

ATTACHMENT B

Energy Conservation Program Proposals Summaries

The Commission by letter dated May 12, 2000, the Commission invited Parties of Record in the Commission's ongoing inquiry into electric restructuring (PSC Case No. 8738), and Interested Persons to address three questions related to fulfillment of the provisions of Section 7-211 (c) of the Public Utilities Articles. These questions are: (1) What type of energy conservation and efficiency programs should be adopted? Why are the recommended programs preferable to other alternatives? (2) How should energy conservation and efficiency programs be funded in Maryland and what level of funding is required? and, (3) What test should be used to decide whether a program is cost-effective? The Commission directed parties and interested persons to file initial comments with the Commission by June 9, 2000 and reply comments no later than June 30, 2000. The Commission held hearings on July 10 and 11, 2000.

The groups which submitted written and/or oral comments during this part of the proceeding included:

- Town of Berlin
- Baltimore Gas and Electric Company
- Delmarva Power & Light Company, d/b/a Conectiv Power Delivery
- Potomac Edison Company
- Potomac Electric Power Company,
- Southern Maryland Electric Cooperative
- Alliance to Save Energy
- American Council for an Energy Efficient Economy
- Chesapeake Bay Foundation
- Maryland Public Interest Research Group
- National Resources Defense Council
- Northeast Energy Efficiency Partnerships
- Bethlehem Steel
- Eastalco
- Maryland Industrial Group

- U.S. Department of Energy
- Columbia Gas of Maryland
- Curtis Engine and Equipment
- Mid-Atlantic Petroleum Distributors Association
- Office of People's Counsel
- Washington Gas Light Company
- Maryland Energy Administration
- Maryland Department of Natural Resources
- Maryland Department of the Environment

Table 1 below summarizes the responses of parties to these questions. The oral and written comments proffered by parties for the most part fall into two general categories:

- (1) interventionists who argue for the need for programs and funding to meet the needs of Maryland and;
- (2) non-interventionists who argue that the energy efficiency and conservation are matters best left to the market and not public programs.

In this respect, the answers provided by parties to the questions posed by the Commission were largely ideological. Both interventionists and non-interventionists cited previous experiences with utility and government-sponsored energy efficiency programs. Bethlehem Steel and Eastalco maintained that energy efficiency should be left to the market place. Similarly, Mid-Atlantic Petroleum Distributors Association and the Maryland and the Maryland Industrial Group asserted that programs that involve cross subsidies, such as rebates or other financial incentives, should be deemed inappropriate.

Proponents of energy efficiency programs also cited the experiences of utilities in this jurisdiction and elsewhere in transforming markets to higher energy efficiency appliances and equipment as evidence for the need for continued funding of programs by ratepayers or by government. The Energy Advocates, Maryland Energy Administration, Department of Natural

Resources, and National Association of Energy Service Companies advocated statewide programs to encourage the energy efficiency. These parties all submitted proposals for specific programs which are discussed in greater detail below, with issues related to funded.

In terms of cost-effectiveness, the Commission in its May 12, 2000 letter requested that parties also recommend specific tests to assess cost-effectiveness. Most parties that addressed this issue indicated that a reliance on the TRC test as the primary measure of effectiveness was no longer appropriate. There were differences as to what test or tests the should be relied upon for program selection. Generally proponents of energy efficiency programs advocated application of tests which captured the broadest range of costs, such as a societal test. This approach was favored energy advocates. Others argued that the cost-effectiveness definitions should be narrowed. For example MADPA asserted the Rate Impact Measure or RIM test was most appropriate since it assessed the financial impact of programs on nonparticipants. This would provided some measure of whether a program create cross-subsidies.

In terms of factual evidence presented by parties to support their respect position and proposed program, the Commission expressed during the hearings frustration that parties did not present sufficiently detailed and updated data, particularly with the proposed programs. Parties indicated that this was due to insufficient time and resources to gather and analyze data.

A. Program Development

The Commission by letter dated July 20, 2000 letter to all parties and interested persons requested that more detailed information and program proposals be submitted by parties. As directed by the Commission, the parties submitted proposed programs on August 28, 2000. Program proposals were submitted by National Association of Energy Service Companies, Northeast Energy Efficiency Partnership, the Southern Maryland Electric Cooperative and

Maryland Energy Administration. Parties also exchanged data requests. To facilitate this process, the Commission also permitted all parties to send information and data requests to other parties.

