pricing program involving rebates paid to customers who reduce their demand below their typical usage level on Peak Savings Days.[101]

Transformers is an existing FTM program involving energy savings from higher efficiency transformers compared to industry minimum efficiency levels.[102]

e. Proposed PIDD Programs

Summer Energy Challenge will use AMI data, building modeling, and energy consumption tools to analyze customers' specific energy usages and create a customized energy consumption target, with an incentive being offered to customers who reach their goal reduction.[103]

Energy Engineers will assist customers that have identified issues with their energy consumption, remedying the specific situation and decreasing the customer's energy consumption.[104]

Controlled Environment Agriculture ("CEA") addresses lighting, HVAC, and dehumidification needs for CEA facilities that grow crops indoors and rely entirely on artificial light.[105]

99 *Id*. at 68-69.
100 *Id*. at 75.
101 *Id*. at 75-76.
102 *Id*. at 75.
103 *Id*. at 69-71.
104 *Id*. at 71-72.
105 *Id*. at 72-74.

2. Cost Recovery

Delmarva estimates that the 2023 Scenario has a total program cost of $166 million, which is an increase of $52 million (46 percent) from the 2021-2023 program cycle, the Middle Scenario has a total program cost of $190 million, representing an increase of $76 million (67 percent) from the 2021-2023 program cycle, and the Maximum Scenario has a total program cost of $343 million, representing an increase of $229 million (201 percent) from the 2021-2023 program cycle.[106] Recognizing that both the Middle and Maximum Scenarios include electrification programs, Delmarva recommends that the cost recovery for these specific programs be in base rates in future filings, as this would significantly lessen bill impacts and has historically been the cost recovery method followed.[107]

Given the transition to a fully expensed cost recovery method by 2026, Delmarva estimates that the 2023 Scenario will lead to the average residential customer seeing a surcharge by 2026 that has more than tripled from the 2023 surcharge, and the average C&I customer seeing a surcharge by 2026 that has more than doubled from 2023.[108]

> The tables below reflect Delmarva's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.

[106] *Id*. at 12.
[107] *Id*. at 3.
[108] *Id*.

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
DPL	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	$ 7.31	$ 11.58	$ 17.72	$ 23.50	$ 12.10	$ 20.01	$ 27.05	$ 16.47	$ 34.64	$ 47.54
Commercial	$ 42.46	$ 67.75	$ 86.81	$ 96.82	$ 70.93	$ 93.57	$ 106.20	$ 90.38	$ 138.50	$ 167.85

		Average Increase Surcharge Payment (%) (Percent change in total bill will be lower)								
		2023 Scenario			Middle			Maximum		
DPL	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	0%	58%	142%	221%	66%	174%	270%	125%	374%	550%
Commercial	0%	60%	104%	128%	67%	120%	150%	113%	226%	295%

Delmarva's performance-based cost recovery proposal focuses on meeting the statutory MWh reduction requirements within the Commission's approved budget. Delmarva proposes the following "rewards only" PIM:

> The energy savings results for the entire cycle must be at least 95 percent of the statutory requirement before an award is provided and will be based on the final verified savings. The reward of 5 or 10 percent will be a percent of shared savings, based on the benefits test in place during each year of the cycle, with the benefit being capped at 50 percent if the Company spends more than the approved cycle budget. The annual rewards will be calculated by the Company at the end of each cycle, using the sum of each year's benefits test, and the surcharge will be adjusted in the subsequent cycle, subject to Commission approval.[109]

D. Pepco

Pepco notes that, across its three scenarios, the energy efficiency programs are consistent; however, the Middle and Maximum Scenarios also offer appliance and commercial electrification, as well as all of the programs within the Beneficial Electrification Program proposed within Case No. 9702, Pepco's Multi-Year Plan. The Maximum Scenario also includes programmatic enhancements to delivery and outreach, as well as higher incentives.[110]

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[109] *Id*. at 16.
[110] Pepco Plan at 6.

Pepco recommends that the Commission adopt its 2023 Scenario because it achieves the ambitious statutory targets while maintaining customer affordability. Pepco notes that the Commission could also consider its proposed Middle Scenario, as it mimics the 2023 Scenario with the addition of electrification programs, the cost of which Pepco recommends be recovered in base rates.[111]

> The table below shows the differences between the savings, costs, and cost-effectiveness of Pepco's three proposed scenarios.[112]

		2023	Middle	Maximum
Pepco	Gross MWh (w Electrification)	954,457	823,432	1,058,268
	GHG Savings	1,172,216	3,798,075	4,260,082
	Total Cost	$ 429,667,259	$ 438,026,866	$ 844,681,666
	MJST	2.60	2.42	2.41
	TRC	1.21	1.17	1.19

1. Program Sectors

a. Proposed Residential Programs

Energy Efficient Products Programs:

- **Appliance Rebates** is designed to increase purchases of ENERGY STAR-certified appliances and other efficient residential products sold through in-store retail channels as well as Delmarva's on-line marketplace.

- **Appliance Electrification Rebates** offers rebates to offset costs for customers to convert existing fossil fuel-based equipment fully or partially to high-efficiency electric equipment.

- **Appliance Recycling** incentivizes customers to remove old, inefficient appliances from the grid and recycle them properly.[113]

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[111] *Id*.
[112] *Id*. at 4-5.
[113] Appliance Electrification Rebates are not included in Pepco's 2023 Scenario. *Id*. at 16-21.

Home Retrofit Programs:

- **Home Performance** offers increased residential comfort and energy efficiency by incentivizing home improvement projects for existing homeowners.

- **Quick Home Energy Check-Up ("QHEC")** helps residential customers learn about energy use management and provides tailored energy efficiency opportunities through contractor home visits.

- **HVAC Rebate** provides incentives for the purchase of high energy-efficient HVAC equipment.

- **School and Education** provides fifth grade and high school teachers energy and energy efficiency-related teaching materials, as well as take-home kits for students.[114]

Efficiency for Affordable Housing ("EAH") pursues retrofit energy efficiency savings in limited-income and rent-controlled areas in coordination with DHCD.[115]

Residential New Construction encourages builders to construct ENERGY STAR-certified homes by offering incentives, training, and customized support.[116]

Behavioral Program will continue to leverage AMI data and advanced modeling techniques to generate Home Energy Reports ("HERs") that provide customers with personalized usage comparisons, tips, and program recommendations based on the customer load profile and housing characteristics.[117]

b. Proposed C&I Programs

Efficient Business Solutions:

- **Prescriptive** provides prescriptive rebates for energy efficient measures that do not require complex analysis or participation rules.

[114] Pepco Plan at 21-29.
[115] *Id*. at 33-35.
[116] *Id*. at 29-32.
[117] *Id*. at 36-38.

- **Custom** serves large retrofit, new construction, or major renovation projects that cannot be easily captured through prescriptive energy savings measures.

- **Retrocommissioning & Building Tune-Up** includes monitoring-based commissioning, building analytics, and Operations and Maintenance ("O&M") training as well as virtual commissioning and virtual strategic energy management ("VSEM").[118]

Small Business provides C&I customers with comprehensive energy assessment, increased incentives, and direct installations.[119]

Commercial Midstream provides distributors with incentives to stock and sell HVAC equipment, kitchen appliances, smart strips, and some LED fixtures and luminaires.[120]

Customer Engagement Portal ("CEP") is designed to drive behavioral savings and increase customer engagement in commercial accounts.[121]

CHP uses energy efficient technology that generates electricity and captures the heat that would otherwise be wasted to provide useful thermal energy.[122]

Energy Efficient Communities engages local, municipal, and county government customers in a partnership to support and expedite energy efficiency efforts.[123]

Commercial Building Electrification introduces electrification measures into the existing non-residential energy efficiency offerings, focusing initially on small business opportunities in space and water heating as well as commercial equipment, with measures being offered through existing delivery channels of other programs.[124]

[118] *Id*. at 40-46.
[119] *Id*. at 46-49.
[120] *Id*. at 51-54.
[121] *Id*. at 57-59.
[122] *Id*. at 54-57.
[123] *Id*. at 49-51.
[124] Commercial Building Electrification is not included in Pepco's 2023 Scenario. *Id*. at 59-61.

c. Proposed DR Programs

Residential DR is designed to reduce energy demand for residential customers during peak energy-use periods in the control season, with primary customer engagement being through EnergyWise Rewards.[125]

Small Commercial DR provides commercial accounts an opportunity to contribute to load reductions during peak usage periods for compensation.[126]

d. Other Proposed Programs

CVR is an FTM measure intended to reduce electric energy use and electric peak demand with costs tracked and recovered outside of the EmPOWER program.[127]

Peak Energy Savings Credit is a residential dynamic pricing program involving rebates paid to customers who reduce their demand below their typical usage level on Peak Savings Days.[128]

Transformers is an existing FTM program involving energy savings from higher efficiency transformers compared to industry minimum efficiency levels.[129]

Beneficial Electrification offers rebates to offset the cost of partially or fully switching from fossil fuel space and water heating equipment to efficient electric heat pumps.[130]

e. Proposed PIDD Programs

Summer Energy Challenge will use AMI data, building modeling, and energy consumption tools to analyze customers' specific energy usages and create a customized energy consumption target, with an incentive being offered to customers who reach their goal reduction.[131]

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[125] Pepco Plan at 61-64.
[126] *Id*. at 64-66.
[127] *Id*. at 71-72.
[128] *Id*. at 72.
[129] *Id*.
[130] The Beneficial Electrification Program was filed by Pepco through its Multi-Year Rate Plan and is not included in Pepco's 2023 Scenario. *Id*. at 73.
[131] Pepco Plan at 66-67.

> **Energy Engineers** will assist customers that have identified issues with their energy consumption, remedying the specific situation and decreasing the customer's energy consumption.[132]
>
> **Controlled Environment Agriculture ("CEA")** addresses lighting, HVAC, and dehumidification needs for CEA facilities that grow crops indoors and rely entirely on artificial light.[133]
>
> The table below shows Pepco's proposed PIDD budget for the 2024-2026 program cycle.[134]

2. Cost Recovery

Pepco estimates that the 2023 Scenario has a total program cost of $502 million, which is an increase of $185 million (58 percent) from the 2021-2023 program cycle. The Middle Scenario has a total program cost of $564 million, representing an increase of $247 million (78 percent) from the 2021-2023 program cycle, and the Maximum Scenario has a total program cost of $971 million, representing an increase of $654 million (206 percent) from the 2021-2023 program cycle.[135]

Pepco estimates that, with the transition to a fully expensed cost recovery method, the 2023 Scenario will lead to the average residential customer seeing a surcharge by 2026 that has more than tripled from the 2023 surcharge, and the average C&I customer seeing a surcharge by 2026 that has more than doubled from 2023.[136] Recognizing that both the Middle and Maximum Scenarios include electrification programs, Pepco recommends that the cost recovery for these specific programs be in base rates in future filings, as this would

[132] *Id*. at 68-69.
[133] *Id*. at 69-70.
[134] *Id*. at 74.
[135] *Id*. at 12.
[136] *Id*.

significantly lessen bill impacts and has historically been the cost recovery method followed.[137]

> The tables below reflect Pepco's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
Pepco	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	$ 7.45	$ 11.65	$ 17.48	$ 22.38	$ 12.09	$ 19.74	$ 27.71	$ 15.07	$ 29.09	$ 40.87
Commercial	$ 82.96	$ 131.23	$ 172.12	$ 196.87	$ 132.40	$ 175.46	$ 203.20	$ 182.45	$ 291.12	$ 364.71

		Average Increase Surcharge Payment (%) (Percent change in total bill will be lower)								
		2023 Scenario			Middle			Maximum		
Pepco	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential	0%	56%	135%	200%	62%	165%	272%	102%	290%	449%
Commercial	0%	58%	107%	137%	60%	111%	145%	120%	251%	340%

Pepco's performance-based cost recovery proposal focuses on meeting the statutory MWh reduction requirements within the Commission's approved budget. Pepco proposes the following "rewards only" PIM:

> The energy savings results for the entire cycle must be at least 95 percent of the statutory requirement before an award is provided and will be based on the final verified savings. The reward of 5 or 10 percent will be a percent of shared savings, based on the benefits test in place during each year of the cycle, with the benefit being capped at 50 percent if the Company spends more than the approved cycle budget. The annual rewards will be calculated by the Company at the end of each cycle, using the sum of each year's benefits test, and the surcharge will be adjusted in the subsequent cycle, subject to Commission approval.[138]

E. BGE

BGE's 2023 Scenario largely continues the energy efficiency programs from the 2021-2023 program cycle, while taking into account changes to lighting standards and the

[137] *Id*. at 3.
[138] *Id*. at 16-17.

Commission's cap on FTM savings. The Middle Scenario encompasses the 2023 Scenario as well as the electrification programs proposed in Case No. 9692, BGE's Multi-Year Plan. The Maximum Scenario encompasses the Middle Scenario, as well as additional traditional energy efficiency programs.[139]

BGE requests that the Commission approve its Middle Scenario, which includes the Company's Building Electrification Program. In order to mitigate ratepayer impacts, BGE requests that the Commission allow the Company to recover costs associated with the electrification program through base rates.[140]

> The table below shows the differences between the savings, costs, and cost-effectiveness of BGE's three proposed scenarios.[141]

		2023	Middle	Maximum
BGE	Gross MWh (w Electrification)	2,085,248	1,939,437	1,894,176
	GHG Savings	2,737,469	5,994,627	6,151,002
	Total Cost	$ 1,129,231,851	$ 1,129,231,851	$ 1,305,161,343
	MJST	1.42	1.41	1.41
	TRC	0.68	0.67	0.67

1. Program Sectors

a. <u>Proposed Residential Programs</u>

<u>Efficient Products Programs:</u>

- **Appliance Rebates** encourages consumers to purchase higher efficiency appliances by offering rebates for select ENERGY STAR-certified products that are available through multiple sales channels.

- **Appliance Recycling** incentivizes customers to remove inefficient, operational appliances from the grid and recycle them properly.[142]

[139] BGE Plan at 5-6.
[140] *Id*. at 2, 3, and 15.
[141] *Id*. at 2.
[142] *Id*. at 17-21.

HVAC provides incentives to distributors that discount high energy-efficient HVAC equipment, thereby encouraging contractors to purchase the equipment.[143]

Home Retrofit Programs:

- **QHEC** helps customers learn about energy use management and receive specific energy efficiency opportunities through contractor home visits.

- **Home Performance** incentivizes home improvement projects using a "whole home" approach, beginning with a Home Performance Audit to identify areas for improved efficiency, after which customers may elect to pursue a project with the contractor of their choice.[144]

Residential New Construction encourages builders to construct ENERGY STAR-certified homes by offering incentives, training, and customized support.[145]

Smart Energy Manager ("SEM") uses home energy reports, online tools, and alerts derived from smart meter data to help customers manage their energy usage more efficiently.[146]

Smart Energy Academy ("SEA") is a school education kit aimed at increasing energy efficient behaviors through in-class lessons and take-home measures.[147]

Residential Rewards is a loyalty program that offers redeemable points to residential customers for participating in energy efficiency programs.[148]

Multifamily Program is a new offering built on the success of Delmarva's EAH Program intending to address the unique challenges and opportunities in the low- and moderate-income multifamily sector.[149]

[143] *Id*. at 22-24.
[144] *Id*. at 24-31.
[145] *Id*. at 31-34.
[146] *Id*. at 35-38.
[147] *Id*. at 38-41.
[148] *Id*. at 41-44.
[149] *Id*. at 45-48.

b. Proposed C&I Programs

Energy Solutions for Business:

- **Prescriptive** provides financial incentives and technical assistance to help C&I facilities maximize energy efficiency and reduce costs through measures that do not require complex analysis.

- **Custom** provides financial incentives and technical assistance to help C&I facilities maximize energy efficiency and reduce costs through comprehensive and industry-specific measures, including a technical services component and a New Construction Program.[150]

Small Business Energy Solutions ("SBES") is a direct-install program with incentives designed to encourage early equipment replacement and retrofit opportunities for small businesses with under 100kWh peak demand.[151]

Building Tune-Up helps C&I customers identify and implement low-cost energy efficiency measures by auditing, calibrating, adjusting, and maintaining building systems for maximum efficiency. The program includes full building tune-up, HVAC unit tune-up, builder operator training ("BOT"), monitoring-based commissioning, virtual commissioning, and virtual strategic energy management components.[152]

Instant Discounts (Midstream) offers customers immediate price discounts on various energy-efficient lighting replacement measures, HVAC products, and low-temp freezers.[153]

Combined Heat & Power is designed to reduce electric grid-sourced electricity use by using as thermal energy the heat that is normally wasted in conventional power generation.[154]

[150] *Id*. at 50-58.
[151] *Id*. at 59-62.
[152] *Id*. at 62-73.
[153] *Id*. at 74-77.
[154] *Id*. at 78-81.

Business Energy Manager uses AMI data to provide business customers with insight as to how they can control their energy use, increase their energy efficiency, and lower their utility bills.[155]

c. Proposed DR Programs

Peak Rewards is a residential DR program that is closed to new entrants but continues to operate in maintenance mode for its customers that continue to operate approximately 334,000 active devices.[156]

Connected Rewards is a residential DR program by which BGE initiates adjustment periods at any time of day or year, featuring greater customer choice than the legacy Peak Rewards program.[157]

Smart Energy Rewards is a residential DR program that offers customers bill credits for reducing energy use on designated Energy Savings Days.[158]

d. Other Proposed Programs

Distribution Transformers are an integral component for utility operations, with BGE being mandated to purchase energy efficient transformers for equipment replacement purposes.[159]

Building Electrification, as filed in BGE's Multi-Year Plan, focuses on residential space heating and water heating, residential products, and commercial buildings for the conversion from fossil fuel to electric energy sources.[160]

CVR is a technique for improving the efficiency of the electric distribution system by optimizing voltage levels within the limits prescribed by ANSI standards and the Code of Maryland Regulations ("COMAR").[161]

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[155] *Id*. at 82-84.
[156] *Id*. at 84-86.
[157] *Id*. at 86-89.
[158] *Id*. at 89-92.
[159] *Id*. at 95.
[160] *Id*. at 96-98.
[161] *Id*. at 95-96.

BGE requests that the Commission allow energy savings of at least 660,000 MWh from its CVR Program. BGE notes that the Commission's order limiting the savings contribution from FTM resources to 20 percent of energy savings targets also permits the utilities to request a greater percentage of savings from FTM measures. Allowing this additional CVR savings would continue the practice from previous cycles of not limiting CVR savings and would also reduce program costs for the 2024-2026 program cycle. BGE seeks the allowance of at least 660,000 MWh in energy savings, as this figure is representative of its FTM savings from the 2021-2023 program cycle.[162]

e. Proposed PIDD

> **Composting Pilot** seeks to engage 1,500 residential and commercial participants to enroll in an online course or live workshop on the benefits of composting, which include trash reduction, plant growth, groundwater protection, and GHG reduction. Participants will receive a rebate towards the purchase of a compost bin or enrollment in a composting service. BGE will monitor participants' behavior for 12 months.[163]

2. Cost Recovery

BGE advocates for the recovery of its proposed electrification programs to be in base rates rather than the EmPOWER surcharge. The Company contends that this would allow costs to be spread out over time, which lowers the monthly bill impacts for customers and more properly aligns the higher costs of such programs with their expected useful lives and the benefits they provide.[164] BGE estimates that, under its Middle Scenario (2023 Scenario plus electrification), an average residential customer would see a 395 percent increase in their annual surcharge from $75 in 2023 to $373 in 2026 under the expensing

[162] *Id*. at 14.
[163] *Id*. at 92-94.
[164] *Id*. at 13.

method currently in place for the 2024-2026 program cycle. Conversely, by recovering electrification costs through base rates, that 2026 annual surcharge would be mitigated to $260. On the C&I side, under BGE's Middle Scenario the average C&I customer would see a 501 percent increase in their annual surcharge from $215 in 2023 to $1,294 in 2026 under the expensing method, and a 2026 annual surcharge of $1281 if electrification costs are recovered through base rates.[165]

BGE recommends a rewards-only PIM that focuses on meeting the statutory MWh reduction requirement within the Company's approved budget. The reward would be a percentage of shared savings based on the benefits test in place during the cycle, with a reduced benefit if BGE spends more than its approved budget. BGE would calculate the reward at the end of each cycle, using the sum of each year's benefits test, with the surcharge adjusted in the subsequent cycle.[166]

> The tables below reflect BGE's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.

[165] *Id*. at 8-9.
[166] *Id*. at 11-12.

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
BGE	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential										
Electric	$ 6.28	$ 10.46	$ 15.41	$ 20.50	$ 11.26	$ 19.90	$ 31.08	$ 11.62	$ 21.00	$ 32.70
Gas	$ 2.37	$ 3.77	$ 5.90	$ 8.27	$ 3.77	$ 5.90	$ 8.27	$ 3.88	$ 6.28	$ 8.81
Commercial										
G	$ 19.18	$ 41.51	$ 75.44	$ 111.98	$ 42.07	$ 77.14	$ 115.24	$ 44.99	$ 88.01	$ 138.40
G-Large	$ 194.93	$ 385.83	$ 664.88	$ 969.62	$ 390.87	$ 678.99	$ 996.82	$ 416.56	$ 772.17	$1,193.27
P & T	$2,463.90	$4,125.94	$6,006.68	$8,251.89	$4,169.68	$6,108.73	$8,456.00	$4,359.21	$6,779.38	$9,884.77

		Average Increase Surcharge Payment (%) (Percent change in total bill will be lower)								
		2023 Scenario			Middle			Maximum		
BGE	Current	2024	2025	2026	2024	2025	2026	2024	2025	2026
Residential										
Electric	0%	67%	145%	226%	79%	217%	395%	85%	234%	421%
Gas	0%	59%	149%	249%	59%	149%	249%	64%	165%	272%
Commercial										
G	0%	116%	293%	484%	119%	302%	501%	135%	359%	622%
G-Large	0%	98%	241%	397%	101%	248%	411%	114%	296%	512%
Electric	0%	67%	144%	235%	69%	148%	243%	77%	175%	301%

F. Potomac Edison

Potomac Edison's 2023 Scenario is largely a continuation of its 2021-2023 programs, but with additional energy efficiency offerings as required and necessary to achieve the incremental energy savings goals. The Middle Scenario builds upon the 2023 Scenario with the addition of a residential DR program as well as several electrification offerings. The Maximum Scenario builds upon the Middle Scenario by expanding the electrification offerings with an increased focus on the direct installation of electrification projects.[167]

As part of its Middle and Maximum Scenarios for the 2024-2026 program cycle, Potomac Edison proposes the addition of a financing mechanism to help defray the initial costs associated with residential and C&I efficiency upgrades and to promote increased participation by qualifying customers. Potomac Edison plans to seek third-party low- to no-cost financing to provide customers with the flexibility and convenience of being able

[167] Potomac Edison Plan at 11.

to pay for products and projects over a period of time. If the Commission continues the CEA Pilot Program for the 2024-2026 program cycle, Potomac Edison would limit its financing to programs and projects not covered by the pilot program.[168]

Potomac Edison does not identify its preferred scenario or request that the Commission approve a specific scenario. Furthermore, the Commission notes that Potomac Edison's residential portfolio, unlike the other utilities, is not cost-effective under the TRC or MJST cost-effectiveness tests and encourages Potomac Edison to seek programmatic changes to improve its residential cost-effectiveness.

> The table below shows the differences between the savings, costs, and cost-effectiveness of Potomac Edison's three proposed scenarios.[169]

		2023	Middle	Maximum
PE	Gross MWh (w Electrification)	496,255	511,653	542,223
	GHG Savings	701,387	761,191	841,699
	Total Cost	$ 274,476,980	$ 318,211,318	$ 473,740,110
	MJST	1.25	1.27	1.1
	TRC	0.66	0.67	0.63

Potomac Edison also makes several requests for flexibility from the Commission for the upcoming program cycle. First, the Company requests that the Commission continue the following previously approved budget and incentive flexibility:[170]

> Utilities may reallocate up to 15 percent of the total approved residential or C&I sector level budgets, between programs within each sector, subject to providing Staff with 10 business days of advance notice and reflecting the reallocation in subsequent semi-annual reports.[171]
>
> Utilities may reallocate previously approved incentive funds between programs within the residential or C&I sector,

[168] *Id*. at 22-23.
[169] *Id*. at 12-13.
[170] *Id*. at 27-29.
[171] Approved in Order No. 88514 (December 22, 2017) and Order No. 89679 (December 18, 2020).