On September 26, 2000, the Commission's staff convened a meeting of interested persons and parties to exchange additional information about the proposed programs, and to discuss the organization of this compilation of DSM programs. The attendees included: Allegheny Energy, American Council for an Energy Efficient Economy, Baltimore Gas and Electric, Bethlehem Steel/Eastalco Aluminum, Choptank Electric Cooperative, Columbia Gas, Conectiv Power Delivery, Exelon Energy, First Energy, Maryland Department of the Environment, Maryland Department of Natural Resources, Maryland Energy Administration, Maryland Industrial Group, Maryland Public Interest Research Group, National Association of Energy Service Companies, Natural Resources Defense Council, Northeast Energy Efficiency Partnerships, Inc., Office of People's Counsel, Southern Maryland Electric Cooperative, Potomac Electric Power Company, US Department of Energy, Washington Gas Light, Westvaco. Parties that had submitted proposals made brief presentations summarizing the proposal and answered questions. This was followed by a general discussion of proposals. It appears that a consensus was reached among meeting participants that the level of detail contained in the program proposals was inadequate for the Commission to form an opinion or recommendation for the General Assembly.

The Staff, as directed by the Commission's July 20, 2000 letter to all parties, filed with the Commission on October 6, 2000 a compilation. Comments on the programs contained in the compilation were filed on October 18, 2000. Additionally, the Commission's technical staff filed comments and a proposed program on this date. By letter dated December 3, 2000, the Commission granted an extension to the Energy Advocates to file additional analyses regarding

their proposal by November 17, 2000. Parties and interested persons were also asked to file comments on the Staff's proposal on November 17, 2000. Final comments were filed on December 15, 2000.

Subsequent sections summarize each of the proposed programs and specific issues identified in the Section 7-211, including recommended budgets, employment impacts, environmental impacts, rate impacts and cost-effectiveness.

B. Program Proposals

1. Energy Advocates

The Energy Advocates proposal would create a statewide portfolio of 12 programs to address commercial, industrial and residential energy efficiency and conservation opportunities.

NEEP proposed the following programs:

Residential Programs

- HVAC Tune-Up/Repair Program
- Electric HVAC Replacement Program
- ENERGY STAR® Appliance & Consumer Products Program
- ENERGY STAR® Lighting Program
- ENERGY STAR® Windows Program
- New Construction Program
- Low Income Program

Commercial Programs

- Industrial Efficiency Program
- C&I Building Operation & Maintenance Program
- Commercial Building Retro-Commissioning Program
- C&I Energy Efficient Construction Program & Equipment Replacement
- C&I Motor System Optimization Program

Energy Advocates' stated objectives for the programs are market transformation, lost opportunities, peak demand reduction and to provide services to low-income customers. The programs would utilize a number of different strategies, including incentives for customers and trade allies, marketing and coordination with other state, regional and national energy efficiency and conservation programs.¹ This approach is similar to program adopted by Maryland gas and electric utilities during the 1990s.

In terms of program costs, Energy Advocates proposed a three-year budget of approximately \$265 million, of which approximately \$225 million or approximately 85 percent of budgeted costs would be paid to customers and contractors in the form of rebates or other incentives.² The largest programs would be for Commercial and Industrial New Construction (\$96 million), industrial efficiency (\$55 million), and residential HVAC (\$33 million) and Residential New Home Construction (\$26 million). These four programs account for approximately 80 percent of total budgeted program costs for all programs.

A detail cost benefit analysis was filed by the Energy Advocates on November 17, 2000. This filing contained benefit cost analyses as well as the estimates of the employment and environmental impacts of this proposal was included as part of this analysis. The analysis demonstrated that all of the programs to be cost effective as measured by the societal test and all programs except the low-income program to be cost-effective as measured by the Utility Cost Test: The analysis, while not providing specific estimates of job impacts, estimated overall economic benefits of the proposed program to be \$1,342.2 million over the life of the measures.

In terms of rate impacts, the analysis filed indicated that the rate impacts would be \$0.00143 per kWh for residential customers and \$0.00178 per kWh for nonresidential customers.

¹ Compilation at page 10.

The rate impact was the estimated difference between the projected revenue requirement per kWh and the average revenue requirement without the programs.

2. *National Association of Energy Service Companies*

NAESCO believes the Maryland Public Service Commission (PSC) should adopt Standard Performance Contract (SPC) programs. In a SPC program, the program administrator develops a contract, delivery times, and conditions, with specific incentive payments for specified units of energy as delivered savings. It is proposed that PSC seek to acquire the equivalent of 200 MW of capacity, and associated energy use reductions.

The program will be available to all customers paying Public Benefits Charges. Government and public facilities in Maryland will be a specific target. Improvements in these buildings yield benefits to all ratepayers and additional benefits in operating economies for MD taxpayers. Funding should come from PBC payable by all electric utility distribution customers.

NAESCO proposes that the program be administered by an independent entity under PSC supervision. Participants develop projects according to terms of the contract and submit savings measurements over a multi – year period in exchange for incentives for each kWh savings from the administrator. It is suggested that PSC follow the example set by New York PSC programs. These programs embody the best SPC features that have been evolving over the past 8 years in other states.