> subject to providing Staff with 10 business days of advance notice and reflecting the reallocation in subsequent semi-annual reports.[172]
>
> Utilities have the flexibility to describe and award customer incentives in "up to $X amounts" as opposed to prescribed uniform amounts.[173]
>
> Utilities have the flexibility to decrease or increase residential or C&I incentives by any amount within the approved "up to" range without Commission or Staff approval, with Commission approval required for any incentive increases above the "up to $X" amounts.[174]

Potomac Edison also requests the flexibility to include and offer measures that are approved for other EmPOWER utilities under common programs and within approved budgets, and to implement measure tier level changes to its offerings in conjunction with market changes, subject to providing Staff with ten business days of advance notice and reflecting the changes in subsequent semi-annual reports.[175]

1. Program Sectors

a. Proposed Residential Programs

Energy Efficient Products Programs:

- **Appliance Rebates** provide rebates or instant discounts to consumers and midstream or upstream buydowns or incentives to retailers, distributors, and/or manufacturers that sell energy efficient products.[176]

- **Appliance Recycling** is a continuation of the current program, with targeted participation by second-hand retailers and limited-income customers.[177]

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[172] Approved in Order No. 89189 (July 11, 2019) and Order No. 89679 (December 18, 2020).
[173] Approved in Order No. 87575 (May 26, 2016).
[174] Approved in Order No. 89189 (July 11, 2019).
[175] Commission approval would be necessary for any new program or measure that would require a budget increase. Potomac Edison Plan at 28-29.
[176] Potomac Edison Plan at 60-63.
[177] *Id*. at 16-17.

Home Retrofit Programs:

- **Home Energy Retrofit** combines the current QHEC and Comprehensive Audit subprograms with updated incentive amounts and structures, additional measures, and a moderate-income weatherization component.

- **HVAC Rebates** continues the current program with updated and added incentives and measures and a revised delivery channel to include downstream incentives.[178]

Behavior-Based is a continuation of the current program providing customized HERs and analysis on energy usage with enhanced customer engagement and education to incorporate GHG reductions.[179]

ENERGY STAR for New Homes provides a rebate to builders for achieving energy efficiency savings and targets through a combination of building shell and installed measures, including appliance and equipment upgrades with updated incentive amounts and an expanded focus on installation of additive measures.[180]

b. Proposed C&I Programs

Small Business Solutions - Direct Install provides an audit with the installation of direct measures and incentives for the implementation of comprehensive energy efficiency improvements recommended through the audit.[181]

Energy Solutions for Business is a continuation of the current subprograms with the following proposed changes for the 2024-2026 program cycle:

- **Prescriptive** provides incentives to C&I customers to purchase and install qualifying energy efficiency equipment.

[178] *Id*. at 64-72.
[179] *Id*. at 73-75.
[180] *Id*. at 76-78.
[181] *Id*. at 79-83.

- **Custom** provides incentives to C&I customers to purchase and install qualifying energy efficient equipment or retrofit specialized processes and applications to higher efficiency processes and applications.

- **Retrocommissioning/Building Operations** focuses on non-capital-intensive actions such as improving the energy performance of existing buildings by maintaining, adjusting, and optimizing the systems already in place.[182]

c. Proposed DR Programs

Residential DR is a new program that will initially target control of residential smart thermostats and would be set to begin implementation starting in 2025.[183]

d. Other Proposed Programs

High-Efficiency Street Lighting offers street lighting tariffs that provide customers with the opportunity to select the installation of efficient lighting fixtures over standard street lighting installations.

High-Efficiency Transformer purchases and installs distribution transformers that comply with DOE-mandated minimum efficiency standards and the life-cycle cost evaluation required by the Maryland Energy Efficiency Standards Act of 2007.[184]

T&D Upgrades measure energy savings achieved by Potomac Edison through improvements that are made to the Company's systems and equipment that are more energy efficient than applicable baselines.[185]

CVR implements, monitors, and maintains the reduction of voltage at select substations and distribution circuits on an annual basis across its service territory to achieve additional energy savings.[186]

[182] *Id*. at 84-103.
[183] The Residential DR Program is not included in Potomac Edison's 2023 Scenario. *Id*. at 104-106.
[184] *Id*. at 107-108.
[185] *Id*. at 108.
[186] *Id*. at 109.

e. Proposed PIDD

Potomac Edison proposes a PIDD budget of $1,000,000 per year to support the Company's efforts to review and analyze potential new programs, subprograms, or measures and enhancements throughout the 2024-2026 program cycle. Potomac Edison will report annually on what investigations, designs, developments, or pilots it is working on, as well as what expenditures are associated with the development of a new program, measure, or enhancement.[187]

2. Cost Recovery

> The tables below reflect Potomac Edison's estimated residential and C&I surcharge increases, in dollar amount and percentage, associated with this cycle's transition to the expensing method of cost recovery, as well as the same data under the current cost recovery.[188]

		Average Surcharge Impact								
		2023 Scenario			Middle			Maximum		
Rate Schedule	**Current**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
R	$ 7.17	$ 10.99	$ 15.62	$ 21.19	$ 11.47	$ 17.17	$ 23.48	$ 13.51	$ 24.28	$ 34.09
C	$ 8.48	$ 13.52	$ 15.44	$ 17.73	$ 14.38	$ 17.32	$ 20.36	$ 16.50	$ 22.31	$ 27.39
G	$ 14.30	$ 22.79	$ 26.11	$ 29.88	$ 24.23	$ 29.29	$ 34.32	$ 27.82	$ 37.74	$ 46.18
C-A	$ 23.89	$ 38.12	$ 41.35	$ 46.93	$ 40.58	$ 46.38	$ 53.89	$ 46.54	$ 59.77	$ 72.51
CSH	$ 31.21	$ 49.78	$ 53.97	$ 58.42	$ 53.00	$ 60.54	$ 67.08	$ 60.79	$ 78.01	$ 90.27
PH (small)	$ 326.86	$ 601.50	$ 689.49	$ 773.48	$ 645.19	$ 773.20	$ 884.74	$ 768.20	$ 1,023.33	$ 1,215.12
PH (large)	$ 8,673.12	$15,200.78	$34,760.31	$47,863.96	$16,250.69	$38,377.50	$53,599.56	$19,194.98	$49,376.11	$71,048.70
PP	$27,755.01	$52,872.67	$48,824.06	$49,084.31	$56,703.11	$53,668.71	$54,622.02	$68,822.38	$71,348.56	$75,010.89

		Average Increase Surcharge Payment (%) (Percent change in total bill will be lower)								
		2023 Scenario			Middle			Maximum		
Rate Schedule	**Current**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
R	0%	53%	118%	196%	60%	140%	228%	89%	239%	376%
C	0%	59%	82%	109%	70%	104%	140%	94%	163%	223%
G	0%	59%	83%	109%	69%	105%	140%	95%	164%	223%
C-A	0%	60%	73%	96%	70%	94%	126%	95%	150%	203%
CSH	0%	59%	73%	87%	70%	94%	115%	95%	150%	189%
PH (small)	0%	84%	111%	137%	97%	137%	171%	135%	213%	272%
PH (large)	0%	75%	301%	452%	87%	342%	518%	121%	469%	719%
PP	0%	90%	76%	77%	104%	93%	97%	148%	157%	170%

[187] *Id*. at 110.
[188] *Id*. at 36.

Potomac Edison recommends a rewards-only PIM that focuses on meeting the statutory MWh reduction requirement within the Company's approved budget. The performance threshold would be set at 85 percent of the annual incremental target for the year under consideration, making Potomac Edison eligible for a financial incentive if it exceeds the threshold in any year of the program cycle. The PIM would be structured to allow for recognizing different levels of achievement. Potomac Edison's performance would be assessed annually, as well as at the end of the program cycle to make up for any potential shortfall in any individual year.[189]

G. Midstream Work Group

In Order No. 90663, the Commission directed the Midstream Work Group to conduct research on single implementer models from other states and to file a status report containing its findings by October 13, 2023.[190] The Work Group was also directed to include in the report an update on small contractor interviews, paperwork reduction to process incentives more quickly, and improved program consistency across utilities.[191] The Work Group Leader tasked the Commission's Independent Evaluation and Verification contractor, Loper Energy, with researching single implementor programs.

The status report filed by the Midstream Work Group contained four overall conclusions made by the Independent Evaluator:

> 1. While changing the Midstream Program to a single implementer model might provide a consistent, uniform source of information and data tracking, it would not address several other serious issues of concern with the program, such as program participation by trade allies, customer

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[189] *Id*. at 36-37.
[190] Maillog No. 303445: Case No. 9648: 2021-2023 EmPOWER Maryland Program at 9 (June 9, 2023).
[191] *Id*. at 9-10.

engagement, the lag between purchase and rebate receipt, and obligations on contractors.[192]

2. The single implementer programs in other states that are often cited as benchmarks are not comparable to the EmPOWER Midstream Program as they are operating in jurisdictions with strong legislative and/or executive mandates for residential electrification.[193]

3. The reported number of heat pumps installed as part of other states' programs often combines types of systems which vary widely with respect to electric and fuel impacts and the level of effort needed by programs to induce installations. Thus, the availability of relevant program data from single implementer programs in other states is insufficient for purposes of comparison.[194]

4. Many of the single implementer programs analyzed were not supported by industry standard evaluations or reporting, which is critical for management and stakeholder engagement.[195]

The Independent Evaluator summarized that there is insufficient data from single implementer programs in other states to draw a reliable comparison of their performance to that of the EmPOWER programs.

While the status report was not a consensus filing, it did recommend that, regardless of whether the Midstream Program is operated by the individual utilities or by a single implementer, the Work Group should develop a unified statewide program manual to "clearly spell out measure eligibility, rebate amounts, application requirements, outreach to trade allies, marketing to customers, and other issues identified by the Midstream Work

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[192] *Id*. at 1-2.
[193] "If nothing else, programs designed to encourage fuel switching target winter heating savings and thus have higher minimum (Heating Seasonal Performance Factor (HSPF) requirements than the EmPOWER programs; the EmPOWER utilities have been more focused on managing summer peak demand and thus have higher minimum EER requirements." *Id*. at 3.
[194] Maillog No. 303445 at 4.
[195] *Id*.

Group as important to program success."[196] The Work Group suggests that the process of creating the manual could serve to clarify and address parties' concerns with the program, and facilitate resolution by the Work Group and, if need be, the Commission.[197]

H. Stakeholder Comments

1. Staff

Staff recommends that the Commission approve BGE's Middle Scenario as well as its proposed Composting Pilot Program and overall PIDD budget, and that the Commission deny, without prejudice, both BGE's request to allow for increased FTM savings and its PIM proposal.[198]

In response to BGE's request that the Commission allow for FTM savings to account for at least 660,000 MWH savings towards BGE's savings goal, Staff points out that BGE did not provide any analysis as to exactly how much that additional spend would be reduced if the Commission was to grant BGE's request for additional FTM savings, and that BGE should be directed to do so before the Commission would consider its request.[199]

Regarding BGE's PIM proposal, Staff contends that a utility should only receive a reward if greater than 100% of its savings goal was achieved, and then the reward should scale based on the percentage by which the goal was surpassed (e.g., if the goal is 2% and 2.03% savings is achieved, the utility should be allowed an additional 3% reward), with the reward capped at 10%. Staff also supports the reduction of a reward if the budget is

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[196] *Id*. at 3.

[197] The Independent Evaluator recommended using the New York State Clean Heat Manual as a template for the unified program manual. *Id*. at 4.

[198] Staff Comments at 2.

[199] *Id*. at 27.

overspent but cautions that the Commission must ensure a utility does not overinflate its budget in order to avoid this penalty.[200]

Staff recommends that the Commission approve Delmarva's 2023 Scenario, finding it to be the most cost-effective and with the lowest bill impacts to customers,[201] as well as Delmarva's three proposed pilot programs and overall PIDD budget. Staff recommends that the Commission deny Delmarva's PIM proposal on the same basis as its recommendation regarding BGE's, and also that the Commission deny, without prejudice, Delmarva's proposal that the costs of its electrification program be recovered through base rates in a future filing.[202]

Staff recommends that the Commission approve Pepco's 2023 Scenario, finding it to be the most cost-effective and with the lowest bill impacts to customers,[203] as well as Pepco's three proposed pilot programs and overall PIDD budget. Staff recommends that the Commission deny Pepco's PIM proposal on the same basis as its recommendation regarding BGE's, and also that the Commission deny, without prejudice, Pepco's proposal that the costs of its electrification program be recovered through base rates in a future filing.[204]

Staff recommends that the Commission approve Potomac Edison's Middle Scenario, finding it to be the most cost-effective with costs similar to the 2023 Scenario,[205] its proposed PIDD budget, and its requests for incentive level flexibility.[206] Staff also

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[200] *Id*. at 28.
[201] *Id*. at 46.
[202] *Id*. at 3.
[203] *Id*. at 64.
[204] *Id*. at 3.
[205] *Id*. at 73.
[206] *Id*. at 79-80.

recommends that the Commission approve Potomac Edison's finance program proposal, based upon Potomac Edison's intention to expand lending into programs and for customers that are not covered by the CEA Pilot Program, should the Commission continue it into the 2024-2026 program cycle.[207] Staff recommends that the Commission deny, without prejudice, Potomac Edison's PIM proposal on the basis that, among other things, it does not include a penalty for failure to meet a minimum level of verified savings.[208]

Staff recommends that the Commission approve SMECO's Middle Scenario, noting that, while it was not the most cost-effective of the scenarios proposed by SMECO, it was the most cost-effective at reducing GHG emissions, which Staff found was not adequately addressed in SMECO's 2023 Scenario. Staff also recommends that the Commission approve SMECO's proposed Smart Home Phase 3 Pilot Program and budget and its Unidentified PIDD budget, but deny SMECO's proposed Afforestation and Tree Planting Pilot Program.[209]

Staff recommends that the Commission approve Washington Gas's Middle Scenario, noting that it provides higher savings than the 2023 Scenario while still maintaining comparable levels of cost and cost-effectiveness to it. Staff recommends that the Commission deny Washington Gas's proposed Demand Response Program, finding that it doesn't produce a sizable amount of savings in relation to the cost of the program and isn't cost-effective. Staff recommends that the Commission deny, without prejudice, the proposed Hybrid Heat Pump Pilot Program as there are significant costs associated with

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[207] *Id*. at 79.
[208] *Id*. at 80.
[209] *Id*. at 99-100.

running the program, deny the Tree Planting Pilot Program as it is offered only in Washington Gas's Maximum Scenario, and approve the Runwise EMS Pilot Program.[210]

2. OPC

OPC recommends that the Commission approve the Middle Scenarios proposed by the Electric Utilities, with the exceptions of approving Demand Response Programs at the Maximum Scenario levels[211] and deferring decisions regarding electrification programs.[212] OPC supports denying the utilities' request to allow FTM savings to count for more than 20% towards their EmPOWER savings goals.[213]

OPC recommends approving Washington Gas's Maximum Scenario, while prohibiting both Washington Gas and BGE from offering gas appliance incentives to keep from "locking in" the use of natural gas. OPC recommends the elimination of incentives for central air conditioners, asserting that they compete with heat pump systems which are more efficient and provide cleaner heating as well as cooling.[214] OPC points out that both Washington Gas and BGE should be directed to file an amendment to their respective gas savings forecasts based upon any of the foregoing disallowances from the Commission.

OPC supports DHCD's proposed plan,[215] but recommends that the Commission deny any utility proposal that primarily targets buildings served by DHCD.[216] OPC further recommends that approval of any utility request for a dedicated DHCD coordination budget

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[210] *Id*. at 122.
[211] *Id*.
[212] "With regard to electrification, we recommend the Commission defer until 2024 any decision to approve cost-recovery for utility electrification programs pending additional planning from MDE and MEA." OPC Comments at 5.
[213] *Id*.
[214] *Id*. at 51.
[215] At this time, OPC does not support DHCD's proposal to restrict participation in its MEET program to electric households only as DHCD meeting its legislative electric saving goals still needs to be balanced with the State's GHG reduction goals. OPC Comments at 73-74.
[216] *Id*. at 5.

or multifamily program should be contingent upon collaboration with DHCD as well as the utility filing a detailed plan outlining, at a minimum, the specific use of funds, a clearly articulated marketing and outreach plan, key metrics to be reported on in order to assess program effectiveness, and clarification as to how the utility will avoid market confusion, competition, and overlap with services provided by DHCD.[217]

OPC notes that the midstream programs are "ailing" and that the utilities' inconsistent approaches are preventing the programs from improving and progressing. OPC recommends that the Commission deny the electric utilities' proposed HVAC programs and direct them to re-file their respective program proposals by July 1, 2024 to incorporate a single statewide implementer and an instant rebate approach.[218] OPC also recommends that the filing should incorporate heat pump water heaters as well as HVAC equipment, should exclude central air conditioners, and should include a draft Request for Proposals in order for the Commission to ensure that the solicitation for the single implementer is consistent with its objectives. In order to minimize market disruption, OPC suggests that the utilities be allowed to continue their current midstream programs until Commission direction following the utilities' re-filing.[219]

With regard to cost recovery, OPC supports the Commission maintaining the current plan to phase in the expensing model of cost recovery in order to prevent the accumulation of greater unamortized ratepayer obligations and recommends that the utilities be given a slightly extended period to pay down the unamortized balance to ease the transition to expensing and the increased surcharge impact. OPC suggests that the

[217] *Id*. at 64.
[218] *Id*. at 4.
[219] *Id*. at 33.

utilities be directed to re-file their respective surcharge impact analysis with the pay-down date extended to 2031.[220]

OPC recommends that the Commission modify the utilities' proposed PIMs by adjusting the savings thresholds and award amounts to better balance earnings with risk.[221] OPC supports a PIM based on net benefits,[222] as well as a reward reduction of 50% if the utility does not achieve at least 80% of its forecasted savings for each sector. Given that the utilities will continue to earn a return on the portion of 2024-2026 costs that are amortized, as well as a return on the large unamortized balance, OPC recommends that, on aggregate, utility PIM earnings for goal achievement should be equivalent to 2.5% of program costs.[223]

3. MEA

MEA recommends that the Commission approve the Middle Scenario for Pepco, Potomac Edison, and Delmarva, and the 2023 Scenario for BGE, SMECO, and Washington Gas. MEA is concerned about significant rate increases and finds that these scenarios are the most likely to achieve statutory savings requirements along with GHG reductions while having the least impact on ratepayers. Still, MEA proposes that the Commission explore ways to manage the rate increases, including removing limitations on FTM programs and

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[220] *Id*. at 4 and 35.

[221] "Performance targets and earnings should be commensurate with the risk the utilities face in operating programs and achieving results. As a general matter, utilities do not face substantial financial risk here, because costs are recovered on an annual basis (unless there is a finding of imprudence, which would be extremely exceptional)." *Id*. at 28.

[222] OPC finds it unclear whether or not utility proposals are based upon total or net benefits. *Id*. at 27.

[223] OPC Comments at 31.

reviewing the cost recovery approach currently in place for the 2024-2026 program cycle.[224]

If the Commission moves forward with the expense model for cost recovery, MEA submits that a reward-model PIM would be acceptable, but recommends that the proposed reward percentages be reviewed to align with the returns that the utilities currently receive from the program in order to manage costs to ratepayers while incentivizing the utilities.[225] MEA believes that rewards should be provided when the portfolio is able to achieve at least 95% of its Commission-approved goal.[226]

MEA is concerned about utility involvement in the limited-income programs, particularly in light of the statutory goals that must be met by DHCD, and opposes any program that may compromise DHCD's ability to meet its goals. MEA further calls for increased coordination between the utilities and DHCD to reduce redundancy and costs, and prevent conflicts and competition, as utilities have proposed programs that are similar to DHCD offerings.[227]

MEA supports Potomac Edison's request for additional flexibility to reallocate funds within program sectors, as well as Potomac Edison's financing program proposal, provided that it does not conflict with the CEA financing program, should the Commission choose to continue the pilot.[228]

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[224] MEA Comments at 7. "Given the cost implications of meeting the EmPOWER saving goals, MEA believes that the Commission should review the cap on CVR measures with a view to possibly increasing it." *Id*. at 13.
[225] MEA Comments at 14.
[226] *Id*. at 25.
[227] *Id*. at 8.
[228] *Id*. at 25.

4. MEEA

MEEA recommends that the Commission approve only the first year of the Electric Utilities' 2023 Scenario in order to allow an independent evaluator to "conduct program-level cost benchmarking and best practices review of the EmPOWER utilities and leading utilities nationwide to make lifecycle cost determinations."[229] MEEA suggests the Commission direct the utilities to file revised cycle plans by August 1, 2024 reflecting several modifications, including elimination of redundant program administrative costs, joint program implementations, consistent program models and lifecycle costs across the utilities, inclusion of building electrification programs, and the elimination of counting CVR savings towards EmPOWER goals.[230]

MEEA also recommends that the Commission approve only the first year of Washington Gas's 2023 Scenario, but exclude incentives for gas equipment beginning in July 2024. MEEA suggests the Commission direct Washington Gas to file a revised plan by August 1, 2024 demonstrating the removal of gas equipment incentives as well as no longer making residential new construction incentives available to homes that use fossil fuel or connect to the gas distribution system beginning in 2025.[231] MEEA also supports the prioritization of heat pumps over central air conditioners, claiming that continuing to incentivize central air conditioner replacements "supports continued reliance on fossil heating systems because, once a new central air conditioner is installed, customers will have no incentive to retire a functioning gas heating system, thus impeding future electrification efforts."[232]

[229] MEEA Comments at 5.
[230] *Id*. at 7 and 24.
[231] *Id*. at 7-8.
[232] *Id*. at 46.

MEEA does not support BGE's Composting Pilot Program, stating that any proposal for an energy utility to become involved in solid waste management should involve MDE prior to seeking Commission authorization.[233] MEEA also recommends rejecting the utilities' PIM proposals, noting that it would support the establishment of a PIM that rewards utility performance above statutory goals, and support equivalent PIM application across the utilities.[234]

MEEA also does not support utility programs targeted to DHCD-eligible customers, claiming it would risk diverting customers who qualify for DHCD programs to the utility programs. Instead, MEEA recommends that the approval of any utility limited-income program should be conditional, and contingent on the utility first filing a program implementation plan that addresses how its program would ensure that income-qualified customers are referred to, rather than diverted from, DHCD.[235] Similarly, MEEA recommends that the Commission reject the utilities' proposed EAH and multifamily programs as they are likely to increase market confusion, impede DHCD's own program expansion efforts, and complicate reporting and savings attribution.[236]

MEEA recommends approval of DHCD's proposed plan, and suggests that DHCD track data points related to its modifications to existing programs to assess effectiveness.[237] MEA also recommends that the Commission establish a percent-of-income payment plan ("PIPP") for income-qualified households to limit total energy burdens to no more than 6%

[233] *Id*. at 70.
[234] *Id*. at 67 and 69.
[235] *Id*. at 39-40.
[236] *Id*. at 41.
[237] *Id*. at 8 and 52-54.

of income or, in the alternative, establish a capped annual EmPOWER surcharge of $50 for income-eligible households to mitigate increasing utility rates.[238]

5. Montgomery County

Montgomery County recommends that the Commission end all incentives for combustion equipment, noting that the State's draft Building Energy Performance Standards will require many large buildings to eliminate emissions from on-site combustion of fossil fuels by 2040, which is only 17 years away - less than the expected operating life of most major HVAC equipment. At a minimum, it recommends that the Commission deny incentives for combustion equipment in any form of new construction or buildings required to comply with the State's Building Energy Performance Standards.[239]

Montgomery County recommends that the Commission reject the utilities' electrification plans and direct the utilities to refile them in this proceeding by mid-2024 after the Commission clarifies whether and how its decision regarding electrification components of the BGE MYP may impact the electrification elements of other proposed EmPOWER plans. Refiled electrification plans should be revised to include eligibility for all customers to receive high-efficiency electric heat pump incentives regardless of the equipment they might be replacing, and to consider whether a statewide third-party program administrator model might be most effective at supporting electrification for certain customer segments.[240]

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[238] *Id*. at 8.
[239] https://mde.maryland.gov/programs/air/ClimateChange/Pages/BEPS.aspx. Montgomery County Comments at 5-6.
[240] *Id*. at 8.