NAESCO asserts that the SPC approach offers significant advantages over other Programs. NAESCO identified the following advantages:

- Measured units of savings are delivered, directly equated to measured units of produced energy. Ratepayers can see the value. Participants who do not produce savings do not get paid. Penalties are sometimes paid when savings are not delivered.

² For discussion purposes, the estimated budgets for programs proposed by NEEP at pages 15-23 of the programs have been rounded to nearest million.

- Stimulates development of market of ESCOs. Existing program in NJ has acted as a catalyst for two major and two dozen smaller in – state ESCOs and attracted a number of national companies to develop projects in the state.
- SPC programs offer a level playing field with regulatory supervision. Delivery of projects is the responsibility of the competitors in an open marketplace. A competitive, performance based approach will help overcome market barriers.
- The program encourages technology and business innovation among multiple customers and ESCOs.

NAESCO also provided a review of SCP program in New Jersey and New York. New Jersey's SCP program called the Standard Offer has been in operation since the early 1990's. NAESCI reports that the program produced 860 efficiency projects in 5,078 commercial and industrial facilities and 53,697 residential units in PSE&G territory by the end of 1998. The program resulted a 200 MW reduction in summer peak and 1,100-gigawatt hrs of reduction in energy use. Additionally, the monitoring requirements of this program required verification of reductions of major environmental emissions. NAESCO contends that millions of dollars were spent on construction work, resulting in the creation of thousands of jobs in New Jersey. Additionally, NAESCO asserts that this program was an important factor in introducing new florescent and compact florescent lighting technologies into the mainstream of industrial, commercial, and residential markets. Further contends that the New Jersey program led to the Creation more than two dozen ESCOs in New Jersey and introduced performance based contracting into the energy and environmental services industry.

NAESCO also summarizes the key attributes of New York's SPC program is another example of a successful SPC program. These included the following:

- Statewide consistency makes market more attractive for new companies.
- Multi-Year commitment offers ESCO's confidence in making a significant investment in a program or market. Three years of stable incentive

commitment allows ESCO to establish a good business plan that will yield success.

- Marketing to various segments of the population provides more opportunity.
- School/university program may be designed to produce cash flow to subsidize infrastructure improvements.
- Industrial program would minimize contractual restrictions on changes in future operations.
- Penalties for non-delivery
- ESCOs will set realistic levels, not extend marketing beyond reasonable delivery capabilities.

NAESCO in its Filing of August 28, 2000 indicated that it planned to file the results of an economic analysis of Standard Performance Contracting in the PJM region. This study was not filed.

3. *Southern Maryland Electric Cooperative*

Southern Maryland Electric Cooperative, Inc.'s, (SMECO), proposal is designed to serve SMECO's territory. Initiatives include: Home Weatherization; Construction Standards; Heating and Cooling Contractor Technical Assistance and Training; Customer Education; Technology Promotion; Financing Improvements.

SMECO has offered three specific programs as examples of ways to directly benefit their customers by reducing energy use, costs, and environmental degradation, without compromising reliability. The three programs proposed include the *ENERGY STAR® Home* program, the *PowerWise* program, and the *SelectHVAC* program. These are programs that are likely to be attractive to existing customers. The customers are familiar with the programs because they are already in place in SMECO's territory. The programs administrative costs are minimal and

participation costs to customers are low. Local trade allies, builders, contractors, inspectors, and auditors are familiar with and easily integrated into the programs.

SMECO is concerned with the possible imposition of a public benefits surcharge to fund statewide programs. SMECO contends that there will be more customer acceptance of a program that invests their funds back into their communities rather than outside their service area. Regional programs also keep local job opportunities available rather than providing work to out of state contractors. SMECO contends that local programs solidify relationships between administrators and trade partners that deliver the service.

SMECO, notes that its proposal may be tailored to meet cost effectiveness requirements that are to be established. New methods should be explored to advance efficiency, rather than adding charges to bills, such as the provision of tax credits for efficiency, lighting standards to transform the market to improve efficiency, and requiring mechanical performance inspections.

The ENERGY STAR® Home program evolved from the Power Saver Home program as rebates were phased out. SMECO inspects homes and certifies them as Energy Saver Homes if requirements/standards are met. A registration fee of \$275 is paid by the builder and covers administrative costs, inspections data base tracking, mileage, and labor. Upon approval of inspection the home is registered with the Environmental Protection Agency and a certificate is mailed to the buyer. SMECO estimates that 30–50 % heating and cooling cost savings. The home is also a better investment and more marketable in the future.