The County also recommends aligning the marketing and program design of EmPOWER equipment incentives with the non-EmPOWER-funded incentives available from the Inflation Reduction Act ("IRA"). Montgomery County believes that doing so will help to increase customer participation and better inform purchasing decisions for efficient equipment. The County recommends that the Commission direct the utilities to provide an update mid-2024 on how their marketing efforts and program designs will integrate information about IRA incentives to assist with informing customers on their full range of savings support.[241]

Montgomery County supports the current limitations placed on savings derived from CVR programs, believing the focus of EmPOWER programs should remain behind-the-meter. The County recommends rejecting all pilot programs that are not building-related (i.e., afforestation and composting), holding that such programs are outside of the core objectives of EmPOWER.[242] It supports a statewide financing program[243] and a PIM that incentivizes BTM electrification and rewards the achievement of more than 100 % of an energy savings target,[244] and it encourages the Commission to ensure that the utilities appropriately direct all eligible customers to DHCD offerings.[245]

6. MEAC

MEAC recommends that the Commission require DHCD and the utilities to develop a formal protocol to ensure that limited-income households are not serviced by the utilities' EmPOWER programs, and to seamlessly transition limited-income households

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241 *Id*. at 9-10.
242 *Id*. at 8-9.
243 *Id*. at 10.
244 *Id*. at 11.
245 *Id*. at 11-12.

that begin to receive service from a utility's EmPOWER program over to DHCD without the need to start the project over from the beginning. MEAC also requests that the Commission put procedures in place to ensure that limited-income residents do not cross-subsidize their funding to higher income households. Finally, MEAC recommends that the utilities utilize case managers to improve customer service and ease navigation for customers through their respective EmPOWER programs.[246]

I. Commission Decisions

The EmPOWER Maryland 2024-2026 program cycle will be one of many changes. Previous Commission decisions, legislative enactments, and the State's overarching climate policy brought about the need for modifications and adjustments to prior programs in order to continue to achieve required energy savings. The elimination of residential lighting savings, limitations placed on savings allowed from CVR and other FTM measures, and increasing energy savings requirements result in a higher cost-to-achieve for the forthcoming program cycle than what EmPOWER has experienced in the past. Additional changes to legislation by the General Assembly and guidance from State agencies are very likely forthcoming, thereby bringing about the need for even further program modifications. Flexibility and collaboration, now more than ever, are a must for all utilities, State agencies, and stakeholders.

The Commission decisions herein are intended to balance the need to meet current program requirements with careful consideration of bill impacts to ratepayers. While the program's previous amortization of costs allowed customers to experience reduced monthly bill impacts, the approaching pay-down of those amortized costs will result in

[246] MEAC Comments at 1.

higher monthly surcharges, before customers ultimately are able to realize resultant long-term bill savings. The Commission is cognizant of the need to make that interim pay-down period as manageable as possible for ratepayers, while still ensuring that the utilities implement programs that will allow them to meet their legislatively mandated energy savings goals.

1. Approved Utility Scenarios

BGE, Pepco, Delmarva, Potomac Edison, and SMECO are directed to implement their respective 2023 Scenarios, subject to the parameters stated herein. As expected, given its lack of financial constraints, the Maximum Scenario significantly deviated from the EmPOWER priority of balancing ambitious programs against ratepayer impacts. While the Maximum Scenario provided helpful data for comparison purposes, it simply cannot be implemented at this time given its cost to customers. Several utilities proposed Middle Scenarios that were nearly identical to their 2023 Scenarios, but for the addition of an electrification program (addressed elsewhere in this Order). Overall, the Commission finds that the 2023 Scenarios present the utilities with the best option for meeting their energy savings requirements in a cost-effective manner, while also minimizing the surcharge increases to customers as much as is practical.

Washington Gas is directed to implement its weatherization program under its Middle Scenario, and all other programs under its 2023 scenario. As discussed below, the Commission allows the continuation of gas appliance incentives within the EmPOWER Program for one year only, after which the Commission will re-evaluate the appropriateness of continuing to permit such incentives within the program.

The Commission notes that, under the 2023 Scenario, and incorporating the Commission's decisions herein, BGE and Pepco's filings show that they are not forecast to meet their statutorily imposed goal. The Commission therefore directs BGE and Pepco to re-file their 2024-2026 EmPOWER Program Plan with their February 15, 2024 semi-annual report, therein explaining how they are on track to meet their goals, and the modifications to the plans that have been made in order to do so.

The Commission is concerned about the inconsistent program modeling and lifecycle costs of the programs presented as identified by MEEA. The EM&V Work Group is directed to study this issue and bring to the Commission's attention any mistakes that are identified and that have implications upon the approved programs, as well as proposed solutions for the mistakes. In future program cycles, the Commission expects more uniformity across the program assumptions that inform proposals made to the Commission. The EM&V Work Group is directed to file its report with the Commission by July 1, 2024.

As noted elsewhere and throughout this order, there are several programs for which the Commission directs additional work to be done. It follows that program review and likely modifications will be forthcoming in the early part of the 2024-2026 program cycle.

2. Demand Response Programs

All utilities are directed to implement their respective Demand Response Programs in accordance with their proposed Maximum Scenario. The Commission finds very little difference between most utilities' Demand Response Programs proposed as part of the 2023 and Middle Scenarios, both of which forecast little to no increased savings from the current programs.[247] It follows that the Maximum Scenario is the utilities' best, and perhaps

[247] *See* OPC Comments at 80 for summary data on demand response savings differentials.

only, opportunity to achieve savings greater than in previous cycles, something that the Commission finds important in order for statutory savings goals to be met.

The Commission would like to see innovation within the Demand Response Programs, and therefore adopts OPC's recommendation for the investor-owned utilities to develop and submit supplemental plans for their Demand Response Programs by August 1, 2024, containing proposals for including winter peak reductions in their respective programs by December 2024 on at least a pilot basis.

As part of exploring greater innovation, the Commission is seeking proposals from the utilities that test flexible load management strategies by optimizing load on a daily, weekly, or monthly basis. Similarly, the utilities should explore how their existing or new Demand Response Programs can be used to provide locational demand response to better avoid capital investments. The investor-owned utilities are directed to explore these subjects and include an update addressing such programs in the August 1, 2024 filing as well.[248] Additionally, the utilities should continue to review and work with the EM&V Work Group on the benefits and costs that inform their program design and evaluation.

In response to Montgomery County's recommendation that the utilities be required to provide 15-minute peak demand data by the utilities that have green-button connect, the Commission is interested in the County's claim that doing so could help reduce barriers to electrification by avoiding service upgrades that aren't needed or, alternatively, could allow for partial electrification without delay, even if upgrades are eventually needed. The Commission therefore directs the utilities to include in their August 1, 2024 filing a detailed

[248] This applies to both electric and gas Demand Response Programs.

explanation of whether or not such provision of data is possible and, if so, the process for doing so.

Finally, OPC requested that Staff be directed to propose MW savings goals for the utilities' 2025 and 2026 programs to pursue more ambitious demand response within EmPOWER, and to consider non-EmPOWER demand reductions. The Commission believes there is merit to exploring the establishment of demand reduction goals, but does not adopt OPC's recommendation for this program cycle as program design goals were previously discussed and set. Staff is directed to work with parties in the appropriate work group to determine if a MW savings goal should be established and, if so, what the goal should be for the 2027-2029 program cycle. Staff is directed to provide a progress report on this matter as part of its October 2024 semi-annual comments.

3. PIDD Programs

The Commission approves the utilities' proposed PIDD programs and budgets, unless otherwise noted herein. BGE's Composting Pilot and SMECO and Washington Gas's Tree Planting Pilots are denied as they are not included in the utilities' 2023 Scenarios, are outside the scope of the EmPOWER Maryland Program, and do not provide direct benefits to ratepayers. Delmarva and Pepco's Energy Engineers Pilot Programs are denied without prejudice. The Commission is not clear on how the utilities plan to quantify the pilot's performance and success. Delmarva and Pepco are free to re-propose the pilots after providing greater detail as to planned program measurements. Washington Gas's Hybrid Heat Pump Pilot Program is denied. Washington Gas is already piloting gas heat pumps and was prohibited from including gas heat pumps in their program proposals until the pilot is completed and evaluated.[249]

The Commission reminds the utilities that all pilot programs must be filed in accordance with the parameters detailed in Order No. 88438,[250] and that the utilities are not permitted to utilize unspecified PIDD funds that were unassociated with an approved pilot program without Commission approval.[251] Furthermore, the utilities are directed to provide regular updates on their pilot programs in each semi-annual report, and to file a final report on all pilot programs by July 1, 2026 to allow for adequate consideration of whether to include the pilots as permanent programs in the utility's 2027-2029 program cycle.

4. Potomac Edison Requests

The Commission approves Potomac Edison's requests for flexibility as described earlier herein, both the continuation of previously approved budget and incentive flexibility as well as the new measure and tier level flexibility requests made as part of the 2024-2026 program cycle. The Commission recognizes the benefits associated with the flexibility, including the avoidance of regulatory delay and the ability to respond quickly to market changes and supply change conditions. As a result, the Commission approves Potomac Edison's requests for all of the EmPOWER utilities and, where applicable, DHCD, subject to the requirement that Staff be provided with ten business days advance notice of any such

[249] Maillog No. 303445: Case No. 9648: *The 2021-2023 EmPOWER Maryland Program*, Order No. 90663 at 6 (June 9, 2023).
[250] Maillog No. 217542: Case No. 9453: *In the Matter of the Baltimore Gas and Electric Company Request for Approval of a Prepaid Pilot Program and Request for Waivers of COMAR and Commission Orders* at 20 (October 25, 2017).
[251] This includes both Washington Gas's General and Strategic PIDDs.

changes, that Staff affirmatively supports the utilities' proposed changes, and that the changes are reflected in subsequent semi-annual reports.

The Commission also approves Potomac Edison's proposed financing program. While Potomac Edison only included the program in its Middle and Maximum Scenarios, financing availability could greatly increase access to the benefits provided to ratepayers through the EmPOWER Maryland program, and thus is approved as part of Potomac Edison's implementation of its 2023 Scenario. Furthermore, the Commission is interested in the prospect of a statewide financing program and finds that the Potomac Edison proposal could serve as a helpful blueprint for development of a statewide offering. This program must in no way conflict with the CEA financing program administered by the Maryland Clean Energy Center and the Montgomery County Green Bank. While Potomac Edison noted in its proposal that it would exclude measures that are eligible under the CEA program and limit financing to the balance of programs and projects not covered by CEA, the Commission would like more information on how the utility will accomplish these goals. Potomac Edison is therefore directed to include a status report detailing how its program will work in tandem with the CEA program, and how it will ensure that the financing program will provide uplift to its EmPOWER programs in its 2023 third and fourth quarter semi-annual report.

5. Utility Limited-Income Programs

The Commission has always placed great importance on EmPOWER programs reaching the limited-income community, something that will now be even more of a priority given the recent legislatively mandated savings goals imposed upon DHCD. While DHCD has been the primary administrator of EmPOWER Maryland's limited-income programs for several cycles and will continue to be considered such for the 2024-2026 program cycle, some utilities have proposed programs targeting limited-income customers. These utilities note that their programs are intended to complement DHCD's programs and serve only those customers not eligible for DHCD incentives but did not provide detailed information as to how they would ensure that risks such as the double counting of savings and inadvertent competition would be prevented.

The low-, limited-, and moderate-income programs proposed by BGE, Pepco, Delmarva, and Potomac Edison for the upcoming cycle are denied without prejudice. The utilities may, however, propose their respective programs to DHCD to allow DHCD to first determine whether or not to support the utility's program design, and to confirm that the utility program would not interfere with or detract from DHCD programs. If and when DHCD approves of a utility program geared towards the low-, limited-, or moderate-income community, that utility may then re-propose the program to the Commission for approval.

6. Midstream Programs

It is undisputed that the utilities have had a difficult time getting their midstream programs to operate successfully. Participation numbers and, consequently, energy savings numbers, have been low, especially in comparison to other midstream programs across the country. Some parties have advocated for transitioning the program to a single implementer model in an attempt to improve program performance. In response, the Commission directed the Midstream Work Group to research single implementer midstream programs in other states. As noted previously, the findings were not helpful as most states running a single implementer model do so under circumstances not comparable to the EmPOWER Maryland program.