The PowerWise program was designed to help existing homeowners improve the comfort of their homes and lower consumption by installing energy savers, providing financial incentives for major retrofits, and educating customers regarding energy management. The program is tiered to meet customers needs depending upon their electric usage.

- High – use customers are eligible for all components of the program but may not qualify for financial incentives.
- Residential customers receive direct – install measures and financial incentives towards major retrofit measures deemed cost effective.
- Low – use customers are eligible for only some components of the program.

Direct – install measures include conservation measures installable at the initial site visit.

If cost effective, these measures are directly installed for high and low use customers, regardless of income. Examples of these products include: compact fluorescent lamps, water heater wraps, pipe insulation, faucet and showerhead flow devices. Major retrofit measures include building insulation, duct insulation, HVAC equipment service/maintenance, equipment controls, programmable thermostats, pool pump timers. These measures may qualify for financial incentives, determined by measure screenings and scaled in relation to incremental cost and expected savings.

The SelectHVAC program is designed to promote home comfort and efficiency by working directly with HVAC contractors. SMECO aims to alleviate forces that prevent customers from purchasing an energy efficient HVAC system. These barriers include: lack of knowledge, difficulty obtaining an unbiased, technical opinion; contractors only interested in the bottom line, not quality; lack of product availability; lack of inspection requirements.

SMECO uses the EC Home Improvement Loan program as a vehicle for promoting energy efficiency. Some 205 customers have received over \$785,000 in loans through ECHI program, offered at no cost to SMECO.

SMECO formed a group of contractors who agree to maintain trained technicians and adhere to standards for installing and servicing HVAC equipment. Customers are provided with a list of participating contractors. The list contains names and services offered, giving the

customer confidence in their contractor. SMECO coordinates training and exams for contractors, training must be completed to participate in the program.

4. *Maryland Energy Administration*

The Maryland Energy Administration and the Department of Natural Resources/Power Plant Research Program proposed four program types:

- Informational program
- Residential/Small Commercial program for appliances
- New Home Construction program
- Commercial/Industrial Pilot

The informational program would involve consumer education to facilitate intelligent decision-making. Marketing assistance would be offered in the form of point of sale exhibits showing the savings to the consumer. The consumer would benefit from the training offered to the retail personnel in facilitating the decision-making process for consumers who may have questions or issues to discuss. This support opens up the market for efficient appliances. The program would also address technology, conservation costs, efficiency measures and the expected environmental effects of the program.

Residential/Small Commercial Programs for appliances would focus on reducing the cost differential between efficient and standard appliances for end users and builders. This may be done through rebates for refrigerators, window AC, and lighting. Target market would be both the replacement and new construction markets with rebates directly to consumers and builders.

New Home Construction programs would offer incentives to builders and customers making major renovations to existing homes. Certificates may provide additional marketability

of homes and builders. Rebates would be based on the cost of improvements/appliances relative to baseline purchases.

Commercial/Industrial Pilot programs would help ESCOs market services and efficiency measures to commercial/industrial/institutional customers. Opportunities to conserve energy are offered through improved operation and maintenance practices, equipment replacement, operational modifications, and new construction.

5. *U.S. Department of Energy*

The U.S. Department of Energy (DOE) submitted information about the ENERGY STAR® Program. The DOE offered to assist the State of Maryland in both designing and implementing local and regional ENERGY STAR® -based programs for customer education, market transformation, economic development and environmental protection. The DOE did not propose address specifically any of the questions posed by the Commission, but noted that the ENERGY STAR® Program can be tailored to meet the specific needs of a jurisdiction.

6. *Staff*

On October 18, 2000 the Commission's Staff proposed that electric and gas companies in Maryland be required to develop and implement programs to educate and inform residential customers about energy efficiency and conservation opportunities. The MD Utility ENERGY STAR® Partnership Program proposed by Staff would use the US DOE and EPA ENERGY STAR® program as the platform for this program. The program would provide information and education about energy practices and measures not included as part of the US DOE/EPA ENERGY STAR® program.

The MD Utility ENERGY STAR® Partnership Program would initially target residential gas and electric customers in Maryland. The decision to focus on residential markets initially is

predicated on the assumption that an active energy services industry currently exists to address the needs of large commercial and industrial customers which provides education and/or information to these customers about energy conservation and conservation opportunities. Additionally, it also provides shared savings incentives to address first cost and other market barriers. Staff believes that the needs of small commercial customers are not being addressed by the competitive energy services industry at this time. This issue will be addressed after the implementation of the proposed residential program.³ The program does not specifically address the needs to low-income customers, which are being addressed by the Universal Program, but this information and education would flow to customers regardless of income.⁴

The MD Utility ENERGY STAR® Partnership Program will seek to transform the following markets by providing information and education to residential customers about energy-efficiency and conservation opportunities:

- New Home Construction
- HVAC Replacement
- Home Appliances

The program will provide information and education to trade allies to improve practices and improve installation and building practices and educate customers about the benefits of energy efficiency products and services.