While there seems to be agreement that the midstream program must be modified in order to see improvements, there is no agreement as to what modifications should be made. Some parties continue to advocate for the single implementer model, while others propose a downstream model, and still others propose operating the current model under a uniform operations manual. One thing that the utilities and stakeholders seem to agree on is that a uniform, consistent model would bring about increased program participation and savings. The Commission also agrees.

The Commission does not find transitioning the midstream program to a single implementer model appropriate at this time. While doing so may bring about consistency in program administration, marketing, and implementation, it is not the only means to do so. Furthermore, the full transition to a single implementer model would take several years and would still require the midstream program to become more streamlined by, among many other things, expanding contractor engagement, removing the majority of administrative requirements currently placed on contractors, and improving metrics to track distributor engagement. The Commission notes that none of the utilities or the outside contractors favored the single implementer model.

The Commission finds that a unified statewide program manual should help to improve the current midstream program. The Midstream Work Group is therefore directed to develop a Uniform Program Manual ("UPM") by January 1, 2025. The UPM must clearly identify measure eligibility, rebate amounts, application requirements, outreach to trade allies, marketing to customers, and other issues identified by the Midstream Work

Group and stakeholders as important to the success of the program. In order for the Commission to monitor the process and progress of the UPM, and to address any concerns as they are raised, the utilities are directed to include in their semi-annual reports between now and January 1, 2025, the status of the UPM development, as well as their proposed implementation plans, as implementation of the UPM will be expected immediately upon the Commission's acceptance of the Manual. While the conversation regarding Midstream Programs has focused on residential programs, the parties should determine if commercial programs should also be included in a UPM.

The Commission is also interested in receiving additional information to determine if it is possible to operate both a downstream and midstream program for the applicable appliances. The Midstream Work Group is therefore directed to file a status report by April 15, 2024 containing its findings and recommendations on the issue.

Finally, the Commission notes that previous concerns regarding excessive paperwork and administrative tasks required by contractors, and delays in receiving rebates, have not been adequately addressed. The Commission directs the utilities to improve upon both issues, and to file a status report with the Commission in their February 15, 2024 semi-annual report explaining in detail the steps that were taken to correct these issues. If the relevant issues for a particular utility have not been resolved by the date of the status report, that utility shall notify the Commission once the issues are addressed, but no later than April 15, 2024.

7. Residential New Construction Programs

The Commission is interested in seeing an increase in the utilities' residential new construction targets, as well as the development of a higher tier for incentives. The utilities are directed to establish targets and reporting for the program above the long-standing range of 35-45%, and to offer incentives and establish targets for all-electric homes, as well. The utilities are also directed to offer incentives and establish targets for a whole-home tier geared towards higher efficiency than ENERGY STAR, such as DOE's ZERH or Passive House, similar to those previously operated in the 2021 - 2023 cycle. Efforts to make these modifications and additions should be included in the utilities' February and August semi-annual reports.

8. Appliance Recycling Programs

In a joint November 3, 2023 filing, the Electric Utilities indicated their decision to terminate their respective Appliance Recycling Program for 2023, given that ARCA, the subcontractor to their programs' implementation vendor, has ceased operations due to financial challenges. The Electric Utilities noted that they are working to issue a Request for Proposal ("RFP") in support of the planning and launch of their 2024 Appliance Recycling Programs, and that they are working to document the issue's impact on their respective target.[252] The Electric Utilities are directed to file a status report with the Commission as part of their February 15, 2024 semi-annual report, providing an update as to the program's vendor status and any modifications to be made to the utilities' targets as a result of any program delay. The utilities are to include in this status report how they intend to mitigate load growth from continued use of duplicative old appliances (e.g., the "beer fridge") in the absence of an appliance recycling program.

Additionally, the Commission would like to receive information about the potential implications and appropriateness of limiting provision of the recycling rebate to only those

[252] Maillog No. 305980: Case No. 9648: *The 2021-2023 EmPOWER Maryland Program* (November 3, 2023).

who have affirmatively replaced the recycled unit with an efficient appliance under EmPOWER. Staff is to select the appropriate work group to consider this program modification, with the chosen work group to file a status report containing its findings by April 15, 2024.

9. Loyalty Programs

As stated earlier in this Order, the Commission approves BGE's Residential Rewards Program and SMECO's Energy Perks Program, both of which are part of their respective utility's larger Home Retrofit offerings. BGE's Residential Rewards Program is a new program based upon SMECO's Energy Perks, which was run as a pilot during the 2021-2023 cycle and is now being proposed as a full program. Both are considered loyalty programs in that they reward customers with points redeemable for benefits for participation in energy efficiency programs. As proposed, one or both of the programs include gift cards, cash, Fuel Fund donations, and Online Marketplace coupons as types of benefits available. While the Commission approves the loyalty programs, it directs BGE and SMECO to only allow loyalty rewards to be used by customers towards their respective utility's energy efficiency programs. As neither program is directly measuring energy reduction benefits, the Commission does not find it appropriate for ratepayers to fund cash rewards or donations.

10. Behavioral Programs

As previously noted, the Commission approves the Electric Utilities' proposed Behavioral Programs, and will not impose a limit on the programs' contribution towards savings goals at this time. Behavioral programs create opportunities to provide ratepayers with information, suggestions, and introductions to other programs to help reduce their energy consumption. The utilities must all ensure that the messaging in their Behavioral Programs includes recommended behaviors as well as referrals to other programs the ratepayer can participate in.

Finally, the Commission is concerned about the issues raised by OPC regarding the increase in program costs despite little programmatic and savings changes. The EM&V Work Group is directed to file a status report by August 1, 2024, in response to OPC's inquiry as to why the anticipated cost of the Electric Utilities' Behavioral Programs increased so dramatically from the last program cycle, despite relatively few changes having been made to the program designs and attainable savings.

11. C&I Programs

The Commission approves the Electric Utilities' proposed C&I Custom Programs as filed but is also interested in measures not included in the filings. The utilities should explore the inclusion and possible promotion of green roofs and white painted roofs as part of their C&I Custom Programs and report their findings and recommendations to the Commission in a status report to be filed by August 1, 2024.

Additionally, the Commission notes that a serious concern regarding the administration of BGE's Building Tune-Up incentive was filed in the public comments.[253] The Commission directs Staff to study this complaint, assist the customer, and determine if this is an isolated issue or something systemic within BGE's programs, such that remediating actions are necessary. Staff is directed to file a status report on the matter with the Commission in its comments on the Utilities February 15, 2024 semi-annual report.

[253] *See* Public Comments filed by Christopher James Mincher at https://webpsc.psc.state.md.us/dms/search-public-comments.

12. Electrification

In Order No. 90755, the Commission granted OPC's Motion to Strike BGE's Customer Electrification Plan as it was proposed in the context of BGE's 2023 Multi-Year Rate Plan. There, the Commission found that BGE's proposed electrification plan was premature to consider, noting that MDE was not required to file its State plan to reduce GHG emissions until December 31, 2023, and the Maryland Building Code Administration ("MBCA") was not required to file its final report addressing timely and cost-efficient methods for decarbonizing buildings until December 1, 2023. BGE's Customer Electrification Plan was rejected without prejudice. The Commission noted that, if BGE elected to re-file its electrification plan or an amended plan as part of the EmPOWER Maryland proceeding or another docket, it should wait until after MDE and MBCA have made their required filings.[254]

Here, the Commission follows Order No. 90755 in denying the utility proposals for electrification programs. Because the MDE and MBCA reports may contain electrification policies for Maryland that rely on a more limited use of gas approach, addressing utility electrification proposals remains premature in any docket. Additionally, EmPOWER continues to have an energy efficiency goal which stands in contrast to the load increases that would result from electrification. If and when electrification programs are re-proposed, justification must be provided as to why EmPOWER, as an energy reduction program, should fund electrification programs. Furthermore, the electrification plans that have been proposed as part of this proceeding vary in their approach, detail, cost, and savings, and the Commission expects any re-proposed plans to encompass better consistency among the

[254] Maillog No. 304507: Case No. 9692, *Baltimore Gas and Electric Company's Application for an Electric and Gas Multi-Year Plan* at 8 (August 9, 2023).

utilities. The utilities are directed to work amongst themselves and with stakeholders to better design the programs before any re-proposal is filed, which may be no earlier than August 1, 2024.[255]

13. Natural Gas Incentives

Several parties requested that the Commission disallow the continuation of gas appliance incentives as part of the EmPOWER Program. The requests are often based on the argument that, by incentivizing the purchase and installation of gas appliances, the EmPOWER Program effectively locks in the use of natural gas for many years, making a home or business unnecessarily dependent upon gas unless the ratepayer is willing to have costly retrofits performed. Others argue that incentivizing the use of fossil fuel contradicts the State's climate goals. Still other arguments request that, at a minimum, new construction programs should not incentivize the use of gas appliances, as new construction is the optimal, most cost-effective time to construct homes to integrate highly efficient electric heating and cooling technologies.

The Commission notes the requests made, and the reasons therefor. However, with the MDE and MBCA plans having not yet been filed, or having just been filed, and with the Commission recently docketing its gas planning proceeding in Case No. 9707, the Commission understands that natural gas as a source is under consideration and discussion by State policy makers, and finds that this is not the appropriate time to make a modification that would be so impactful to ratepayers and the program. As previously noted, the Commission approves the continuation of gas appliance incentives for one year, with plans to re-evaluate the inclusion of gas appliances in the EmPOWER Maryland

[255] Any improved program designs should include the exploration of including electrification readiness within the QHEC assessment.

Program during the fall 2024 EmPOWER hearings. The utilities should be prepared to justify continuation or removal of gas appliances from their programs in their August 1, 2024, filings based on current Commission proceedings and State policy at that time.

14. Cost Recovery

It is undeniable that statutory changes, the pay-down of the unamortized balance, and the transition to an expensing method of cost recovery, among several other factors, will lead to increased surcharges. While many of these factors will also bring about long-term bill savings for customers, the reality is that customers will be experiencing significant bill impacts in the short-term, as well. The Commission has always been aware that there would be bill impacts, but the utilities' 2024-2026 plan proposals helped to make the surcharge increases more defined, which in turn helps the Commission in determining how and when to make cost recovery adjustments.

The Commission is concerned about the substantial rate impacts presented through the utilities' scenarios.[256] In order to ease the transition into the expensing method, the Commission is extending the pay-down of the unamortized balance from the previously ordered five years to seven years. Based on responses to the Commission's Bench Data Requests, this adjustment will have minimal impact on decreasing the surcharges for the 2024-2026 program cycle, and so is viewed as a start to the conversation, perhaps to be led by MEA, on mitigating cost impacts to customers. The utilities are therefore directed to file their revised surcharges within 15 days of the issuance of this order, reflecting the modifications to their programs as required by this order. Additionally, as discussed at the

[256] In addition to the large increases in the residential surcharges, the Commission specifically notes additional concern about the possible impacts to C&I customers' bills, especially those receiving service from Potomac Edison.

Commission's December 20, 2023 Administrative Meeting, the surcharges in effect as of that date will be in effect for part of 2024, which may be contrary to Pepco's and Delmarva's tariffs. To the extent that it is necessary, the Commission grants Pepco and Delmarva a waiver of the applicable tariff provisions that require them to revise their surcharges by January 1 of each year until the new surcharge takes effect in 2024.

The Cost Recovery Work Group is directed to convene to determine if there is an improved method for balancing the shift to an expensing model with the rising program costs and increased surcharges. The Work Group should include an examination of the rate design associated with the utilities' C&I customers to determine how to mitigate rate impacts to this class of customer due to the rising program costs and transition to the expensing model. The Work Group is directed to file a status report on its findings with the Commission by April 15, 2024, and a final report with recommendations by July 1, 2024. The Utilities are directed to respond to the final report in their August 1, 2024 filings.

The Commission does not adopt the recommendation to include a specific charge or cap on surcharges assessed to limited-income customers. While the Commission understands and shares the concern about the impact of program costs to limited-income ratepayers, it finds that the issue is better suited to be addressed as part of Public Conference ("PC") 59, a proceeding dedicated to providing bill impact relief to limited-income customers. Parties may renew their requests regarding cost recovery for limited-income customers in PC59, with comments due by January 31, 2024.

15. FTM Measures

The Commission recognizes the differing positions taken on the issue of FTM measure limitations by the utilities and stakeholders. While some support the complete elimination of CVR savings from the EmPOWER Program, others advocate for the allowance of unlimited FTM savings to be attributed to utility goals. The Commission also recognizes the positive and negative aspects to the various positions put forth, including that the removal of CVR savings will further increase monthly surcharges, and that the removal of CVR savings limitations, while likely to decrease monthly surcharges, will negatively impact the utilities' ability to meet their energy savings goals.