This program will initially rely on education and information. No direct financial incentives will be provided to customers⁵ but limited incentives may be provided to trade allies.

³ The rationale for this assumption is describe in greater detail in Staff's Initial Comments.

⁴ The Universal Service program is funded by a surcharge on ratepayers. In response to the Low-Income segment of the Universal Service program, electric utilities have or will seek Commission authority to terminate funding of these programs through the DSM surcharge.

⁵ The use of rebates and other direct financial incentives would be considered if the program failed to achieve results and only after careful study of the impacts.

Staff proposes that a maximum funding level of 0.5 mills be established for residential electric customers and a comparable level for residential gas customers.⁶ For a typical customer using 750 kWh per month, this would equal approximately 37.5 cents per month or \$4.50 per year. Collections would total approximately \$10-12 million annually.

This program would be funded through a surcharge on residential electric and gas customers pursuant to Section 7-211 (b) of the Public Utility Company Articles. The surcharge would be limited to direct approved program costs and carrying costs. Lost revenues would not be included in the surcharge. Utilities would have the option to defer and amortize these costs over a period beyond the year the expenditures occurred. This approach offers greater rate stability and can be used to mitigate rate impacts. Specific details regarding cost recovery would be approved by the Commission on a case-by-case basis.

The MD Utility ENERGY STAR® Partnership program would create a minimum standard for information and education about energy efficiency and conservation opportunities available to residential customers. The specifics of how an electric or gas company will comply with this standard is a matter for individual electric and gas companies to determine and subject to the approval of the Commission. Staff believes that, while a statewide approach is needed to coordinate efforts between electric companies (large and small) and to provide technical assistance as needed, these are company programs.⁷

One of the major advantages of the proposed program is that it seeks to utilize resources from a number of different sources, either through coordination and/or leveraging of resources. Among the areas identified to further this goal are:

- (1) State and federal Programs;

⁶ The Staff is not proposing a funding level for gas companies in this filing. Conceptually, Staff favors a funding formula that would create an equitable burden between gas and electric heating customers.

- (2) Technical assistance with trade and retail allies;
- (3) Cooperative advertising; and

Staff proposed a budget of \$10-12 million per year over a three year period or 0.5 mill per kWh rate impact for residential customers

Comments on Proposals

This section summarizes the comments filed by parties concerning the proposed programs and analyses filed on October 18, November 17, and December 15, 2000. The summary provides an overview of the position of parties.

A. Joint Utilities Comments December 15, 2000

Utilities identify several principles that they believe should be applied to any programs adopted by the Commission Cost-Effectiveness Estimates of cost-effectiveness should be based on reasonable (2). If run by utilities, programs should offer flexibility in implementation--e.g., contractor selection Market oriented approach (3) Education and financing (3) Building codes should be preferred choice (3) Rate impacts--Commission should be concerned with elimination of rate reduction by DSM costs.

1. Energy Advocates

With respect to the analysis filed by the Energy Advocates on November 17, the Joint Utilities that asserted it was flawed in certain respects. First, the analysis relied on unrealistic input assumptions. This included assumed baseline efficiencies and energy savings for to analyze the cost-effectiveness of appliances and equipment. These assumptions failed to account for past programs in Maryland. Additionally, the estimated value of negative externalities was too high. Finally, the Joint Utilities note that the Energy Advocates applied on the Utility Cost and Societal Tests, and did not apply the Rate Impact Measure or Total Resource Cost Tests.

⁷

Process issues related to this program are discussed in the next section.

2. *Staff Proposal*

With respect to the Staff proposal, the Joint Utilities indicated that it provided a framework for program development, which emphasizes information and education. The Joint Utilities supported the concept of a statewide approach which would allow utilities flexibility in terms of programs implementation and coordination of resources. Finally, the Joint Utilities support cost recovery of program costs through a surcharge, performance incentives, and do not believe that education and information programs justify lost revenues.

The Joint Utilities expressed concern that program which pay incentives to customer and vendors must be shown to be cost-effective prior to implementation. Costs associated with the proposed Energy Star® Transformers Program are included in the current freezes. Any funds collected by the utility through a surcharge should be allocated to that utility service territory.

3. *MEA/DNR Proposal*

The Joint Utilities note that the MEA/DNR proposal calls for funding, but provides no specifics about how funds would be spent. The rate impact of a proposed 2 mill surcharge could increase distribution rates as much as 10 percent. Table comparing surcharges in other states is misleading. Most states do not have energy efficiency surcharges of the magnitude being proposed in Maryland. MEA/DNR proposal would exacerbate problems of cross-subsidization. The so-called market approach is not such an approach, but merely a competitive bid. A true market oriented approach, the utilities contend focuses on the benefits that would accrue directly to the participating customer.