The Commission continues to uphold its previously ordered 80/20 split on BTM and FTM programs, and therefore denies, without prejudice, the proposals to remove or decrease the limitations placed on savings that can be attributed to FTM measures, including CVR, as well as the proposals to disallow all CVR savings from the EmPOWER Program.

The Commission is interested, however, in a further assessment of the future of CVR within the EmPOWER Program, and therefore directs Staff to convene the appropriate Work Group to research and analyze the topic. The Work Group shall re-assess if it is appropriate to continue counting existing utility CVR toward EmPOWER goals and what programs (FTM or BTM) could replace existing utility CVR savings while controlling cost impacts to ratepayers. The Work Group should also assess the merits of BGE's proposal to incorporate the remainder of its existing CVR program towards the goal once BGE provides the information Staff identified as lacking in its evaluation of utility

2024 - 2026 programs. The Work Group shall report its findings to the Commission by August 1, 2024.

16. PIMs

The Commission appreciates the utilities' proposed PIMs and sends the PIM structure as modified below to the Cost Recovery Work Group to further refine and finalize. The Commission supports the development of a PIM but does not favor allowing utilities a return through a PIM while they also earn a return through the unamortized balance. Any reward provided to a utility needs to balance the return earned by the unamortized balance versus achievement of a PIM. Therefore, the Commission is open to allowing a preliminary PIM to be applied while the unamortized balance is being paid down, as well as a permanent PIM to take effect once the unamortized balance is paid off.

The Commission directs the Cost Recovery Work Group to research and analyze this structure, and to present its findings to the Commission in a status report to be filed by October 15, 2024. The Work Group is also directed to include in the status report its research and findings as to the development of the permanent PIM, which the Commission requires be two-sided, in that it will provide both a reward for surpassing savings targets as well as a penalty for not reaching targets. Additionally, any rewards should only be granted if the goal is exceeded, and net benefits are produced. As a starting strawman for developing the PIM, the Work Group should utilize OPC's structure, excluding any rewards below 100% of goal. The Work Group should establish how net benefits will be determined, and also research how the PIM reward structure might tie in to surcharge reductions.

17. IRA Funds

The Commission notes that MEA has committed to working with EmPOWER Program administrators to find available federal funding through the IRA, where applicable, to help mitigate rate impacts, and that the utilities have committed to working with MEA and DHCD to leverage federal funding through the IRA into their EmPOWER programs. While this stated collaboration is certainly a step in the right direction, details surrounding the deployment and use of IRA funds are still under development. Furthermore, because the technical and administrative requirements associated with the receipt and use of IRA funds could be challenging for ratepayers, the utilities will need to develop their processes for assisting ratepayers in ways that go beyond simply informing them of the availability of potential funding. The utilities and DHCD are therefore directed to include in their semi-annual EmPOWER reports the progress being made with MEA on developing plans for the integration of IRA funding.

18. Future Planning

The Commission denies without prejudice Montgomery County's proposal to stagger the process of considering new three-year EmPOWER plans with utilities' three-year MYPs in order to increase participation of stakeholders in both planning processes, but does encourage enhanced stakeholder engagement in both processes, regardless of when they occur in relation to each other.

IV. 2024-2026 EmPOWER Program - DHCD Proposal

In Order No. 90546, the Commission declined to formally establish a DHCD savings goal in order to avoid the potential for conflict between the then-pending

SB144/HB169 and a Commission-requested goal.[257] Instead, the Commission requested that DHCD develop its plan for the 2024-2026 program cycle to meet the savings targets designated in SB144/HB169, ensuring that DHCD designed a robust plan needed to increase savings and participation by limited-income customers, while not requiring major readjustments by DHCD, should SB144/HB169 become law.[258] The Commission made the following additional recommendations regarding DHCD's plan development:

> The DHCD plan should set both GHG reduction and energy efficiency goals for the limited-income population.
>
> DHCD's proposed plan should contain thorough cost-benefit and bill impact analyses.
>
> DHCD should designate the source of any required outside funds, as well as the amount and purpose of the funds.
>
> DHCD's proposed plan should be modular and categorize measures by energy efficiency, demand response, and electrification, and it should differentiate between gas and non-gas appliance rebates.[259]

SB144/HB169, titled "Energy Performance Targets and Low-Income Housing," passed on May 8, 2023, thereby requiring DHCD to design its limited-income programs to achieve targeted annual incremental gross energy savings of 0.53% in 2024, 0.72% in 2025, and 1% in 2026.[260] In accordance with the Commission's direction in Order No. 90546,[261] the Limited-Income Work Group filed a recommendation as to what percentage of the goal imposed upon DHCD by the new law must come from its EmPOWER Maryland limited-income programs. The recommendation was as follows:

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[257] Order No. 90546 at 23.
[258] *Id*.
[259] *Id*. at 24.
[260] Savings are to be calculated as a percentage of the 2016 weather-normalized gross low-income residential retail sales for all electric companies. https://legiscan.com/MD/text/HB169/2023.
[261] Order No. 90546 at 23.

> Pending final saving estimates from non-EmPOWER funding sources, non-EmPOWER programs providing electric energy savings to limited-income residents in Maryland are expected to contribute approximately 20-40% of the electric energy savings goal. The remaining amount of approximately 60-80% of the electric energy savings goal (around 120,000 MWh at the 80% level) must be achieved through the EmPOWER limited-income programs over the 3-year program cycle from 2024-2026 in order to meet the goals established by HB169.[262]

A. DHCD's Proposed Plan

DHCD proposes the continuation of its Whole Home Efficiency Program which originated in 2012 as the Limited-Income Energy Efficiency Program ("LIEEP") and continues to serve as DHCD's comprehensive energy program for individual households. Participants of the program receive energy retrofits directly from one of the program's pre-selected and qualified Network Partners, made up of private home improvement contractors, non-profits, and local governments.[263]

DHCD notes that the expenditures for a comprehensive energy efficiency retrofit under the Whole Home Efficiency Program have been capped at $12,000 since 2015. Steady increases since then in the cost of material and labor have made it difficult for the program to provide comprehensive improvements because projects may not fit into the overall job cost cap. To account for the increased costs, DHCD requests that the Commission authorize the hard cap for energy efficiency jobs under the Whole Home Efficiency Program be set at $16,000.[264]

[262] OPC abstained from making a recommendation as it did not believe it had enough information to endorse a recommendation for counting savings from non-DHCD programs toward the savings goals established by HB169. EmPOWER Limited-Income Work Group - Goals Report at 3-4.
[263] DHCD Plan at 50.
[264] *Id*. at 56-57.

DHCD requests authorization for the option to issue Whole Home Efficiency Funds directly to participants rather than only to Network Partners, as is the current practice. Allowing funds to be issued directly to participants would allow DHCD to combine EmPOWER funds with funding from other DHCD programs in the same transaction, eliminating the need for participants to complete more than one application and minimizing DHCD's administrative burden. DHCD also contends that direct issuance of funds would allow it to complete more energy projects, estimating the potential to provide an additional 325 units annually.[265]

Installation rates of HVAC equipment within the Whole Home Efficiency Program have been relatively low. Currently, for rental properties, the EmPOWER program pays for up to 50 percent of the system cost, up to 25 percent can be made up of leveraged funds, if available, and the remaining balance must be contributed by the landlord. DHCD contends that the landlord requirement is a deterrent and leads to missed savings opportunities. In an attempt to increase installations, DHCD requests the removal of the requirement that funds must come directly from the landlord, and instead recommends that EmPOWER funds contribute up to 85 percent of the project cost, with the remainder coming from any other private or public funding.[266]

DHCD proposes the continuation of its Multifamily Energy Efficiency and Housing Affordability ("MEEHA") Program, which issues program funds as grants and loans to affordable housing projects for energy efficiency improvements that have a direct impact on residential or C&I utility accounts.[267]

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[265] *Id*. at 57.
[266] *Id*. at 58.
[267] *Id*. at 61.

Historically, the MEEHA Program has used the Savings to Investment Ratio ("SIR") to determine the funding amount for each energy conservation measure and project, with most requiring the project to share the cost of the measure to meet the SIR requirement. DHCD contends that this has led to unintended consequences such as high share costs to property owners and inequity in funding amounts across the State, which can result in measures being removed from projects or projects being withdrawn altogether. DHCD requests that, instead of the SIR requirement, a Measure Funding List be used to determine funding amounts for improvements. Doing so will allow for the reduction in owner contributions from approximately 35 percent to 15 percent of project costs.[268]

DHCD notes that all affordable multifamily housing properties in the State that wish to receive tax credits or any State-issued assistance must apply to DHCD. Currently only a small number of new construction projects pursue funding due to the limited measures offered for new construction projects. DHCD proposes to incentivize new construction projects by funding the design and achievement of certain nationally recognized certifications. DHCD hopes to increase participation by funding other aspects within the program process.[269]

DHCD proposes the continuation of its Base Efficiency Program which offers a limited selection of energy efficiency measures to clients who are deferred from the Whole Home Efficiency Program due to their home being in a condition of disrepair that cannot be corrected within the Whole Home Efficiency guidelines.[270] Similar to DHCD's request

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[268] *Id*. at 63, 64, and 68.
[269] *Id*. at 64-65.
[270] *Id*. at 69.

to increase job caps for the Whole Home Efficiency Program, DHCD also requests an increase in the job caps for the Base Efficiency Program hard cap to $12,500.[271]

DHCD proposes the continuation of its Maryland Energy Efficiency Tune-Up ("MEET") Program, which extends the life of installed energy measures for weatherization participants and increases long-term energy savings through ongoing client engagement and the maintenance of installed equipment.[272] DHCD proposes changing the focus of the MEET Program to the maintenance of installed measures and the upkeep of the home's HVAC systems, as these activities have proven to be the most beneficial by providing noticeable savings with the most economical use of EmPOWER funds. Further, DHCD plans to adjust the MEET Program to service only electric households, thereby reducing the cost impact of the program while addressing the need to satisfy its legislative electric savings goals.[273]

Finally, DHCD proposes the continuation of its Energy Kits Program, which provides qualified customers with a small number of direct install measures, energy saving tips, and information on other programs intending to provide immediate engagement and savings as well as increased participation in other programs.

DHCD makes several general requests for approval from the Commission to modify aspects of its existing programs in order to meet the energy savings goals recently imposed by the Legislature. While DHCD plans to continue to serve BGE and Washington Gas customers, it plans to reduce the funding of gas appliance replacements in order to conserve funds that do not contribute to its electric savings target in order to better use the

[271] *Id*. at 70-71.
[272] *Id*. at 72.
[273] *Id*. at 73.

funds for measures that also produce gas savings. DHCD will track households that contain unreplaced gas appliances for potential electrification in the future.[274]

DHCD notes that, while it is not planning to implement widespread electrification efforts or specific electrification benefits at this time, in some cases electrification measures could be necessary or appropriate and could be performed under the existing incentive structure. The electric energy measures are already approved measures for electric homes and include heat pumps and heat pump water heaters. Electrification readiness repairs can be performed if they fit within the budget for accompanying repairs. DHCD therefore requests the authority to perform fuel-switching on a case-by-case basis.[275]

Historically, when projects encumbered program funds on or before December 31st of the final year of a program cycle, DHCD would carry funds from one program cycle to the next, completing the projects and expending funds in the first year of the new program cycle. The carried-over expenses and savings were reported separately from the new cycle funds, but they were not counted as new cycle achievements and, often, were not included in the previous cycle results, either. DHCD proposes rolling over into the 2024-2026 program cycle any funds remaining at the end of the 2021-2023 program cycle, and showing the expensing of all funds and reporting of all savings that occur within the 3-year program cycle.[276]

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[274] *Id*. at 24.

[275] For Whole Home Efficiency projects, DHCD will consider fuel switching in cases when the electrification is cost-effective based on a modeled SIR and can be performed within the existing incentive structure. For MEEHA projects, DHCD will consider funding electrification measures at a reduced incentive. *Id.* at 25.

[276] DHCD notes its intention to work with the ERPI Work Group to determine how to best report and account for participation, expenses, and savings for the multi-family projects that can take as long as two years to complete construction. DHCD Plan at 45-46.