B. *Mid-Atlantic Petroleum Distributors Association (November 17, 2000)*

1. *Staff Proposal*

In its comments MAPDA alleges that Staff has ignored deadlines by filing a program concept a month after the deadline and by seeking to begin a separate proceeding to consider the programs (p3). In terms of the Staff proposal, MAPDA asserts that the it could be turned into yet another misguided program requiring large expenditures of public funds and central planning intrusions into matters best left to the market (page 3). MAPDA expressed concern that the Staff proposal leaves open the prospect of incentives to dealer once the program is underway.

2. MEA/DNR

Maryland Petroleum Distributors Association did not comment on the MEA/DNR proposal.

C. Maryland Industrial Group (Comments of December 15, 2000)

1. Energy Advocates

The analysis is deficient since it does not include participants and non-participants tests, but relies solely on the utility cost and societal tests. The application of societal benefits is flawed, particularly concerning values assigned for externalities, which MIG asserts are exaggerated. The analysis also relies on baselines which are not specific to Maryland. Finally, the proposed use of rebates is contrary to Commission policy established in previous orders in this proceeding.

2. Staff Proposal

MIG did not comment on this proposal.

3. MEA/DNR

MIG argued that critical information regarding this proposal was lacking. Specifically in terms of how cost-effectiveness would be estimated, and no analysis was provided on employment, environmental or rate impacts associated with this proposal.

D. Washington Gas

1. Energy Advocates Proposal.

Washington Gas did not comment on this proposal.

2. Staff Proposal

Washington Gas contends that the Staff Proposal was very ambiguous, with respect to what role what role staff envisions for gas utilities, how will costs be shared between electric and gas customers, how cost-effectiveness will be measured and what types of education and information would be provided to customers. Washington Gas questions whether it is the Staff's intention to use the money collected through program to offset sales tax incentives provided by the state. Washington Gas estimates that the Staff's proposal would require collections of collection \$1.5 million (\$100,000 in currently being collected).

E. OPC

1. Energy Advocates

OPC believes proposal could be developed within the 1 mill surcharge cap NEEP proposal is provides an incomplete basis to coordinate further development and tailoring of programs.

2. Staff Proposal

OPC contends that the Staff approach is flawed. It provides no evidence that proposed programs would achieve measurable savings. Unlikely that program would be successful without incentives. Staff 's definition of cost-effectiveness is unclear. Need for additional research. Energy Star Platform is woefully inadequate

3. MEA/DNR Proposal

OPC supports this proposal.

**Table
PSC Case No. 8738—DSM
Summary of Party Positions**

Party	Proposal	Impact on Jobs	Environmental Impacts	Rate Impact	Cost Effectiveness
Maryland Energy Administration and The Department of Natural Resources/Power Plant Research Program (MEA/PPRP)	Informational Residential/Small Commercial Programs for Specific Appliances New Home Construction Commercial/Industrial Pilot Education	Not Specified	Not Specified	\$24-48 million annually. \$1,500 per month cap for large industrial customers.	Not Specified
National Association of Energy Service Companies (NAESCO)	Standard Performance Contract (SPC)	Not Specified	Not Specified	Not Specified	Not Specified
Northeast Energy Efficiency Partnerships, Inc. (NEEP) w/ Maryland Public Interest Research Group, American Council for an Energy Efficient Economy, Natural Resources Defense Council, Chesapeake Bay Foundation and Alliance to Save Energy	Residential Programs (7) HVAC Tune-Up/Repair Electric HVAC Replacement ENERGY STAR Appliance and Consumer Products ENERGY STAR Lighting ENERGY STAR (ES) Windows New Construction Low Income	\$1,342.2 million of net economic benefits over life of measures No job impacts specified.	Cumulative Annual Reductions after 10 years NOx 1,448 tons/year SOx 4,129 tons/year CO ₂ 1,863,086 ton/year	Res. \$0.00143 Non Res. \$0.00178 Rate impact is the estimated difference between the projected revenue requirement per kWh and average revenue requirement without program. Grand Total: \$264 million Y1 \$64.5 million Y2 \$87.9 million Y3 \$111.6 million	Societal Test: All programs are estimated to be cost-effective Utility Cost Test All programs are estimated to be cost-effective, except low-income program
SMECO	Describes its current program offerings. Offers some suggested areas for future program, but provides no description or detail.	Not Specified	Not Specified	Not Specified	Not Specified
Staff	MD Utility Energy Star Partnership Program: Appliances, New Home Construction, HVAC replacement, transformers	Not Specified.	Not specified. Minimal	\$10-12 million per year for residential gas and electric customers. No impacts on commercial and industrial customers	Participant Test--Simple payback analysis for appliance program. Measures have 2-4 year payback

**PSC Case No. 8738: Demand-Side Management
Issues Matrix**

	What type of energy conservation and efficiency programs should be adopted?	Why are the recommended alternatives preferable to others? Notes and additional comments	How should programs be funded?	What level of funding is required?	What test should be used to decide whether a program is cost-effective?
Mid-Atlantic Petroleum Distributors Association	DSM programs should only be funded by ratepayers when they do not provide subsidies that might steer customers to purchase electric or natural-gas fuel equipment.		Financing at market rates	Not applicable	RIM or "no-losers" test is the only appropriate test in competitive markets. This test best tracks any subsidies
Office of People's Counsel	Programs provide services and technologies and services that promote energy efficiency and conservation, but are not available in the marketplace for Maryland customers.	Prefer a competitive bidding process over utility administered programs. Reflects changes in natural gas markets	PBC capped at 1 mil	Capped at 1 mil.	Societal benefits (environment employment) and cost of the program funded through a surcharge.
Washington Gas	Low-income and weatherization; information and education programs	Supports the Commission's shift to market-based delivery mechanisms.	Surcharge or other mechanisms that are agreeable to all parties	Existing levels of support are adequate	Urges Commission flexibility and the use of tests that capture a number of perspectives.
Maryland Energy Administration and Department of Natural Resources	Competitive bidding program Maximizing benefits to customers, ensuring to the extent practicable that benefits exceed costs for programs and as many customers as possible have the opportunity to participate		Non-by-passable wires charge. Not clear if this would be assessed on all customers or only on residential as provided in the BGE and APS stranded cost settlements	2 mil	Life-cycle cost analysis. Net savings should be broadly interpreted to include all savings regardless of fuel source. Program selection should not be limited to cost-effectiveness only and should consider factors such as the environment and jobs.
Maryland Department of the Environment	Supports programs but makes no specific recommendations		No recommendations	No recommendation	No recommendations
Alliance to Save Energy, American Council for an Energy Efficient Economy, Chesapeake Bay Foundation, Maryland Public Interest Research Group, Natural Resources Defense Council, Northeast energy Efficiency Programs, Inc.	Competitive selection of projects and programs as judged by technical evaluation panels, external to the administration of programs	Included a description of programs offered in New Jersey, but with no recommendations Includes Compressors, C&I Building Operation and Maintenance, C&I New Construction, Residential Energy Star Appliance Program, Residential electric HVAC, Residential Gas HVAC, Residential Energy Star	Wires charge	2.4 mils per kWh or \$144 million per year	Should consider societal benefits such as public health, the environment and reliability. Basic unit of analysis should be market penetration. Include cost and benefits consistent with a market orientation such a program-induced market effects. Multi-year time horizon, state-wide perspective (regional variations)

**PSC Case No. 8738: Demand-Side Management
Issues Matrix**

	What type of energy conservation and efficiency programs should be adopted?	Why are the recommended alternatives preferable to others? Notes and additional comments	How should programs be funded?	What level of funding is required?	What test should be used to decide whether a program is cost-effective?
		Lighting Program, Residential Low-Income Program, Residential New Construction, Residential Energy Star Windows Program			
Joint Utilities	Programs should be limited to those which are cost-effective to the distribution utility	Active ESCO market and Energy Star for Homes demonstrate that market forces are working on the customers' side of the meter.	Participant should pay costs.	Not Addressed	TRC and Rim
Bethlehem Steel-Eastalco	Programs should be left to market		Funded by individuals	Not Addressed	Not Addressed
Columbia Gas	Not addressed	Support recommendations of the Demand-Side Management Working Group	Not Addressed		Not Addressed
Staff	The Commission should first identify policy objectives. Programs should then be developed that address policy objectives		It depends on the type of programs, the distribution of costs and benefits	Not addressed	RIM, TRC and other tests developed to assess the cost-effectiveness of utility DSM programs are no longer relevant.
US Department of Energy	Energy Star Programs--Statewide education effort to inform customers about benefits of the program	Not Addressed	Not Addressed	Not Addressed	Not Addressed
Curtis Engine and Equipment	Commission should incorporate distributed generation into the discussion of energy efficiency		No need for funding		Market test
Town of Berlin	Programs required of municipal utilities should be restricted to public education and other programs that are based on local initiatives.				
Maryland Industrial Group	Any program that involves cross-subsidization should be deemed inappropriate.		Conservation should be funded by those who benefit.	No funding	Test that clearly demonstrates that his/her/its investment will produce the benefits they seek

Summary Party Comments of
November 17, 2000 and December 15, 2000
Comments on Program Proposals