DHCD also requests that the Commission approve the removal of the five-year waiting period for applicants to re-participate in DHCD's EmPOWER programs. Currently, this required waiting period causes customers that cannot afford projects or are not eligible for all of the measures at the time of application to miss out on the opportunity - and the DHCD program to miss out on the savings - until the wait period expires. By removing the five-year waiting period, the Commission would allow DHCD to return to a customer sooner and consider providing additional funds for projects in order to capture prior missed savings opportunities. DHCD pledged to make all efforts to maximize resources and track projects to ensure that the same measures are never funded twice within their useful lifetime.[277]

DHCD requests authorization from the Commission to allow certain participants to self-attest their total household income. This modification will provide a new way for customers to be deemed categorically eligible, thereby smoothing and speeding up the enrollment process in order to allow for greater participation in the programs. DHCD notes that certain areas in Maryland contain a large proportion of limited-income households, and proposes to waive income documentation requirements for applicants from such predetermined areas,[278] allowing them to be considered categorically eligible if their total household income falls within a program's income limits. The self-attestation would be accompanied by a signature and would advise of the risks associated with fraudulently obtaining state benefits.[279]

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[277] DHCD Plan at 30.

[278] DHCD would utilize the MDE Environmental Justice tool to determine geographic eligibility which, DHCD estimates, could translate to nearly 170,000 geographically eligible households. *Id*. at 33.

[279] DHCD Plan at 30.

For similar reasons, DHCD also requests that statewide weatherization contractors ("SWCs") be allowed to certify applications for categorically eligible clients. SWCs are not currently authorized to perform income verification for applicants due to the nature of their contracts and the handling of sensitive personal identifiable information. DHCD notes that allowing SWCs to certify applications does not involve the handling of sensitive income statements or social security numbers; rather, it involves the same information that is already provided to contractors in every project file.[280]

The table below shows the savings, costs, and cost-effectiveness forecast for DHCD's Total Portfolio.[281]

Total Portfolio	2024	2025	2026	Total
Annual MWh Savings	26,855	40,211	60,039	127,105
Annual MW Savings	6.544	9.797	14.631	30.972
Participants	22,816	34,170	51,000	107,986
Total Costs	$74,951,767	$112,469,974	$167,537,812	$354,959,553

B. Stakeholder Comments

Staff,[282] MEA,[283] MEEA,[284] and Montgomery County[285] support DHCD's proposed plan and budget for the 2024-2026 program cycle and recommend that the Commission approve the plan as filed. OPC also supports DHCD's proposed plan and budget, and recommends that the Commission approve the plan, largely as filed.[286] OPC

[280] This information includes total household income, number of household members, the utility account number, and client contact information. *Id*. at 42.
[281] DHCD Plan at 48.
[282] Staff Comments at 1-2.
[283] MEA Comments at 31-32.
[284] MEEA Comments at 8.
[285] Montgomery County Comments at 12.
[286] OPC Comments at 33.

made a few recommendations to the Commission regarding DHCD's program, including to deny DHCD's proposal to restrict the MEET Program to servicing only electric households, direct DHCD to track and report on referrals from utility programs, and encourage DHCD to develop an electrification pilot.[287]

C. Commission Decision

Limited-income households make up a significant portion of Maryland's utility ratepayers. The Commission anticipates that the passage of the Energy Performance Targets and Low-Income Housing Law will help to get this segment of the population the attention and assistance it needs and deserves with regard to energy efficiency and affordability. That optimism is further bolstered not only by DHCD's ability to utilize multiple funding sources and coordinate with other state agencies and utilities to provide consistent programs across Maryland, but also by the EmPOWER Maryland plan filed by DHCD for the 2024-2026 program cycle.

DHCD has filed a solid plan consisting of existing programs with well-reasoned additions and modifications geared towards achieving both its legislatively mandated savings targets as well as the State's climate goals. The Commission appreciates the commitment demonstrated by the Secretary and leadership at DHCD to the important responsibility under EmPOWER. The Commission supports DHCD's continuation of the Whole Home Efficiency, MEEHA, Base Efficiency, MEET, and Energy Kit Programs, as DHCD has continued to improve these well-established programs since their introduction under EmPOWER. The Commission also supports the various additions and modifications made to these core programs as they should improve transparency and consistency in

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[287] *Id*. at 73, 64, and 71, respectively.

funding amounts, increase participation, and streamline administrative matters for both participants and DHCD, among other benefits.

The legislative mandates imposed upon DHCD and the need for more extensive collaboration between DHCD and the utilities may require future modifications to DHCD's program but, at this time, the Commission denies any recommendation made for adjustments to DHCD's proposed plan. DHCD's quarterly meetings with program implementers and monthly-to-quarterly meetings with individual utilities, as well as its stated willingness to convene the Limited-Income Work Group quarterly, and as needed, to assess program strengths and weaknesses will allow the programs to begin as planned, while also providing opportunities for frequent dialogue and, if need be, further Commission oversight.

Based upon the foregoing reasons, the Commission approves DHCD's proposed plan for the 2024-2026 EmPOWER Maryland program cycle as filed, except for DHCD's request to consider electrification on a case-by-case basis. For reasons stated earlier in the Commission's denial of the utility electrification proposals, the Commission denies DHCD's request to consider electrification without prejudice. DHCD may re-propose this at a later date, but no earlier than August 1, 2024.

IT IS THEREFORE, this 29th day of December, in the year Two Thousand Twenty-Three, by the Public Service Commission of Maryland, **ORDERED**:

(A) that BGE, Pepco, Delmarva, Potomac Edison, and SMECO are to implement their respective 2023 Scenarios, subject to the parameters stated herein;

(B) that Washington Gas is to implement its weatherization program under its Middle Scenario, and all other programs under its 2023 scenario, subject to the parameters stated herein;

(C) that BGE and Pepco are to re-file their 2024-2026 EmPOWER Program Plan with their 2023 third and fourth quarter semi-annual reports, confirming that they are on track to meet their goals and explaining the modifications made from their initial proposals that have allowed them to meet the goals;

(D) that the EM&V Work Group is to file a status report with the Commission by July 1, 2024, detailing its findings on the inconsistent program modeling and lifecycle costs of the programs presented as identified by MEEA, including any mistakes that are identified and proposed solutions for the mistakes;

(E) that all utilities are to implement their respective Demand Response Programs in accordance with their proposed Maximum Scenario;

(F) that the investor-owned utilities are to develop and submit supplemental plans for their Demand Response Programs by August 1, 2024, containing proposals for including winter peak reductions in their respective programs by December 2024 on at least a pilot basis, for testing flexible load management strategies by optimizing load on a daily, weekly, or monthly basis, and for how their existing or new Demand Response Programs can be used to provide locational demand response to better avoid capital investments;

(G) that the utilities include in their August 1, 2024 filing a detailed explanation of whether or not providing 15-minute peak demand data is possible and, if so, the process for gathering and reporting the data;

(H) that Staff is to file a status report as part of its comments on the utilities February 15, 2024 semi-annual reports, on its findings, after working with the appropriate work group, on whether or not a MW savings goal should be established and, if so, what the goal should be for the 2027-2029 program cycle;

(I) that the utilities' proposed PIDD programs and budgets are approved except for BGE's Composting Pilot, SMECO and Washington Gas's Tree Planting Pilots, and Washington Gas's Hybrid Heat Pump Pilot Program which are denied, and Delmarva and Pepco's Energy Engineers Pilot Programs, which are denied without prejudice;

(J) that the utilities are to provide regular updates on their pilot programs in their respective semi-annual reports, and file a final report on all pilot programs by July 1, 2026;

(K) that Potomac Edison's requests for flexibility (both the continuation of previously approved budget and incentive flexibility as well as the new measure and tier level flexibility requests made as part of the 2024-2026 program cycle) are approved for all utilities and, where applicable, DHCD, subject to the parameters stated herein;

(L) that Potomac Edison's proposed financing program is approved, and Potomac Edison is to include as part of its February 15, 2024 semi-annual report, a status report detailing how its program will work in tandem with the CEA program, and how it will ensure that the financing program will provide uplift to its EmPOWER programs;

(M) that the low-, limited-, and moderate-income programs proposed by BGE, Pepco, Delmarva, and Potomac Edison are denied without prejudice;

(N) that the Midstream Work Group is to develop a Uniform Program Manual by January 1, 2025, in accordance with the parameters herein, with the utilities to include in their semi-annual reports between now and January 1, 2025, the status of the Uniform Program Manual development as well as their proposed implementation plans;

(O) that the Midstream Work Group is to file a status report by April 15, 2024 on its findings and recommendations regarding simultaneously operating both a downstream and midstream program for the applicable appliances;

(P) that the utilities are to file a status report by February 15, 2024, explaining in detail the steps taken to improve upon excessive paperwork and administrative tasks required by contractors and delays in receiving rebates as part of their midstream programs, with a follow-up report filed no later than April 15, 2024, on any relevant issues that a particular utility has not resolved by the February 15, 2024, status report;

(Q) that the utilities are to include in their August 1, 2024 filing information pertaining to efforts made towards modifications and additions to their respective Residential New Construction Programs as stated herein;

(R) that the Electric Utilities are to file as part of their February 15, 2024 status report an update as to the Appliance Recycling Program's vendor status and any modifications to be made to the utilities' targets as a result of any program delay, and how they intend to mitigate load growth from continued use of duplicative old appliances (e.g., the "beer fridge") in the absence of an appliance recycling program;

(S) that the Work Group chosen by Staff is to file a status report by April 15, 2024, detailing its findings on the potential implications and appropriateness of limiting provision of the appliance recycling rebate to only those who have affirmatively replaced the recycled unit with an efficient appliance under EmPOWER;

(T) that loyalty rewards earned under the BGE and SMECO loyalty programs may only be used by customers towards their respective utility's energy efficiency programs;

(U) that the EM&V Work Group is to file a status report by August 1, 2024, in response to OPC's inquiry as to why the anticipated cost of the Electric Utilities' Behavioral Programs increased so dramatically from the last program cycle, despite relatively few changes having been made to the program designs and attainable savings;

(V) that the utilities are to explore the inclusion and possible promotion of green roofs and white painted roofs as part of their C&I Custom Programs, and report their findings and recommendations to the Commission in a status report to be filed by August 1, 2024;

(W) that Staff is to investigate the complaint regarding BGE's Building Tune-Up Program as identified herein, and file a status report on the matter with the Commission in its comments on the utilities February 15, 2024 semi-annual reports;

(X) that the utility proposals for electrification programs are denied without prejudice, and subject to the parameters stated herein;

(Y) that the utilities should be prepared to justify continuation or removal of gas appliances from their programs in their August 1, 2024, filings based on current Commission proceedings and State policy at that time;

(Z) that the pay-down of the unamortized balance is extended from five years to seven years, and the utilities are to file their revised surcharges within 15 days of the issuance of this Order, reflecting the modifications to their programs as required by this Order;

(AA) that the Cost Recovery Work Group is to convene to determine if there is an improved method for balancing the shift to an expensing model with the rising program costs and increased surcharges, and is to file a status report on its findings by April 15, 2024, and a final report with recommendations by July 1, 2024, with the utilities to respond to the final report in their August 1, 2024 filings;

(BB) that the proposals to remove, decrease, or increase the limitations placed on savings that can be attributed to FTM measures, including CVR, as well as the proposals to disallow all CVR savings from the EmPOWER Program, are denied, without prejudice;

(CC) that Staff is to convene the Work Group it deems appropriate to further assess the future of CVR within the EmPOWER Program as detailed herein, with the Work Group filing a report on its findings by August 1, 2024;

(DD) that the Cost Recovery Work Group is to research and analyze PIMs as stated herein, filing a status report on its findings by October 15, 2024;

(EE) that the utilities and DHCD are to include in their semi-annual EmPOWER reports the progress being made with MEA on developing plans for the integration of IRA funding;

(FF) that Montgomery County's proposal to stagger the process of considering new three-year EmPOWER plans with the utilities' three-year MYPs is denied without prejudice; and

(GG) that DHCD's proposed plan for the 2024-2026 EmPOWER Maryland program cycle is approved as filed, except for the request to consider electrification, which is denied without prejudice.

/s/ Frederick H. Hoover, Jr.

/s/ Michael T. Richard

/s/ Anthony J. O'Donnell

/s/ Kumar P. Barve

/s/ Bonnie A. Suchman

Commissioners