	MEA/DNR	NEEP	Staff
Joint Utilities	<ul style="list-style-type: none"> • Proposal calls for funding, but provides no specifics about how funds would be spent • Rate impacts of 2 mill could increase a distribution rate as much as 10 percent. • Table comparing surcharges in other states is misleading. Most states do not have energy efficiency surcharges of the magnitude being proposed in Maryland. • MEA/DNR proposal would exacerbate problems of cross-subsidization. • The so-called market approach is not such an approach, but merely a competitive bid. A true market oriented approach focuses on the benefits that would accrue directly to the participating customer. 	<p>Utilities identify several principles that they believe should be applied to any programs adopted by the Commission</p> <ul style="list-style-type: none"> • Cost-Effectiveness • Estimates of cost-effectiveness should be based on reasonable (2). • If run by utilities, programs should offer flexibility in implementation--e.g., contractor selection • Market oriented approach (3) • Education and financing (3) • Building codes should be preferred choice (3) • Rate impacts--Commission should be concerned with elimination of rate reduction by DSM costs. • Specific Comments on NEEP Program Analysis • Unrealistic input assumption • Negative externalities • Selective use of benefit cost tests <p>Failure to account for past activities in Maryland</p>	<p>Support the following elements</p> <ul style="list-style-type: none"> • Statewide approach which allows flexibility for utility implementation • Emphasis on coordination and partnerships • Endorses the emphasis on education and information. • Support cost recovery, incentives for implementation and no lost revenues. <p>Expressed the following concerns:</p> <ul style="list-style-type: none"> • Programs which pay incentives to customers and vendor must be shown to be cost-effective prior to implementation • Utility representation/membership on oversight board • Cost associated with transformers are not included in rate freeze expenses. • Funds collected by a utility should be spent in that territory.
MAPDA			<ol style="list-style-type: none"> 1. Alleges that Staff has ignored deadlines by filing a program concept a month after the deadline and by seeking to begin a separate proceeding to consider the programs (p3). 2. In terms of the Staff proposal, MAPDA asserts that the it could be turned into yet another misguided program requiring large expenditures of public funds and central planning intrusions into matters best left to the market (page 3). MAPDA expressed concern that that Staff leaves open the prospect of incentives to dealer once the program is underway.

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	MEA/DNR	NEEP	Staff
MEA/DNR	Not Applicable	NA	<p>Supports the following elements of the Staff proposal:</p> <ul style="list-style-type: none"> • Statewide scope • Energy Star platform • Education and information • Exclusion of lost revenues • Coordination with other state and federal program. <p>Opposes the following elements</p> <ul style="list-style-type: none"> • Limitation to residential customers • Supports expanded funding
Energy Advocates	Did not comment	Not Applicable	<p>Deficiencies in Staff proposal:</p> <ul style="list-style-type: none"> • No customer incentives which undercuts the benefits of programs • Does not address commercial and industrial sectors. • Proposal is thin with respect to program administration
MIG	Information lacking how cost-effectiveness will be measured, rate impacts job impacts	<p>NEEP's November 17, 2000 is deficient since it omits basis analysis does not include participants and non-participants tests</p> <p>Application of societal test application of societal benefits; values assigned are exaggerated</p> <p>failure to use Maryland baselines</p> <p>rebates ignore Commission policy</p>	No Comment
OPC	Supports this proposal.	OPC believes proposal could be developed within the 1 mill surcharge cap NEEP proposal is provides an incomplete basis to coordinate further development and tailoring of programs.	<p>Staff approach is flawed.</p> <p>It provides no evidence that proposed programs would achieve measurable savings. Unlikely that program would be successful without incentives. Staff 's definition of cost-effectiveness is unclear. Need for additional research. Energy Star Platform is woefully inadequate.</p>

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	MEA/DNR	NEEP	Staff
Washington Gas	Did not comment.	Did not consider previous investments in conservation made during the 1990s NEEP did not demonstrate that additional investments are warranted.	1. Staff Proposal is very ambiguous unclear what role staff envisions for gas utilities how will costs be shared how cost-effectiveness will be measured type of education that will be provided to customers money collected through program to offset sales tax incentives provided by the state? Rate impacts Staff proposal would collect \$1.5 million (\$100,000 in currently being collected).
Maryland Department of the Environment	Supports MEA/DNR proposal since it will contribute to the objectives of minimizing environmental impacts of restructuring	No Comment	No Comment
Staff	Filed no comments	Filed no comments	Filed no comments
Bethlehem Steel/ Eastalco	Provides no analysis regarding benefits or how collected funds would be allocated. Programs are duplicative of state tax credits.	Relies on out dated data compiled from outdated regional or national statistics. Programs are duplicative of state tax credits	Takes no position on the Staff proposal.